IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN RE MSG NETWORKS, INC. STOCKHOLDER CLASS ACTION LITIGATION	C.A. No. 2021-0575-KSJM CONSOLIDATED Public Version: November 5, 2021

VERIFIED CONSOLIDATED AMENDED STOCKHOLDER
<u>CLASS ACTION COMPLAINT</u>

Co-Lead Plaintiffs The City of Boca Raton Police and Firefighters' Retirement System ("Boca P&F"), Tim Stevens, Michael Cavaliere, and Clint Murray, together with Plaintiff Timothy Leisz (collectively, "Plaintiffs"), by their attorneys, bring this Verified Consolidated Amended Stockholder Class Action Complaint ("Complaint") on their own behalf and on behalf of all Class A common stockholders of MSG Networks, Inc., a Delaware corporation ("MSGN" or the "Company"), excluding Defendants (as defined below) and their affiliates. This action asserts claims against (1) the former members of MSGN's board of directors (the "Board" or the "Director Defendants") and (2) each of the Dolan Family Directors[1] and each member of the Dolan Family Committee (collectively, the

[1] As used herein, the term "Dolan Family Directors" includes directors who are members of the Dolan family (James L. Dolan, Charles F. Dolan, Kristin A. Dolan, Paul J. Dolan, Thomas C. Dolan, Brian G. Sweeney, and Aidan J. Dolan).

"Dolan Defendants")[2] as MSGN's controlling stockholders for breaching their fiduciary duties to MSGN's stockholders by agreeing to sell MSGN to Madison Square Garden Entertainment Corp. ("MSGE") in a stock-for-stock merger for an unfair price (the "Transaction").

The allegations herein are based upon Plaintiffs' personal knowledge as to themselves, and upon information and belief of counsel, including the investigation of counsel, the review of publicly available information, and the review of certain books and records produced by the Company (the "Section 220 Production") in response to Plaintiffs' demands made under 8 *Del. C.* § 220 (the "Section 220 Demands"), as to all other matters.

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[2] For purposes of this Complaint, the "Dolan Family Committee" refers to the voting members of a committee of the Dolan family members who collectively have the power to vote all of MSGN's and MSGE's Class B common stock (representing majority voting control of both MSGN and MSGE). The "Dolan Family Committee" consists of Charles F. Dolan and his six children: James L. Dolan, Thomas C. Dolan, Patrick F. Dolan, Kathleen M. Dolan, Marianne Dolan Weber, and Deborah A. Dolan-Sweeney. The voting members of the Dolan Family Committee are James L. Dolan, Thomas C. Dolan, Kathleen M. Dolan, Deborah A. Dolan-Sweeney, and Marianne Dolan Weber; each voting member of the Dolan Family Committee has one vote, other than James L. Dolan, who has two votes. As reflected in the Company's most recent Form 10-K, Charles F. Dolan and Patrick F. Dolan are non-voting members of the Committee.

NATURE OF THE ACTION

1. This action challenges a corporate marriage arranged by and for the special non-ratable benefit of MSGN's controlling stockholders at the unfair expense of MSGN's minority stockholders. The Dolan Defendants wield majority voting control over both MSGN and MSGE, and used that control to merge MSGN and MSGE at a price that was unfair to MSGN's minority stockholders. James Dolan conceived the merger to shore up MSGE as its business was decimated by the COVID-19 pandemic and it floundered under the weight of cost overruns on a huge $2 billion entertainment complex in Las Vegas (the "Las Vegas Sphere"). While MSGE faltered in the pandemic, MSGN was successfully navigating COVID-19 and had ample access to cash. Against this backdrop, the Dolan Defendants saw MSGN as the golden goose – flush with capital and cash flow – and ripe for them to exploit to support MSGE through the pandemic and to enable continuation and ultimate completion of the construction of James Dolan's pet Las Vegas Sphere project the failure of which would be a reputational disaster for the Dolan Defendants.

2. MSGN – whose businesses include sports content development and distribution, regional sports and entertainment networks, and a companion streaming service – was well-suited to weather the COVID-19 storm. MSGE – whose businesses are live sports and entertainment experiences, dining and nightlife venues, hospitality, and music festivals – was severely disrupted by COVID-19. Of

even greater concern, the disruption and revenue setbacks caused by COVID-19 threatened the success of large-scale, expensive projects that MSGE already had in the works. As a result, although MSGN was projected to grow revenues back to pre-pandemic levels while remaining free cash flow positive, MSGE reported huge operating losses brought on by the onset of social distancing restrictions and the shuttering of dining and live performance venues during the pandemic, and was not expected to be able to generate ***any*** meaningful positive free cash flow until ***2025***.

3. James Dolan, MSGN's Executive Chairman and MSGE's CEO by birthright, had placed MSGE in a precarious position by embarking on an ambitious – and costly – program to build gigantic globe-shaped arenas called "Spheres" around the world as entertainment venues. After breaking ground on his first Sphere in Las Vegas in October 2018, by early 2020 James Dolan found himself in dire financial straits as the pandemic caused numerous construction delays and massive cost overruns at the Las Vegas Sphere. An initial estimated $1.2 billion bill had snowballed to $2 billion. With its finances decimated by the pandemic, MSGE could not even pay its contractors, who had filed several liens for millions of dollars of unpaid invoices, and construction of the Las Vegas Sphere had been halted.[3]

[3] Undaunted, James Dolan still plans to have MSGE build more giant Sphere arenas around the world, with the next one slated for London.

4. To resolve MSGE's financial problems, James Dolan cooked up a plan for MSGE to buy MSGN so he could access its cash flows to fund MSGE's expenses. To secure his desired Transaction, Dolan created a sham special committee ("MSGN Committee") – comprised of two Dolan loyalists – that was empowered to consider ***only*** a deal with MSGE. The Dolan Defendants' voting control assured MSGE could acquire MSGN, and the so-called "independent" MSGN committee repeatedly acceded to the will and desires of the Dolan Defendants to approve an acquisition quickly. After a negotiation period lasting no more than 10 days, the MSGN Committee rubber stamped the Transaction with ***no*** protections for the public stockholders against the Dolan Defendants' voting control or adverse price movement.

5. In addition to being the result of an unfair process dominated bu the Dolan Defendants, the Transaction provided an unfair price to MSGN's minority stockholders. At the time the Transaction was announced, the merger's fixed exchange ratio (0.172 MSGE share per MSGN share) equated to $16.16 per MSGN share – a ***15.5% discount*** to MSGN's closing price the day before BLOOMBERG reported that the companies were in discussions about a potential deal and a ***7% discount*** to MSGN's closing price the day before the Transaction was announced. Further, because the MSGN Committee had acceded to MSGE's demand that the Transaction not include a majority of the minority vote condition, the Dolan

Defendants' 70% voting control of MSGE and 76% voting control of MSGN[4] made this decidedly unfair takeover a *fait accompli*. Likewise, the MSGN Committee's failure to obtain a collar or other protection for the already unfair price exposed MSGN's minority stockholders to further adverse movements in MSGE's trading price as the pandemic persisted between signing and closing. The conflicted MSGN Board, of course, approved the Transaction as presented.

6. When the Transaction closed on July 9, 2021, MSGN's stockholders received ***even less*** than the negative premium originally negotiated. Based on MSGN's and MSGE's closing prices on July 8, 2021 – the day before the Transaction closed – MSGN stockholders received only $14.15 per MSGN share, more than ***18% lower*** than MSGN's $17.38 per share closing price the day before the Transaction was announced and ***26% lower*** than MSGN's $19.13 closing price on March 10, 2021, when BLOOMBERG first reported that MSGN and MSGE were in negotiations for a potential deal. In short, MSGN's stockholders ended up with a deal that was ***even worse*** than the bad deal the Board initially accepted.

7. Through this Action, Plaintiffs seek monetary damages, among other relief, against the Defendants to remedy their breaches of fiduciary duty.

[4] MSGN-220-00000502 at -505.

PARTIES

I. PLAINTIFFS

8. Co-Lead Plaintiff The City of Boca Raton Police and Firefighters' Retirement System owned MSGN Class A common stock continuously from December 8, 2016 through the consummation of the Transaction.

9. Co-Lead Plaintiff Tim Stevens owned MSGN Class A common stock continuously from February 2020 through the consummation of the Transaction.

10. Co-Lead Plaintiff Michael Cavaliere owned MSGN Class A common stock continuously from March 2021 through the consummation of the Transaction.

11. Co-Lead Plaintiff Clint Murray owned MSGN Class A common stock continuously from October 20, 2020 through the consummation of the Transaction.

12. Plaintiff Timothy Leisz owned MSGN Class A common stock continuously from May 20, 2020 through the consummation of the Transaction.

II. DEFENDANTS

13. Defendant James L. Dolan was a Class B director and the Executive Chairman of MSGN from its incorporation in July 2009 through the consummation of the Transaction. He has been a director and the Executive Chairman of MSGE since its incorporation in March 2015, and the CEO of MSGE since November 2019. He is also a voting member of the Dolan Family Committee, which prior to the Transaction controlled both MSGN and MSGE by virtue of its power to vote 100%

of the Class B voting shares of both companies (all of which are held by members of the Dolan family and its affiliates). In addition to his roles at MSGN and MSGE, Defendant James L. Dolan's other roles within the Dolan family's network of companies have included his tenure as director and Executive Chairman of MSG Sports since 2015 and CEO from 2017 to April 2020; director of Cablevision from 1991 until its sale in 2016, and during that time also serving as CEO from 1995, Vice President from 1987 to 1992, and President from 1998 to 2014; CEO of Rainbow Media Holdings, Inc. ("Rainbow Media") from 1992 to 1995; and director of AMC Networks, Inc. ("AMC") since 2011, and Non-Executive Chairman since September 2020. Given his status of a member of the Dolan family, his membership on the Dolan Family Committee, and his position as CEO and Executive Chairman of MSGE, undeniably means he had conflicts of interest with regard to the Transaction.

14. Defendant Charles F. Dolan is James Dolan's father, a former Class B member of the MSGN Board controlled by the Dolan Defendants, and a current MSGE director and voting member of the Dolan Family Committee. In addition, he has held many executive positions within the Dolan family's network of companies, including: director, Chairman, and CEO of Cablevision from 1985 until its sale in 2016; director and Executive Chairman of AMC since 2011; and founder of Sterling Manhattan Cable Television, Home Box Office ("HBO"), and the Long Island Cable Community Development Co. ("Long Island CCDC"), of which he was the founder and General

Partner. Like his son, James L. Dolan, he also had overwhelming conflicts of interest with regard to the Transaction.

15. Defendant Aidan J. Dolan is James Dolan's son, a former Class B member of the MSGN Board controlled by the Dolan Defendants, and a current MSGE director.

16. Defendant Kristin A. Dolan is James Dolan's wife, a former Class B member of the MSGN Board controlled by the Dolan Defendants, and a current MSGE director. In addition, Kristin Dolan has held many positions within the Dolan family's network of companies, including: Chief Operating Officer ("COO") of Cablevision from 2014 until its sale in 2016, director from 2010, Senior Vice President from 2003 to 2011; President of Optimum Services from 2013 to 2014, and Senior EVP of Product Management and Marketing from 2011 to 2013; director of MSGS since 2015; a director of AMC since 2011; and a prior stint as a director of the Company from 2010 to 2015.

17. Defendant Paul J. Dolan is James Dolan's cousin, a former Class B member of the MSGN Board controlled by the Dolan Defendants, and a current MSGE director. In addition, Paul Dolan has held many positions within the Dolan family's network of companies, including various roles with the Cleveland Indians Major League Baseball team, owned by his father, Larry Dolan. Paul Dolan was employed by the Cleveland Indians as Vice President and General Counsel from

2000 to 2004, President from 2004 to 2010, and has served as the team's Chairman and CEO since 2010. He has been a director of MSG Sports since December 2019 and was a director of Cablevision from 2015 until its sale in 2016.

18. Defendant Thomas C. Dolan is James Dolan's brother, a former Class B member of the MSGN Board controlled by the Dolan Defendants, and a current MSGE director and voting member of the Dolan Family Committee. In addition, Thomas Dolan has held many positions within the Dolan family's network of companies, including various roles at Cablevision, where he served as Vice President and Chief Information Officer from 1994 to 1996, Senior Vice President and Chief Information Officer from 1996 to 2001, EVP and Chief Information Officer from 2001 until 2005, a director from 2007 until Cablevision was sold in 2016, and EVP- Strategy and Development of Cablevision from 2008 until the sale. Thomas Dolan has also served as CEO of the Dolan-controlled Rainbow Media from 2004 to 2005; General Manager of Cablevision's East End Long Island cable system from 1991 to 1994; a director of MSGS since 2015; and a director of AMC since 2011.

19. Defendant Brian G. Sweeney is James Dolan's brother-in-law. He joined the Dolan family on September 24, 1994, when he married Deborah Dolan, Charles F. Dolan's daughter. He is a former Class B member of the MSGN Board controlled by the Dolan Defendants, and a current MSGE director. In addition, Brian

Sweeney has held many positions within the Dolan family's network of companies, including: Strategy and Chief of Staff of Cablevision from 2013 to 2014, Senior Vice President of its Strategic Software Solutions division from 2012 to 2013, Senior Vice President of its eMedia division from 2000 to 2012, director from 2005, President from 2014, and CFO from 2015 until its sale in 2016. He was also a director at MSG Sports since 2015 and a director at AMC since 2011.

20. Defendant John L. Sykes is a former Class B member of the MSGN Board controlled by the Dolan Defendants, and a current MSGE director. In addition, he has had a longstanding relationship with Defendant James Dolan, dating back more than 20 years, having co-produced with James Dolan and Harvey Weinstein the historic "The Concert for New York City" in 2001, and having co-produced with James Dolan "12-12-12: The Concert for Sandy Relief" in 2012.[5]

21. Defendant William J. Bell is a former Class B member of the MSGN Board controlled by the Dolan Defendants. In addition, Defendant William Bell's ties to the Dolan family are decades-old, starting in 1979. He formerly held a number of executive positions at Cablevision. Thereafter, he remained with Cablevision as a

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[5] *The Madison Square Garden Company Appoints John Sykes to Board of Directors*, GLOBE NEWSWIRE (Aug. 4, 2015), https://investor.msgentertainment.com/press-releases/news-details/2015/The-Madison-Square-Garden-Company-Appoints-John-Sykes-to-Board-of-Directors/default.aspx.

consultant from 2005 to 2014. From 2011 through the present, he has served as a director of AMC.

22. Defendant Stephen Mills is a former Class B member of the MSGN Board controlled by the Dolan Defendants. In addition, Stephen Mills has held many positions within the Dolan family's network of companies, including: President from 2017 to 2020 and EVP and General Manager from 2013 to 2017 of the New York Knicks; a director at MSG Sports since April 2020; and a Trustee of Ariel Investments, LLC, a mutual fund management company with overlapping positions on MSGE (10.7% Total Shares Outstanding ("TSO")) since 2015, and MSGN (23.3% TSO).

23. Defendant Hank J. Ratner is a former Class B member of the MSGN Board controlled by the Dolan Defendants. In addition, Hank J. Ratner has held many positions within the Dolan family's network of companies, including being a director and Vice Chairman of Cablevision from 2002 until its sale in 2016. Ratner also occupied various roles at AMC (previously known as Rainbow Media), including Vice Chairman from 2002 to 2011, a director from 1997 to 2003, COO from 1999 to 2002, COO and Secretary from 1998 to 1999, EVP and Secretary from 1997 to 1998, and EVP of Legal & Business Affairs and Secretary from 1993 to 1997.

24. Defendant Joseph J. Lhota was an MSGE director at the time of the Transaction in addition to being an MSGN Class A director. In addition, his relationship with the Dolan family is unwavering, with both professional and political ties, and a pre-acknowledged conflict of interest. Professionally, the extent and duration of his tenure within the Dolan family's network of companies displayed multiple conflicts of interest and a profound sense of loyalty to the Dolan family. He acted as EVP of Cablevision from 2002 to 2010, before becoming EVP and Chief Administrative Office of MSG from 2010 to 2011.

25. In October 2011, Lhota was nominated to serve as Chairman of the Metropolitan Transportation Authority ("MTA"), serving as interim CEO, while awaiting confirmation by the New York State Senate. He was ultimately confirmed to the position on January 9, 2012, later resigning from the MTA at the end of the year to pursue his political ambitions and run for mayor of New York City. With the wholehearted endorsement of Newsday, a print media organization serving Long Island and New York City, owned and operated by the Dolan family, Lhota, secured the Republican primary nomination. He lost the general election to Bill de Blasio in 2013. He returned to Cablevision, as a director, from 2014 until its sale in 2016.

26. Thereafter, in June 2017 until November 2018, Lhota resumed his role as Chairman of the MTA, until the conflict of interest resulting from his appointment

to serve on the New MSG Board of Directors (from 2017 to April 2020) forced him to resign:

> The December hire, which was first reported by Politico, stunned transit activists because of [Madison Square Garden]'s reliance on the M.T.A. — Penn Station has six subway lines and houses the Long Island Rail Road, which is also operated by the authority.
>
> Talks have been going on for years about remaking Penn Station into a site that is better for travelers and also takes advantage of the opportunity for development in a thriving real estate market. But negotiations started heating up again late last fall, according to three sources familiar with the process who spoke on the condition of anonymity because they were not authorized to discuss the issue publicly.
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> One of the options, the sources said, is the removal of the 5,500-seat Hulu Theater to make room for a grand entrance to Penn Station from Eighth Avenue. That would require compensating the Garden, and the size of the compensation is a major point of contention.
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> The Garden's top executive, James L. Dolan, is a longtime donor to Mr. Cuomo, but advocates said it could not hurt to hire Mr. Lhota during the talks.
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> Mr. Lhota said he had recused himself from any discussions about the overhaul of Penn Station. A Madison Square Garden spokeswoman said in a statement, "We believe Joe is a valued, independent member of our board who acts with the highest integrity."
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> The terminal is not the only conflict involving The Madison Square Garden Company. The company is also an investor in a project to build an arena for the New York Islanders at Belmont Park on Long Island, and project leaders have said the site needs better transit access to be successful.

> ***Mr. Lhota said he had recused himself from that issue, too. But when asked about the proposed arena at a budget hearing in Albany in January, he answered at length.***
>
> ***Though Mr. Lhota said he had avoided talks about renovating Penn Station, he has not hesitated to participate in decisions about improvements to two subway stations that serve the stadium, which arguably would also benefit Madison Square Garden.***[6]

As such, Lhota has previously been forced to resign from a position for being credibly accused of acting on behalf of the Dolans.

27. Defendant Joseph M. Cohen served as a Class A director on the Board of MSGN from June 2020 (when the Board determined to increase the size of the Board from twelve to thirteen directors for the first time in its history) through the consummation of the Transaction. Mr. Cohen served on the MSGN Committee formed to evaluate the potential Transaction with MSGE. Mr. Cohen served as President of Cablevision's MSG Networks division from 1977 to 1985 and Executive Vice President of Cablevision's MSG Media division from 1995 to 2002. In connection with his service to the Dolan Defendants, Mr. Cohen receives fixed monthly pension payments from MSGN, totaling approximately $128,000 per year. Mr. Cohen is the current Chairman and Chief Executive Officer of West Ridge

[6] Brian M. Rosenthal, *From the E.R. to the Garden, M.T.A. Chief Holds Unusually Powerful Perch*, N.Y. Times (May 22, 2018), https://www.nytimes.com/2018/05/22/nyregion/lhota-mta-nyc.html.

Associates, a sports and media consulting firm, which includes the Cleveland Indians on its client roster. In addition, Mr. Cohen is a former president (2013 to 2020) and current consultant with The Switch Sport Group ("The Switch"), which has a commercial agreement with MSGN pursuant to which the Company pays The Switch approximately $650,000 per fiscal year. Mr. Cohen is also a director of Madison Square Garden Sports Corp. ("MSG Sports" or "MSGS"), another Dolan family controlled company.

28. Defendant Joel M. Litvin served as a Class A director on the board of MSGN from September 2015 through the consummation of the Transaction. Mr. Litvin served alongside Mr. Cohen on the MSGN Committee, and also has numerous conflicts with the Dolan family, as described below.

29. Defendants named in paragraphs 13-28 are collectively referred to herein as the "Director Defendants" or the "MSGN Board."

30. Defendant Kathleen M. Dolan is the daughter of Charles F. Dolan. She is a voting member of the Dolan Family Committee.

31. Defendant Deborah A. Dolan-Sweeney is the daughter of Charles F. Dolan. She is a voting member of the Dolan Family Committee.

32. Defendant Marianne Dolan Weber is the daughter of Charles F. Dolan. She is a voting member of the Dolan Family Committee.

RELEVANT NON-PARTIES

33. Prior to the Transaction, MSGN was a corporation duly organized and existing under the laws of the state of Delaware, with its principal executive offices located at 11 Pennsylvania Plaza, New York, NY 10001. Before the Transaction, shares of MSGN Class A common stock publicly traded under the symbol "MSGN" on the New York Stock Exchange. MSGN (now a subsidiary of MSGE) is an industry leader in sports production, content development, and distribution, and it owns and operates two award-winning regional sports and entertainment networks, MSG Network and MSG+, and a companion streaming service, MSG GO, which serve the New York media market area, the largest media market in the nation, as well as other markets in the Northeastern United States.

34. MSGE is an entertainment conglomerate incorporated in Delaware with principal executive offices located at Two Pennsylvania Plaza, New York, New York. According to its 2020 Form 10-K, "MSGE is a leader in live experiences comprised of iconic venues; marquee entertainment content; popular dining and nightlife venues; and a premier music festival that, together, entertain approximately 12 million guests a year." The entertainment segment of its portfolio includes ownership and control of Madison Square Garden; the Hulu Theater at Madison Square Garden; Radio City Music Hall; the Beacon Theatre; the Chicago Theatre; the Las Vegas Sphere and the London Sphere, the former of which is currently in its

construction phase and the latter of which is now in its planning phases; the Christmas Spectacular Starring the Radio City Rockettes; and Boston Calling Events. MSG Entertainment has a controlling interest in TAO Group Holdings LLC (the "TAO Group"), the hospitality group behind the TAO brand, the Hakkassan Group, Marquee, Lavo, Avenue, Beauty & Essex, and Cathédrale, among other brands. MSGE's common stock trades on the New York Stock Exchange under the ticker "MSGE."

SUBSTANTIVE ALLEGATIONS

I. The DOLAN DEFENDANTS ABUSE THEIR CONTROL OF MSGN AND MSGE TO ARRANGE AN UNFAIR MERGER

A. THE DOLAN DEFENDANTS CONTROL MSGN, MSGE, AND THEIR PREDECESSORS

35. In 1973, Defendant Charles Dolan started a cable system in Long Island called Cablevision Systems Corporation, which later changed its name to Cablevision. In 1994, Cablevision acquired the Madison Square Garden properties, including the New York Knicks basketball team, the New York Rangers ice hockey team, and the MSG Network, the television channel that broadcasted games for both teams.

36. On July 29, 2009, Madison Square Garden, Inc., the company that would ultimately become MSGN, was incorporated as a wholly owned subsidiary of Cablevision, comprised of various sports, entertainment, and media businesses. In February 2010, Cablevision spun off Madison Square Garden, Inc. into a new

publicly traded company. In 2011, Madison Square Garden, Inc. changed its name to "The Madison Square Garden Company" ("MSG"). To ensure that the Dolans reserved control of MSG following the 2010 spinoff from Cablevision, MSG adopted a two-class capital structure consisting of Class A common stock carrying one vote per share and Class B common stock carrying ten votes per share. In 2010, MSG's Class A common stock was publicly traded on the NASDAQ under the symbol "MSG"; MSG's Class B common stock was not listed on any exchange. The Dolan Defendants (and certain trusts affiliated with them) collectively owned all of the Class B common stock, and thus maintained supermajority voting power through the Dolan Family Committee, which was empowered to vote the Dolan Defendants' stock. Further, holders of MSG Class B common stock (i.e., the Dolan Defendants and certain trusts affiliated with them) were at all times entitled to elect 75% of the Company's Board of Directors. These powers gave the Dolan Defendants voting and operational control over MSG.

37. By 2015, MSG was comprised of three business segments: sports, media, and entertainment. The sports business segment owned and operated all of the Dolan-controlled sports teams, including the New York Knicks, the New York Rangers, and the New York Liberty. MSG's networks provided coverage of many New York-based sports franchises, as well as horse racing, poker, tennis, mixed martial arts, and boxing programs. MSG's media segment owned and operated two regional sports and

entertainment networks, MSG Network and MSG+, which covered these various sports teams. The entertainment business segment presented and hosted live entertainment events such as concerts in MSG's various venues, including Madison Square Garden Arena and Radio City Music Hall.

38. In 2015, the Dolan family determined to spin off MSG's sports and entertainment business segments into a separate publicly-traded company. On March 4, 2015, the Company incorporated "MSG Spinco, Inc." as a wholly-owned subsidiary. On September 30, 2015, MSG completed the spin-off, transferred the entertainment and sports business segments to MSG Spinco, Inc., and changed the name of MSG Spinco, Inc. to The Madison Square Garden Company, which then publicly traded on the New York Stock Exchange ("NYSE") under the symbol "MSG" ("New MSG").

39. In connection with the spinoff, "The Madison Square Garden Company," changed its name to MSG Networks, Inc. and began trading on the NYSE under the symbol "MSGN," where it traded until the consummation of the Transaction. MSGN's Class B common stock remained unlisted and 100% owned by the Dolan family. Holders of MSGN's Class B common stock continued to be entitled to elect 75% of the Company's Board of Directors. At all times prior to the Transaction, at least half of MSGN's Board was comprised of members of the Dolan family.

40. James Dolan was appointed Executive Chairman of New MSG at the time of its incorporation in March 2015. As a result of the spin off, he became Executive Chairman of both MSGN and New MSG.

41. On November 13, 2017, James Dolan assumed the role of CEO at New MSG.

42. On March 31, 2020, New MSG determined to spin off its entertainment business into a new company to be named Madison Square Garden Entertainment Corp. ("MSGE"). James Dolan was named Executive Chairman and CEO of MSGE. MSGE began trading on the NYSE on April 9, 2020. New MSG retained the sports business, which it renamed Madison Square Garden Sports Corp. ("MSGS"). The ticker for the sports business changed from "MSG" to "MSGS." James Dolan continued his role as Executive Chairman of newly renamed MSGS.

43. As a result of these spin-offs, as of April 2020, the Dolan Defendants controlled three interacting publicly-owned corporations: MSGN, MSGE, and MSGS. The Dolan Defendants are a "group" for purposes of Section 13(d) of the Securities Exchange Act, own[7] all of MSGN's and MSGE's Class B shares, and are entitled to vote for 75% of the members of MSGN's and MSGE's boards of directors. As of

[7] As explained below, the Dolan Defendants – collectively and with other members of the Dolan family and various affiliated trusts – own all of the Class B shares. Reference to the Dolan Defendants' ownership of Class B shares is to the interests owned by all the persons and identified below.

May 17, 2021, the following Dolan family members and entities and trusts controlled by them had beneficial ownership of MSGN stock:

- Charles F. Dolan, individually and as a Trustee of the Charles F. Dolan 2009 Revocable Trust (the “CFD 2009 trust”);
- Helen A. Dolan;
- James L. Dolan;
- Thomas C. Dolan;
- Kathleen M. Dolan, individually and as a Trustee of the Charles F. Dolan Children Trust FBO Kathleen M. Dolan, the Charles F. Dolan Children Trust FBO Deborah Dolan-Sweeney, the Charles F. Dolan Children Trust FBO Marianne Dolan Weber, the Charles F. Dolan Children Trust FBO Thomas C. Dolan and the Charles F. Dolan Children Trust FBO James L. Dolan (each, a “Dolan children trust”), and as sole Trustee of the Ryan Dolan 1989 Trust and the Tara Dolan 1989 Trust;
- Marianne E. Dolan Weber;
- Deborah A. Dolan-Sweeney;
- The CFD 2009 Trust;
- the Dolan Children Trust FBO Kathleen M. Dolan;
- the Dolan Children Trust FBO Marianne Dolan Weber;
- the Dolan Children Trust FBO Deborah Dolan-Sweeney;
- the Dolan Children Trust FBO James L. Dolan;
- the Dolan Children Trust FBO Thomas C. Dolan;
- the Charles F. Dolan 2009 Family Trust FBO James L. Dolan;
- the Charles F. Dolan 2009 Family Trust FBO Thomas C. Dolan;

- the Charles F. Dolan 2009 Family Trust FBO Kathleen M. Dolan;
- the Charles F. Dolan 2009 Family Trust FBO Marianne E. Dolan Weber;
- the Charles F. Dolan 2009 Family Trust FBO Deborah A. Dolan-Sweeney;
- the Ryan Dolan 1989 Trust; and
- the Tara Dolan 1989 Trust.[8]

44. MSGN and MSGE have admitted in their respective public filings that the Dolan Defendants control them. Specifically, before and at the time of the Transaction, the Dolan Defendants, by virtue of their ownership of all MSGN and MSGE Class B common stock, were able to control stockholder decisions and to elect up to 75% of the companies' boards of directors.[9] The Dolan Defendants are parties to a Stockholders Agreement, under which holders of Class B common stock cast their votes as a block with respect to all matters to be voted on by holders of Class B common stock.

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[8] In addition to the aforementioned, the following have beneficial ownership of MSG Entertainment: the Charles F. Dolan 2019 Grantor Retained Annuity Trust #1M, the Helen A. Dolan 2019 Grantor Retained Annuity Trust #1M, and the Helen A. Dolan 2009 Revocable Trust. Proxy at 197.

[9] As of May 17, 2021, the Dolan Defendants and certain trusts affiliated with them held all of MSGN's outstanding Class B common stock and approximately 8.3% of the MSGN's Class A stock, representing 76.9% of the total voting power of MSGN, and all of MSGE's outstanding Class B common stock and approximately 3.1% of MSGE Class A stock, representing 70.7% of the total voting power of MSGE. Proxy at 133.

45. Generally, under the Stockholders Agreement, the shares of Class B common stock owned by members of the Dolan Defendants are to be voted on all matters in accordance with the determination of the Dolan Family Committee. The "Dolan Family Committee" consists of Charles F. Dolan and his six children: James L. Dolan, Thomas C. Dolan, Patrick F. Dolan, Kathleen M. Dolan, Marianne Dolan Weber, and Deborah A. Dolan-Sweeney. The voting members of the Dolan Family Committee are James L. Dolan, Thomas C. Dolan, Kathleen M. Dolan, Deborah A. Dolan-Sweeney and Marianne Dolan Weber, with each member having one vote other than James L. Dolan, who has two votes. 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 approval of a change-in-control transaction must be approved by all but one vote.

46. The Dolan Defendants' control of MSGN effectively prevented any outsider from acquiring control of the Company. MSGN acknowledged this reality in its most recent Form 10-K, which stated that "[t]he Dolan Family Group is able to prevent a change in control of our Company and no person interested in acquiring us will be able to do so without obtaining the consent of the Dolan Family Group." Further, "by virtue of their stock ownership," the Dolan Defendants "have the power to elect all of our directors subject to election by holders of Class B Common Stock

and are able collectively to control stockholder decisions on matters on which holders of all classes of our common stock vote together as a single class."

47. Likewise, the Company, in litigation regarding this Transaction and in the course of its successful opposition to a motion to preliminarily enjoin the stockholder vote, admitted that the Transaction "is the acquisition of a controlled company by another company already under common control" and accordingly, any injury sustained "is compensable in damages under the entire fairness doctrine upon a proper showing of harm in post-closing proceedings."[10] Thus, it is not disputed that the Transaction is a conflicted controller transaction to be reviewed under the entire fairness standard at trial.

48. The Dolan Defendants' control over the Company was further illustrated by its governance structure, which prevented the Transaction from being resolved on terms unfavorable to either MSGE or the Dolan Defendants.

49. Pursuant to the Dolan Defendants' Class B common stock rights, the Dolan Defendants have a "lock" on director nominations and elections, with the Dolan Family Committee voting the shares. Accordingly, the MSGN Board's Class B directors, which at all times comprised at least 69% of the MSGN Board, were

[10] Def. Answering Br. in Opposition to Plaintiff's Mot. for Prelim. Inj., (BL 55) at 32. *Leisz v. MSG Networks et al*. C.A. No. 2021-0504-KSJM (Del. Ch. June 25, 2021) (the "Preliminary Injunction Action").

exclusively elected by the Dolan Family Committee. Most recently, the Class B directors included Defendants James L. Dolan, Charles F. Dolan, Aidan J. Dolan, Kristin A. Dolan, Paul J. Dolan, Thomas C. Dolan, William J. Bell, Hank J. Ratner, and Brian G. Sweeney. The latter three, although not members of the Dolan family, are loyal to the Dolan Defendants, working in tandem alongside members of the Dolan family for significant periods of time, and as such, have been compensated with directorships and executive and managerial positions at companies owned and/or controlled by the Dolan Defendants; this is also the case for the four Class A Director members of the MSGN Board: Defendants Joseph M. Cohen, Joseph J. Lhota, Joel M. Litvin, and John L. Sykes.

B. THE COVID-19 PANDEMIC CRIPPLES MSGE WHILE MSGN CONTINUES TO GENERATE SUBSTANTIAL CASH FLOW

50. In 2020, the COVID-19 virus quickly infected the world, striking the United States – and, of particular concern to MSGE, New York City – at almost the exact time MSGE was spun off from New MSG. On March 12, 2020, the National Basketball Association ("NBA") and National Hockey League ("NHL") suspended their seasons after a basketball player – Jazz center Rudy Gobert – tested positive for COVID-19.[11]

[11] Madison Square Garden held its first NBA game since the suspension on February 23, 2021.

51. Soon thereafter, it became nearly impossible for MSGE to host any live events, which comprised the vast majority of its business, due to government-mandated social distancing and venue closures. Events were prohibited at The Garden, Hulu Theater at Madison Square Garden, Radio City Music Hall, the Beacon Theater, and the Chicago Theater. The 2020 Boston Calling Music Festival (slated for Memorial Day Weekend) and the 2020 production of the Christmas Spectacular were cancelled. In short, virtually all of MSGE's business operations were suspended, all events at MSGE's venues were postponed or cancelled, and state and local restrictions on indoor dining forced virtually all of MSGE's Tao Group's venues and numerous other dining and hospitality sites to close with no concrete plans for lifting those restrictions or resuming normal operations.[12]

52. While the COVID-19 pandemic was (and is) not expected to last forever, as of March 7, 2021, mere weeks before the Transaction was agreed to, a BLOOMBERG article reported that "only 20% of U.S. adults polled by Morning Consult said they'd be comfortable going to a concert right now, and 27% of sports fans said they're ready to attend a game."[13]

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[12] Madison Square Garden Entertainment Corp., Annual Report at 1 (Form 10-K) (filed Aug. 31, 2020).

[13] Tara Lachapelle, *Dolan Wins With MSG Deal Even If Knicks Don't*, BLOOMBERG (March 11, 2021), https://www.bloomberg.com/opinion/articles/2021-03-11/msg-s-james-dolan-wins-with-merger-even-if-knicks-don-t.

53. MSGE's financial condition deteriorated rapidly as the COVID-19 pandemic worsened. For the fiscal quarter ended June 30, 2020, MSGE reported a 96% loss of revenue as compared to the quarter ended June 30, 2019, and a $146.4 million operating loss before accounting for gains from the disposal of assets held for sale. For the next quarter ended September 30, 2020, MSGE reported a 92% loss of revenue as compared to the quarter ended September 30, 2019, and an additional $126.6 million in total operating losses. For the quarter ended December 31, 2020, MSGE reported a 94% loss of revenue as compared to the quarter ended December 31, 2019, and another $112.5 million operating loss.

54. At the same time that MSGE's live event and hospitality businesses were hemorrhaging, MSGE was getting buried under a construction project that required additional funding and capital. MSGE was developing the Las Vegas Sphere, an enormous music and entertainment venue at The Venetian in Las Vegas, Nevada, which has been a pet project of James Dolan's for years, and on which the Dolan Defendants had staked their reputation.

55. The construction specifications for the Las Vegas Sphere are staggering. James Dolan envisioned the Las Vegas Sphere as a globe-shaped music venue that will stand as tall as the Statute of Liberty, supported by 12,000 pounds of rebar and 24,000 tons of steel, with enough concrete to fill six Olympic swimming

pools. An LED screen spanning three football fields, the largest on the planet, is slated to wrap around the Las Vegas Sphere's interior.

56. In May 2019, MSGE had preliminarily estimated the cost for the Las Vegas Sphere at approximately $1.2 billion.[14] By April 2020, detailed construction drawings drove the expected price higher, along with cost overruns and delays, bringing the total estimate to $1.66 billion, while MSGE insiders more recently estimated the cost at closer to $2 billion.[15]

57. James Dolan saw support for his ambitious new project start to fizzle as some characterized it as "a desert dice roll" and a "very big gamble."[16] Investors

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[14] MSGE 2020 Form 10-K at 16.

[15] Zack O'Malley Greenberg, *James Dolan Ditched His Family's Legacy Cable TV Business Years Ago. Now He's Stuck with an Albatross of His Own Creation*, FORBES (Apr. 2, 2020), available at https://www.forbes.com/sites/zackomalleygreenburg/2020/04/02/james-dolan-ditched-his-familys-legacy-cable-tv-business-years-ago-now-hes-stuck-with-an-albatross-of-his-own-creation/?sh=6f13e8237579. *See also MSGS Sphere Media Center*, available at https://www.msgsphere.com/media-center/ (last accessed June 29, 2021) (citing to certain more recent articles about the MSG Sphere's construction).

[16] Zack O'Malley Greenburg, *James Dolan Ditched His Family's Legacy Cable TV Business Years Ago. Now He's Stuck With An Albatross Of His Own Creation,* FORBES (Apr. 2, 2020), https://www.forbes.com/sites/zackomalleygreenburg/2020/04/02/james-dolan-ditched-his-familys-legacy-cable-tv-business-years-ago-now-hes-stuck-with-an-albatross-of-his-own-creation/?sh=4027c5477579.

increasingly voiced their concerns about the delays and increasing estimates, stating that MSGE "should scrap the sphere arenas."[17]

58. In addition to raising its estimates for the total cost of the Las Vegas Sphere, MSGE could not keep pace with its current payment obligations to contractors in connection with the Las Vegas Sphere project. Various construction companies claimed that they have not been paid and have filed liens totaling approximately $3.3 million for unpaid invoices.[18] The largest of the liens – a $2.7 million lien filed by Harris Rebar Las Vegas Inc. – was attached to a bond.[19] Moreover, the date for completion of the Las Vegas Sphere project was pushed back. Investors have expressed concerns over ongoing delays and the ever-rising costs of

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[17] Carleton English and Josh Kosman, *James Dolan's plan to build orb-like amphitheaters under fire*, NEW YORK POST (Aug. 21, 2019), https://nypost.com/2019/08/21/investors-are-doubting-james-dolans-plan-to-build-orb-like-amphitheaters/.

[18] Devin O'Connor, *Construction Firms Claim MSG Sphere Owes Them $3.3M, Three Liens Filed*, Casino.org (Aug. 26, 2020).

[19] Richard N. Velotta, *Millions in construction liens filed against MSG Sphere project*, LAS VEGAS REVIEW-JOURNAL (Aug. 25, 2020), https://www.reviewjournal.com/business/millions-in-construction-liens-filed-against-msg-sphere-project-2103241/.

the project.[20] As costs spiraled, MSGE fired the general contractor on the project,[21] with MSGE instead taking those responsibilities in house.[22]

59. Undaunted, James Dolan pressed on with his grandiose scheme of expanding the Las Vegas Sphere project and tethered MSGE to more such projects, growing cash-flow and capital needs. James Dolan's MSGE webpage explains that MSGE intends to develop more MSG Spheres, and MSGE has already announced plans for a second Sphere in London, pending the necessary approvals.

60. Confronted with its imploding financial condition resulting from the COVID-19 pandemic, MSGE was forced to halt construction of the Las Vegas Sphere in 2020 and extend the construction timetable (as explained in its Form 10-K) to "better preserve cash in the near-term." Though construction resumed later that year, given the closure of many of MSGE's venues and termination of related operations, as well as restrictions on certain financing transactions that had been

[20] Nicole Raz, *MSG Sphere $1.2B Price Tag is Making Investors Nervous*, LAS VEGAS REVIEW-JOURNAL (Aug. 21, 2019) (discussing contractor's estimated higher cost of $1.7 billion and the project taking longer than expected); Dade Hayes, "Madison Square Garden Entertainment Acquires MSG Networks Sibling in All-Stock Deal," Deadline.com (March 26, 2021) (noting that the MSG Sphere's "economics have long caused head-scratching among many investors").

[21] Doug Puppel, *AECOM Out as General Contractor on $1.6B MSG Sphere in Las Vegas*, ENR SOUTHWEST (Dec. 18, 2020).

[22] Matthew Sieman, *MSG Entertainment Takes Over As Construction Manager on MSG Sphere in Las Vegas*, News3LasVegas (Dec. 18, 2020).

imposed by the NBA and NHL, there was no assurance that MSGE could obtain the additional capital from its coffers to fund the costly Las Vegas Sphere project.[23]

61. Indeed, in November 2020, MSGE reported that it had taken on a $650 million five-year senior secured term loan in an attempt to address its lack of liquidity.[24]

62. While MSGE suffered through the COVID-19 pandemic, MSGN remained poised for continued success. On a normalized basis, between April 17, 2020 (when MSGE first became a standalone company following the spin-off from New MSG/n/k/a MSGS) and March 10, 2021 (before BLOOMBERG reported news of a potential deal), MSGN's stock rose 75.3%, far outstripping MSGE's 31% stock price increase:

[23] *See* Madison Square Garden Entertainment Corp., Current Report Ex-99.1 (Form 8-K) (filed Apr. 7, 2020).

[24] Madison Square Garden Entertainment Corp., Current Report Ex-99.1 (Form 8-K) (filed Nov. 16, 2020).

63. Further, throughout the pandemic, MSGN's revenues decreased only slightly given its broadcast-based business model. MSGN reported that during fiscal 2020 and into the first quarter of 2021, MSGN successfully renewed two major affiliate agreements, grew non-ratings-based advertising revenue, and continued to introduce new content to engage viewers of MSGN's various networks and streaming services.[25]

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[25] *MSG Networks Inc. Reports Fourth Quarter and Fiscal 2020 Results*, GLOBE NEWSWIRE (August 13, 2020, 6:55 ET), https://www.globenewswire.com/en/news-release/2020/08/13/2077761/23410/en/MSG-Networks-Inc-Reports-Fourth-Quarter-and-Fiscal-2020-Results.html; *MSG Networks Inc. Reports Fiscal 2021 First Quarter Results*, GLOBE NEWSWIRE (November 2, 2020) https://investor.msgentertainment.com/msg-entertainment-and-msg-networks-merger/msg-networks-historical-documents/msg-networks-historical-press-releases/news-details/2020/MSG-Networks-Inc-Reports-Fiscal-2021-First-Quarter-Results/default.aspx.

64. As a result, MSGN strengthened its balance sheet, generated substantial free cash flows, and maintained its margins. For fiscal year 2020, MSGN generated revenue of $685.8 million, operating income of $295.0 million, adjusted operating income of $321.4 million, net cash provided by operating activities of $210.0 million, and free cash flow of $207.2 million. As of March 31, 2021, MSGN, the Dolan Defendants' golden goose, held cash and cash equivalents of $324 million, the highest level since September 2019. Further, MSGN's net debt had fallen to $746.9 million, the lowest level since September 2019. In contrast, during the 2020 calendar year, MSGE generated $96 million in operating cash flow while expending $452.4 million in capital projects, resulting in a cash flow deficit of $356.4 million.

65. Further, according to projections that MSGN management provided to its bankers, which were produced in response to Plaintiffs' Section 220 Demand, [redacted]

[redacted]

66. MSGN was also set to prosper from expansion of legalized sports betting. Although sports betting has been legal in New York State since 2013, such betting was limited to casinos and tribal land. Mobile sports betting is now legal in over a dozen states, with New York expected to follow shortly. In November 2019, MSGN began to access these opportunities when it entered a partnership with FanDuel to deliver gambling-related content and information with the broadcasts of sports events. On February 4, 2021, MSGN announced that it would develop a new free-to-play app – MSG Networks Pick'Em – in partnership with Boom Sports, a leader in online sports-gaming technology, offering sports fans the chance to win cash prizes during Knicks, Rangers, Islanders, Devils and Sabres games.[26] The prediction gaming app was launched on March 17, 2021, and is available on iOS and Android.[27]

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[26] *MSG Networks to Unveil Free-to-Play Gaming App for Sports Fans*, BUSINESSWIRE (Feb. 4, 2021), https://apnews.com/press-release/business-wire/entertainment-business-sports-technology-nfl-425572bbed744500ac3755402a0f0fe8.

[27] *MSG Networks Launches New Free-to-Play Pick 'Em App*, SPORTS VIDEO GROUP (March 19, 2021), Sporthttps://www.sportsvideo.org/2021/03/19/msg-networks-launches-new-free-to-play-pick-em-app/.

67. The expansion of legalized sports gambling further provides MSGN with prospects for growing revenues through increased advertising, affiliate fee revenue, and ancillary revenues associated with online wagering. Conversely, MSGE had no access to the growing online sports gambling industry.

68. The stage was thus set for MSGN to prosper, while MSGE was cratering during the pandemic. The collapse of the Las Vegas Sphere project posed a risk of financial ruin to MSGE, as well as to the Dolan Defendants, given the billions they had already invested. Further, it would spell the end of the London Sphere project before it even began. And given James Dolan's high-profile connection to those projects, he would be publicly rebuked, and the Dolan family name and reputation would be tarnished if the Spheres failed. To guard against these risks, James Dolan sought to merge MSGN and MSGE in order to save MSGE and his Spheres projects.

II. JAMES DOLAN GINS UP THE TRANSACTION TO SHORE UP THE FALTERING MSGE

A. MSGN APPOINTS DEFENDANT COHEN AS AN MSGN CLASS A DIRECTOR TO FACILITATE A TRANSACTION WITH MSGE

69. By late May 2020, the COVID-19 pandemic had crippled MSGE for the foreseeable future, construction on the Las Vegas Sphere had come to a halt, and it was unclear when or how MSGE might recover.

70. As MSGE continued to falter, on June 1, 2020, for the first time in MSGN's decade-long existence, and without any explanation, James Dolan and his cronies on the MSGN Board decided to increase MSGN's Board from twelve directors to thirteen by adding a new Class A Board member, Joseph M. Cohen. Adding a director was the beginning of James Dolan's master plan to merge MSGN and MSGE.

71. By adding a new Class A director to the MSGN Board, the Board positioned itself to create a two-person committee that purportedly lacked disqualifying ties to the Dolan Defendants to negotiate with MSGE. Before Cohen joined the MSGN Board, there was only one director who was: (1) not a Dolan family member; (2) not a Class B director controlled entirely by the Dolan Defendants; and (3) not an MSGE Board member. That director was Joel M. Litvin. But Litvin could not constitute a one-man committee to evaluate an MSGN/MSGE transaction, because MSGN's bylaws require that any Board committee be composed of at least ***two*** members. In addition, MSGN has a Related Party Transaction Approval Policy providing as follows:

> a committee consisting entirely of directors who have been determined by the Board to be independent directors for purposes of the New York Stock Exchange corporate governance standards must oversee the approval of certain transaction and arrangements between the Company and its subsidiaries, on the one hand, and MSGE and its subsidiaries, on the other hand.

72. To be able to approve a related party transaction like a deal between MSGN and MSGE, the Dolan Directors needed to add a second "independent" director. To this end, the Dolan Family Directors appointed Cohen to the MSGN Board. Cohen had extensive ties to the Dolan Defendants, and could be expected to do James Dolan's bidding, With an expanded board in place, the stage was set for an MSGN/MSGE deal.

B. THE DOLAN FAMILY DIRECTORS INITIATE A CONFLICTED PROCESS TO CONSIDER, APPROVE, AND RECOMMEND A TRANSACTION BETWEEN MSGE AND MSGN, ON TERMS FAVORABLE TO THEM

73. In December 2020, members of the MSGE and MSGN management teams, including James Dolan and his fellow conflicted executives, discussed a potential business combination between the two companies and scheduled Board meetings at the respective companies to form special committees to evaluate such a transaction.[28] James Dolan and the other Dolan Defendants were already in the background pulling the strings to ensure consummation of this corporate marriage. Before the boards of MSGN and MSGE could even meet, the Dolan Defendants discussed the possible business combination with their counsel, Debevoise and

[28] The Proxy goes to pains to identify the meetings in which conflicted management or members of the Dolan family absented themselves. It is reasonable to infer that at least certain members of conflicted management or the Dolan family were present at those meetings as to which the Proxy is silent.

Plimpton LLP, who then broached the subject with Sullivan & Cromwell LLP, outside legal counsel to *both* MSGE and MSGN.

74. On January 6, 2021, the MSGE Board held its first meeting to discuss a potential transaction with MSGN. In addition to MSGE's directors, Sullivan & Cromwell (who also provided legal advice to the MSGN Board) and members of MSGE management, including James Dolan — the Chairman and CEO of MSGE and Chairman of MSGN – attended the meeting. Representatives of Sullivan & Cromwell expressed to the MSGE Board "the potential conflicts of interest created by the fact that the Dolan [F]amily [G]roup is a controlling stockholder" of both MSGE and MSGN.[29] At that meeting, the MSGE Board appointed Matthew C. Blank and Frederic V. Salerno, two of its directors, to act as a two-member special committee (the "MSGE Committee").

75. The MSGE Board gave the MSGE Committee a very restricted mandate. The MSGE Committee could only consider a transaction with MSGN. It could not pursue any alternative transaction with a different counterparty or pursue alternative methods for financing MSGE's capital needs.

76. On January 7, 2021, the MSGN Board held its first meeting to discuss a potential deal with MSGE. James Dolan called the meeting to order, explaining

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[29] Proxy at 59.

that its purpose was to discuss MSGE's acquisition of MSGN. From the outset, the MSGN Board recognized that James L. Dolan, Charles F. Dolan, Kristin A. Dolan, Thomas C. Dolan, Paul J. Dolan, Aidan J. Dolan, Joseph J. Lhota, Brian G. Sweeney and John L. Sykes had actual or potential conflicts of interest in connection with the Transaction. To address this, the MSGN Board needed to create a special committee consisting of so-called independent directors to consider whether to pursue a potential transaction between MSGN and MSGE. Gregg Seibert – Vice Chairman of MSGE and MSGN – [redacted]

77. In reality, neither of these directors was independent. Mr. Cohen had numerous financial connections to the Dolan Defendants, as set forth in paragraph 27, *infra*. Beyond their business ties, Mr. Cohen has maintained "long-term personal" relationships with the Dolan Defendants.[30] In 2011, he established the Sports-Time Ohio RSN for Defendant Paul J. Dolan, before it was sold to Fox Corp., inspiring the following sentiments by Paul Dolan:

> "Joe's charming without being slick..." "He never reacts emotionally during a negotiation. Really, he wasn't an obvious choice to advise us — he didn't even have his shingle out then in that business. Then we

[30] Blog, http://www.mrjosephmcohen.com/blog/ (last visited Jul. 7, 2021).

> talked to him and discovered he was uniquely suited. He had worn every hat that can be worn in the sports media business." *Id.*

78. The longevity of Cohen's involvement and allegiance to the Dolan Defendants cast a long shadow on his status as an independent member of the MSGN Board, yet Cohen was appointed to the MSGN Committee overseeing the Transaction, as a result of his purported "independence."

79. Defendant Joel M. Litvin, a director on the former MSGN Board, likewise lacked independence. Mr. Litvin was initially employed by the NBA in 1988 and ultimately rose to the position of President, League Operations, of the NBA, which he held from 2006 until his retirement in 2015. As the NBA's President of League Operations, he managed several core areas of the day-to-day operations of the NBA, including the league's basketball operations, security, player development, social responsibility and legal functions. Mr. Litvin also managed, on behalf of the NBA Board of Governors, franchise matters such as revenue sharing, team sales and financings, relocations and the NBA's ownership and debt policies. During Mr. Litvin's time with the NBA, the Dolan family and its controlled companies owned Madison Square Garden as well as the New York Knicks, a charter member of the NBA.[31]

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[31] *See The Knickerbocker Story*, NBA, available at https://www.nba.com/knicks/history/knickerbockersstory.html (last accessed June 29, 2021).

80. Mr. Litvin initially joined the NBA as a staff attorney in 1988 and also served as Senior Vice President and General Counsel from 1999 to 2000 and Executive Vice President, Legal and Business Affairs, from 2000 to 2006.[32] In the Section 220 Production, Litvin [redacted].[33] Immediately thereafter, he joined the former MSGN Board. Furthermore, [redacted][34] Along with Cohen, he was appointed to the MSGN Committee, and pursuant to the Transaction, he was granted the newly created seat on the MSGE Board.

81. Ignoring these conflicts, the Board adopted resolutions formally creating the MSGN Committee, comprised of Cohen and Litvin. Like the MSGE Committee, the MSGN Committee had an extremely limited mandate: the Committee was empowered to consider ***only*** a transaction with MSGE.

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[32] Board of Directors, https://investor.msgentertainment.com/governance/-of-directors/default.aspx (last visited Jul. 25, 2021).

[33] [redacted].

[34] [redacted].

82. [redacted]

83. [redacted]

35 [redacted]

36 [redacted]

C. THE MSGN COMMITTEE RETAINS CONFLICTED FINANCIAL ADVISORS

84. On February 12, 2021, the MSGN Committee engaged LionTree as its financial advisor. Two weeks later, on February 26, 2021, the MSGN Committee retained Morgan Stanley as an additional financial advisor. Neither LionTree nor Morgan Stanley is independent from the Dolans. Both LionTree and Morgan Stanley served as financial advisors to the 2019 special committee formed to investigate and respond to the allegations set forth in a 2019 derivative action against the New MSG Board, in which it was alleged that the Board had approved unfair compensation for James Dolan and that New MSG was being used to "fund James's lifestyle."[37] Further, Morgan Stanley previously served as a financial advisor in the Dolan family's repeated efforts to acquire Cablevision's outstanding publicly-held shares of common stock.[38]

85. For its part, LionTree has been involved in at least three prior transactions involving the Dolan Defendants: (i) LionTree served as MSG's

[37] The Madison Square Garden Company, Definitive Additional Materials (Schedule 14A) (filed Dec. 4, 2019).

[38] *See, e.g.*, CSC Holdings Inc., Quarterly Report at 26-27 (Form 10-Q) (filed Oct. 9, 2005); CSC Holdings Inc., Current Report (Form 8-K) EX-99.1 (filed May 2, 2007). *See also Cablevision Holders Reject Buyout*, THE WALL STREET JOURNAL (Oct. 25, 2007), available at https://www.wsj.com/articles/SB119323978458569943.

financial advisor on the September 2013 transaction between MSG and Azoff Music Management to create Azoff MSG Entertainment LLC ("Azoff MSG");[39] (ii) LionTree served as a financial adviser in the June 2014 transaction wherein Azoff MSG purchased 50% of Levity Entertainment Group;[40] and (iii) LionTree served as a financial advisor in MSG's 2015 spinoff of its sports and entertainment division into a separate company.[41]

86. In addition to these disqualifying factors, a material portion of both LionTree and Morgan Stanley's compensation was tied to the consummation of a

[39] *The Madison Square Garden Company and Azoff Music Management Join Forces to Create a Powerful, Broad-Based Entertainment Company to Develop Current and Future Opportunities in the Music, Media and Entertainment Businesses*, GLOBENEWSWIRE (Sept. 4, 2013), available at https://www.globenewswire.com/news-release/2013/09/04/571465/10047296/en/The-Madison-Square-Garden-Company-and-Azoff-Music-Management-Join-Forces-to-Create-a-Powerful-Broad-Based-Entertainment-Company-to-Develop-Current-and-Future-Opportunities-in-the-M.html

[40] *Azoff MSG Entertainment Buys Half Of Levity Entertainment Group*, DEADLINE (June 10, 2014), available at https://deadline.com/2014/06/azoff-msg-entertainment-buys-half-levity-entertainment-group-787136/.

[41] *The Madison Square Garden Company Announces Filing of Form 10 Registration Statement for Separation of Sports and Entertainment Businesses From Media Business*, MADISON SQUARE GARDEN SPORTS (Mar. 27, 2015), available at https://investor.msgsports.com/press-releases/news-details/2015/The-Madison-Square-Garden-Company-Announces-Filing-of-Form-10-Registration-Statement-for-Separation-of-Sports-and-Entertainment-Businesses-From-Media-Business/default.aspx

deal between MSGN and MSGE.[42] This economic arrangement gave these advisors an incentive to assist the MSGN Committee in determining that the only deal it was empowered to evaluate – a deal with MSGE —was fair.

D. THE DOLAN DEFENDANTS PREVENT MSGN FROM PURSUING LUCRATIVE ALTERNATIVES

87. The MSGN Committee's limited mandate posed more than a theoretical risk of harm. Because MSGN owned (and owns) valuable intellectual property (through its right to broadcast both the Knicks and the Rangers, among other teams), MSGN would have been a desirable target for many suitors. [redacted]. [redacted]

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[42] MSGN220-00000600.

[43] [redacted].

[redacted][44] The MSGN Committee process, and indeed its mandate, was to finalize an MSGN/MSGE deal and to do so quickly based on the desire of the Dolans.

88. For their part, the MSGN Committee's lawyers at Davis Polk had little incentive to push the issue. [redacted]

[44] [redacted]

[45] [redacted].

E. Following A Truncated Process, The Conflicted MSGN Committee Approves The Transaction

89. On February 8, 2021, having failed to explore potentially lucrative alternatives, the MSGN Committee met to discuss beginning due diligence on a deal with MSGE with its advisors. The Committee and its advisors identified information about the Las Vegas Sphere project as an important subject of due diligence, but noted [redacted][46]

90. During the remainder of February 2021 and into early March 2021, members of the two special committees and their advisors held meetings with each other and management teams from each company. Although such joint meetings purportedly were held on February 17, 24, and 26, and March 3, 2021, MSGN has failed to produce ***any*** minutes, summaries, notes or agendas for such meetings in response to Plaintiffs' Section 220 Demands. [redacted]"[47]

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[46] [redacted].

[47] [redacted].

91. On February 24, 2012, MSGE management made a presentation to the MSGE Committee. [redacted].

92. Further, MSGE management [redacted]

93. Within a few weeks of the MSGN Committee's receipt of MSGE's admittedly speculative projections, news of a potential deal reached the market. On March 10, 2021, following the close of trading, BLOOMBERG published an article

48 [redacted].

(the "BLOOMBERG Article") reporting on rumors of ongoing merger talks between MSGN and MSGE.[49]

94. Pressured by the publication of the BLOOMBERG Article, both committees moved quickly to bring negotiations to a close. On March 11, 2021 – the day after the BLOOMBERG Article was published – LionTree and Morgan Stanley delivered a presentation to the MSGN Committee. [redacted]

[49] Ed Hammond, *MSG Networks Considering Rejoining With MSG Entertainment*, BLOOMBERG (Mar. 10, 2021), available at https://www.bloomberg.com/news/articles/2021-03-10/msg-networks-is-said-to-weigh-tie-up-with-msg-entertainment.

[50] [redacted]

[redacted]

95. Further, the March 11, 2021 presentation made clear that the diligence conducted had been scant. MSGN's advisors had only been given access to an MSGE data room on March 2, 2021. [redacted]

96. On March 12, 2021, the MSGE Committee presented its initial proposal to the MSGN Committee: an "at-the-market" proposal for an exchange ratio of 0.163 shares of MSGE for each share of MSGN, based on the volume weighted average price of the two companies' stock prices for the 60 days preceding the BLOOMBERG Article. This offer was purportedly made during a meeting between the committees ***for which no minutes have been produced***.

97. The offered price was patently unfair. MSGE offered no premium whatsoever, and this "at-the-market" proposal fell far ***below*** MSGN's pre-BLOOMBERG Article stock price. The 0.163 fixed exchange ratio implied an equity value for the Company of approximately $922 million and implied share value of

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51 [redacted]

$18.90, a 7.5% ***discount*** to MSGN's $20.44 share price as of March 12, 2021, the date of the offer.

98. In addition, acknowledging that its offer was so unattractive that MSGN's minority stockholders would clearly reject it, the MSGE Committee told the MSGN Committee that it would not consider any transaction that was contingent upon the approval of the holders of a majority of the MSGN shares not held by the Dolan Defendants. Had the MSGN Committee been comprised of genuinely independent members, it would have rejected the suggestion that MSGN Class A stockholders would be given no voice in the acquisition. Instead, the MSGN Committee remained supine.

99. Having received a decidedly unfair offer, the MSGN Committee held several perfunctory, rapid-fire meetings over the next two weeks in an apparent race to quickly agree on the terms of the deal. On March 17, 2012, the MSGN Committee met to consider MSGE's acquisition proposal of a fixed exchange ratio of 0.163 shares of MSGE for each share of MSGN. [redacted]

[redacted][52]

100. During the March 17 meeting, Morgan Stanley and LionTree delivered a joint presentation, [redacted]

52 [redacted]

53 [redacted]

54 *Id.*

55 *Id.* [redacted]

56 *Id.* [redacted]

[redacted]

101. On March 18, 2021, the MSGN Committee countered with a proposed exchange ratio of 0.18 MSGE shares for each MSGN share, a meager increase of about 10% over MSGE's opening offer. Based on the closing price of MSGE common stock on March 18, 2021, that counter represented a value of only $18.77 per share to MSGN stockholders, a ***$1.07 per share takeunder*** based on MSGN's closing price of $19.84 on that day and below MSGN's trading price prior to publication of the BLOOMBERG Article. Worse, nothing in the minutes or materials produced in response to Plaintiffs' Section 220 Demands indicates that the MSGN Committee even bothered to ask for a collar to protect MSGN's minority investors in the event the pandemic continued to wreak havoc on MSGE's stock price and thus further erode the value of the deal consideration.

102. Having checked the interests of MSGN's minority stockholders at the door, the MSGN Committee saw fit to demand that the MSGE board be expanded to include the appointment of a purportedly independent MSGN director at the combined company following closing of the Transaction. Accordingly, the MSGN Committee members were apparently interested in securing ongoing roles for themselves at the combined entity following closing, thereby competing for consideration with the constituency they were purportedly representing – MSGN's

unaffiliated stockholders. Bearing this out, MSGN Committee member Litvin was later named to the MSGE board as a result of the Transaction.

103. On March 21, 2021, the MSGN Committee met with its legal and financial advisors.[57] [redacted] [redacted]

[57] [redacted]

[redacted][58]

104. In a second approximately twenty-minute telephonic meeting between the committees the same day, the MSGE Committee conveyed a willingness to offer .172 MSGE shares, and the MSGN Committee immediately reconvened its meeting with its advisors and agreed to accept this offer within a few minutes. The MSGN Committee received analyses from its financial advisors setting forth the "standalone benefits" that MSGN would enjoy absent the Transaction, including avoiding the financial issues and uncertainty in the Las Vegas Sphere project, retaining flexibility in using the Company's free cash flow, and potentially pursuing alternative transactions (such as a sale to a strategic buyer). Nevertheless, the MSGN Committee quickly resolved to recommend the 0.172 exchange ratio to the MSGN Board.

105. On March 23, 2021, the MSGN Committee held a meeting in which it discussed [redacted]

Nonetheless, the MSGN Committee considered that while it would continue to

58 [redacted]

monitor the two companies' stock prices, it did not believe [redacted].[59]

106. In addition, the MSGN Committee was told [redacted].[60] [redacted]

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[59] [redacted]

[60] [redacted]

[61] *Id.*

107. On March 25, 2021, the MSGN Committee held a meeting to consider MSGE's fixed exchange offer of 0.172 shares of MSGE common stock per MSGN share. [redacted].[64]

108. Critically, the MSGN Committee was told [redacted]

[62] [redacted]

[63] *Id.*

[64] *Id.*

[redacted]

109. On March 25, 2021, the MSGN Committee held a meeting to consider its financial advisors' valuations of MSGN. In addition to being unfair on a market-based analysis, the MSGN Committee's financial advisors' MSGN valuations were flawed and did not support the fairness of the Transaction to MSGN. MSGE's advisor, Moelis, presented a precedent transactions valuation of MSGN indicating a range of approximately $21-$30 per MSGN share, well above the cash value of the agreed-upon merger consideration.[67] Neither LionTree nor Morgan Stanley engaged in or provided a valuation based on precedent transactions.

110. Further, the Public Trading Benchmarks valuation prepared by Morgan Stanley and LionTree applied peer trading multiples to MSGN's projected operating metrics that were disconnected from their own financial analysis. For example,

[65] *Id.* [redacted]

[66] *Id.* [redacted]

[67] Proxy Statement at 86.

Morgan Stanley and LionTree applied Adjusted Operating Income ("AOI") multiples of 7.0x to 8.0x to MSGN's 2022E AOI to derive values that were 15% to 34% below MSGN's March 10, 2021 unaffected stock price of $19.13 per share.[68] However, by comparison, their own "Selected Comparable Companies Analysis" described in the MSGN merger proxy indicated that ***higher*** multiples – ranging from 8.2x to 16.2x 2022E AOI – were appropriate for the same peer group.[69] Had Morgan Stanley and LionTree used this higher multiple range to value MSGN, they would have presented to the MSGN Committee significantly higher values for MSGN.

111. The written presentations to the MSGN Committee and Board throughout the process were joint products of LionTree and Morgan Stanley, who labored under the conflicts of interest described above. Nonetheless, at the March 25 meeting, both opined that the proposed Transaction was fair, from a financial point of view, to MSGN stockholders. Despite the flaws in the process and valuations, the MSGN Committee unanimously recommended approval of the Transaction.

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[68] MSGN-220-00000027. AOI is assumed to equate to EBITDA in the analysis.

[69] Proxy Statement at 108.

112. The MSGN Committee [redacted].[70]

113. Later that day, the full MSGN Board approved the Transaction unanimously. That evening, MSGE and MSGN executed the Merger Agreement and the Dolan Family Committee approved voting the Class B shares in favor of the Transaction, providing the requisite stockholder approval for the Transaction.

114. Notably, in explaining its rationale for recommending the Transaction, the MSGN Committee flatly admitted that "the Dolan family group would not support any strategic transaction involving MSG Networks at this time other than a transaction with MSG Entertainment."[71] In other words, it was this deal – or nothing.

F. THE TRANSACTION IS ANNOUNCED, DESTROYING SHAREHOLDER VALUE AND SPARKING SHARP CRITICISM

115. On March 26, 2021, MSGN and MSGE issued a joint press release announcing the Transaction and its terms: MSGN stockholders would receive 0.172 shares of MSGE common stock for each share of MSGN common stock. Although

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[70] [redacted]

[71] Proxy Statement at 97.

the deal was reported as offering a 4.28% premium[72] to MSGN's March 10, 2021 trading price, by the time the deal was announced on March 26, 2021, this negotiated "premium" had evaporated, and the deal had become a negative-premium takeunder. The implied per-share merger consideration was only $14.56 based on MSGE's March 26, 2021 closing price of $84.67, representing ***a 16.2% discount to MSGN's trading price the day before and a 23.88% discount to MSGN's trading price before BLOOMBERG reported on the merger negotiations in its article***.

116. The market did not react favorably to the announcement of the deal. As reflected in the chart below, following the official announcement, the trading prices of ***both companies*** plummeted.[73] All told, by the close of trading on March 26, 2021, investors were "grous[ing] that their combined market values ha[d] already sunk by roughly $750 million" following leak of the deal.[74]

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[72] This purported 4.28% premium was apparently the result applying the.172 exchange ratio to MSGE closing's stock price on March 10 ($116) [$19.95 = $0.82 (4.28%) over MSGN's March 10, 2021 closing price of $19.13].

[73] No potential terms were disclosed in the initial report. Although MSGN stock traded up on the article, it fell precipitously once the actual terms were disclosed on March 26.

[74] Josh Kosman, *Investors flee James Dolan decision to merge MSG's owner with its cable network*, THE NEW YORK POST, March 26, 2021, available at https://nypost.com/2021/03/26/investors-flee-james-dolan-decision-to-merge-msgs-owner-with-its-cable-network/.

117. When the Transaction was announced, MSGN provided no compelling rationale for the deal, effectively conceding that it only served ***MSGE's*** interests by giving MSGE access to MSGN's cash flows. On a March 26, 2021 investor call, Andrea Greenberg (MSGN's President and CEO) said: "[A]s a business that generates substantial free cash flow, we will be a meaningful contributor to the new company, helping to enhance its overall financial flexibility, and, in turn, paving the way to pursue new growth opportunities across entertainment and media . . . ."[75]

118. Although the BLOOMBERG Article had not disclosed specific terms of the potential deal, the information it contained had been sufficient for the market to express concern over MSGE's financial health and to posit that the potential deal

[75] Madison Square Garden Entertainment Corp., Prospectus (Form 425) (filed Mar. 26, 2021).

with MSGN indicated MSGE needed access to MSGN's capital. As one article reported:

> Wall Street is afraid of the tie-up partly because MSG Entertainment, after losing more than $250 million in the pandemic, appears to be moving forward on a controversial plan to build its pricey, ball-shaped Sphere arenas across the country. To some, Friday's deal looks like a signal that MSG Entertainment needs MSG Networks as a source of cash.[76]

119. Similarly, BARRON'S[77] remarked that "[t]he situation underscores what Wall Street has called the 'Dolan discount,'" – a penalty imposed on Dolan-controlled companies due to the family's reputation "for putting their interest above those of public holders."[78]

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[76] *See* Josh Kosman, *Investors Flee James Dolan Decision to Merge MSG's owner with its cable network*, *supra.* p. 62.

[77] Andrew Barry, *Madison Square Garden Deal for Network Gets Shareholder Boos*, BARRON'S (Mar. 29, 2021), https://www.barrons.com/articles/madison-square-garden-deal-for-network-gets-shareholder-boos-51617043814.

[78] The term "Dolan discount" was initially used in regard to the failed 2007 Cablevision share buyout, where several stockholders rejected the terms of the buyout as woefully adequate: "They fret that Chief Executive James Dolan plans to spend Cablevision's cash in ways that don't necessarily help the company. To some cynics, the Cablevision chief executive is punishing investors for rejecting the buyout offer, which would have given his family complete ownership of the company. This theory holds that the Dolans are hoping the stock will fall so they can come back with another buyout offer -- possibly at an even lower price." Vishesh Kumar, *'Dolan Discount' Affliction,* THE WALL STREET JOURNAL (May 2, 2008), available at https://www.wsj.com/articles/SB120968814983361367.

120. Rangeley Capital LLC portfolio manager Andrew Walker panned the deal, proclaiming:

> "***[T]his is one of dumbest deals I've seen public companies doing***. I think MSGE has a cash flow problem as they try to build the spheres, and Dolan looked and said, 'There's a lot of cash flow at MSGN let's go take that and use it for my pet project to build the spheres.'"[79]

121. Echoing Walker's sentiments, Jonathan Boyar – president of $200 million fund Boyar Value Group – trashed the deal. In a March 29, 2021 letter to James Dolan Boyar pointedly noted:

> There is absolutely no strategic rationale for MSGE to purchase MSGN . . . Funding a separate entity's capital needs by purchasing another related entity (at a bargain basement price) that produces robust free cash flow is not a legitime reason for a transaction . . . ***We believe that MSGN shareholders should be appropriately compensated for the strong free cash flow generating abilities it brings to the table***. As the transaction is currently structured, ***MSGE and its shareholders are positioned as the primary beneficiaries of MSGN's future free cash flow generating abilities.***

122. Based on Boyar's valuation, MSGN is worth at least $25 a share – and could be worth substantially more in the event that sports gambling were legalized in New York. Boyar specifically noted Dolan's shoddy treatment of MSGN's minority stockholders, noting:

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[79] Andrew Walker, *Boyar Value Group On The Awful MSG Networks/MSG Entertainment Deal*, SEEKING ALPHA (Apr. 6, 2021), available at https://seekingalpha.com/article/4417761-boyar-value-group-on-awful-msgn-msge-deal.

> Because [the Dolan] family controls both entities in the proposed transaction, it is of the utmost importance, not to mention good corporate governance, that minority shareholders are treated fairly. In fact, the best precedent of what should be done to ensure minority shareholders are protected is what the Dolan Family did when it attempted to take Cablevision private in 2007 … minority shareholders were given the opportunity to decide if the transaction was in their best interest (it was not, and the transaction was not consummated after being voted down by minority shareholders).[80]

123. On May 10, 2021, analyst Brandon Ross of Lightshed Partners conducted a Q&A session with members of MSGE and MSGN management and asked a number of questions highlighting investor skepticism about the deal.[81] Seibert, Greenberg, and MSGE President Andy Lustgarten answered questions.

124. Mr. Ross squarely addressed the pushback from minority stockholders:

> I think a lot of investors were very surprised by this deal. And to be honest there's been a ton of investor pushback. 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?

Gregg Seibert – Vice Chairman of both MSGE ***and*** MSGN – dodged the question, blandly asserting, "I think everyone's interests are aligned."

125. Mr. Ross continued to press, asking: "[I]f you're so confident in the merits of the transaction and everybody's interests being aligned as you just said,

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[80] *Id.*

[81] *MSG Entertainment and MSG Networks Joint Webcast*, THE MOTLEY FOOL (May 10, 2021), available at https://www.fool.com/earnings/call-transcripts/2021/05/11/msg-entertainment-and-msg-networks-joint-webcast/

why not just let the merger be subject to a majority of the minority vote?" Again, Seibert refused to provide a rationale. He simply stated: "[T]hat was a decision that was made by the [MSGE] Special Committee and their advisors."

126. Later, Mr. Ross pointed to the revelation in MSGE's then-recently published SEC Form S-4 that MSGN had been approached by a third party about a strategic transaction. Again, management refused to provide any information about the potential alternative transaction, except to acknowledge that ***management*** (not the MSGN Committee) rejected the offer in favor of the Transaction.

127. Later in the interview, Andrew Lustgarten, MSGE's President, elided the stark differences in the businesses and projected futures of MSGN and MSGE, rationalizing the deal as an opportunity to put the companies "under the same roof, rolling together with one focus on the bottom line, same, similar goals… similar objectives incentivized together."

G. THE TRANSACTION CLOSES, TURNING MSGN INTO MSGE'S PIGGY BANK

128. On July 9, 2021, the Transaction closed. Following the Transaction, MSGN became a wholly-owned subsidiary of MSGE. Based on the $83.90 closing price of MSGE common stock on July 9, 2021, the 0.172 per share exchange ratio represented a value of $14.43 per share to MSGN stockholders. This represented a ***$4.70 takeunder*** based on MSGN's closing price on March 10, when rumors of a

deal were published in a BLOOMBERG Article after the close of trading, and a $2.95 takeunder to its price on March 25, 2021, the day before the deal was announced.

III. THE TRANSACTION IS NOT ENTIRELY FAIR

129. The Transaction was the result of an unfair process, dominated by the Dolan Defendants, and provided an unfair price to MSGN's stockholders.

A. THE TRANSACTION WAS THE PRODUCT OF AN UNFAIR PROCESS

1. The Dolan Defendants Dominated the MSGN Committee Process

130. The Transaction was the product of an unfair process, dominated and controlled by conflicted management, Board members, and the Dolan Defendants. Among other defects:

- The Dolan Defendants and their cronies brought in Cohen for the sole purpose of allowing the creation of a nominally "independent" special committee;
- The MSGN Committee was comprised solely of members whose longstanding relationships with and financial ties to the Dolan family, including companies controlled by the Dolan Defendants and companies with close ties to the Group, imperiled their independence;
- The MSGN Committee was not fully empowered to evaluate strategic alternatives but, rather, was limited to voting on the MSGE/MSGN Transaction;
- The MSGN Committee was told [redacted];
- Scant due diligence was performed, over an artificially truncated time-period;

- The MSGN Committee was never permitted to consider the unsolicited offer that was presented to MSGN management in January 2021, and it also failed to use this offer in any negotiation;
- The MSGN Committee was hamstrung in its operations by the Dolan Defendants' stated intention to not support any alternatives to the MSGE acquisition;
- The MSGN Committee was told that the MSGE Committee (for unexplained reasons) would not accept a transaction in which unaffiliated MSGN Class A stockholders had a meaningful vote;
- The MSGN Committee was forced to negotiate the Transaction on MSGE's compressed timeline with an eye toward closing in March of 2021;
- The MSGN Committee was advised to immediately conclude the process as a result of the BLOOMBERG Article, and it did so by opening its bid at less than the then-current trading price of MSGN stock;
- The MSGN Committee acceded to the whims of and actively sought to benefit MSGE as stated in the documents provided to Plaintiffs by MSGN; and
- The MSGN Committee acceded to a deal that included no price protection, no majority of the minority approval condition, and no appraisal rights, and required no votes beyond the controlling votes of the Dolan Family Committee for approval.

2. The Dolan Defendants Secured Unique and Non-Ratable Benefits Via The Transaction

131. The Transaction benefited the Dolan Defendants in a way not shared by MSGN Class A stockholders because, among other reasons, it allowed MSGE, which was also controlled by the Dolan Family Committee, to acquire MSGN through an exchange ratio that was below MSGN's stock price and it did not fully

value MSGN. The Transaction also enabled James Dolan to fund his pet projects – the MSG Spheres – with the cash flow produced by MSGN. Had the MSG Spheres projects imploded, it would not have only been MSGE's loss, but a tremendous blow to the Dolan family, both on a pure economic and also a reputational level. Underscoring these facts, James Dolan, an amateur musician, has a reputation for using his economic leverage to get his band premiere gigs no other amateur artist could ever dream of.[82] The Sphere project, located in one of the premier music and entertainment hubs in the United States, reflected the most ambitious opportunity to date for Dolan to raise his artistic profile.

B. THE PRICE IS UNFAIR

132. The 0.172 exchange ratio per share to Class members is inappropriate, unfair, and inadequate.

133. First, on March 25, 2021, the eve of the Transaction announcement, MSGN closed at $17.38, while MSGE closed at $93.94. At 0.172, MSGN's

[82] Dolan's band, J.D. and the Straight Shot, referred to by the press as Dolan's "vanity project," *see, e.g.*, Keith Baldwin, *This Haunts Me: JD and the Straight Shot vs. the NY Knicks*, POPDUST (Feb. 20, 2021), has muscled its way into opening for top-tier artists, *see, e.g.* Dave McKenna, *James Dolan Wants You to Love His Band*, DEADSPIN (May 5, 2016) (noting that the band landed "several stadium dates on a one-of-these-things-is-not-like-the-other-ones cavalcade tour in 2010 with the Eagles, Keith Urban, and the Dixie Chicks"). "[A]ttendance by staffers [at Dolan's gigs] is expected and noted." S.L. Price, *Lord Jim,* SPORTS ILLUSTRATED (Feb. 12, 2017).

stockholders were forced to accept a 7% negative premium, a classic "take-under." From then on, driven by the inevitability of the Transaction, MSGE and MSGN saw their share prices plummet in tandem. When the Transaction closed, MSGN was trading at a six-month low of $14.17, and MSGE has only continued to freefall from its July 8th trading price of $82.28.

134. Second, the Transaction Consideration failed to provide adequate value or consideration for MSGN's value and prospects, including MSGN's broadcast rights to both the Knicks and Rangers, the most valuable sports franchises in Forbes' recent rankings for NBA and NHL teams and MSGN's access to anticipated legalized gambling, increasing advertising, affiliate fee revenue, and the prospect of meaningful ancillary revenues associated with online sports betting.

135. Third, the Transaction Consideration failed to properly account for the impact of the COVID-19 pandemic on MSGE's business, with the recent new strains of the virus increasing the possibility of additional and prolonged closings of live event and hospitality venues, and MSGE's current and projected negative cash flow and other financial problems, as well as the rising expected costs of the Las Vegas Sphere project and ongoing delays.

136. Fourth, a discounted cash flow based on MSGN's projections yields an intrinsic value much higher than the Transaction Consideration. Specifically, both LionTree and Morgan Stanley's Discounted Cash Flow Analyses for MSGN, using

projections prepared by conflicted management, set MSGN's implied per share equity value reference range to be $15.63 to $19.31.[83] The 0.172 exchange ratio, which has an implied cash value of $15.64, is, by a cent, at the bottom of the range, and thus a "steal" to MSGE.

137. Fifth, Moelis prepared a Selected Precedent Transactions Analysis that similarly calculated an implied per share equity value reference range stretching far beyond the paltry Transaction Consideration.[84] Specifically, "Moelis noted that if a range of selected multiples of 7.0x to 9.0x were to be applied to the LTM EBITDA of MSGN, it would result in an implied price per share of MSGN common stock of $20.99 to $30.41."[85] Nevertheless, the offer that MSGN Committee and the MSGN Board ultimately accepted was for the equivalent of *$15.64 in* cash, representing a 25.5% to 48% bargain to MSGE.

138. Sixth, the Transaction Consideration for the MSGN Class A stockholders fails to reflect the value to MSGE from acquiring all of MSGN's stock and gaining access to the Company's "steady cash flow."[86] And in the face of MSGE's financial performance over the last year, both companies acknowledge that

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[83] Proxy at 100.

[84] Proxy Statement at 85-86.

[85] *Id.* at 86.

[86] Proxy Statement at 70.

the "increased cash flow and liquidity" provided by MSGN would provide the combined company with "enhanced access to capital markets" to fund the Las Vegas Sphere project and other "growth initiatives."[87]

139. Seventh, at a 0.172 exchange ratio, the Transaction Consideration had an implied per-share value of $15.996 for each Class A share, based on MSGE's trading price the morning of March 26, 2021, when the Transaction was formally announced, and $14.15 given MSGE's $82.28 trading price on July 8, 2021, the day of the shareholder vote. This falls noticeably below: (i) MSGN's 52-week high of $20.61, and (ii) MSGN's $19.14 trading average in the weeks immediately preceding the Transaction announcement.

140. Eighth, adopting a P/E valuation methodology, Macquarie Capital (whose research analyst follows MSGE and MSGN) calculated a $20 price target for MSGN, far in excess of the Transaction Consideration.

CLASS ACTION ALLEGATIONS

141. Plaintiffs bring this action on behalf of themselves and a class, consisting of all former common stockholders of MSGN Class A shares or their successors in interest, who have been harmed by Defendants' actions described in this Complaint (the "Class"), excluding Defendants herein and any person, firm,

[87] Proxy at 70.

trust, corporation, or other entity related to or affiliated with any of the Defendants. This action is properly maintainable as a class action because:

(a) The Class is so numerous that joinder of all members is impracticable. According to the Company's Form 8-K filed with SEC on July 9, 2021, there were 43,459,880 shares of MSGN Class A common stock issued and outstanding as of May 14, 2021, of which roughly 91.2% appear to be held by Class members. There are likely tens of thousands of unaffiliated beneficial former holders of MSGN Class A common stock throughout the United States.

(b) There are questions of law and fact that are common to the Class, including, *inter alia*, the following:

i. whether Defendants have acted to benefit MSGE and the Dolan family at the unfair expense of those who held MSGN Class A stock prior to the Transaction and were not affiliated with the Dolan family;

ii. whether Defendants breached their fiduciary duties to Plaintiffs and the Class in negotiating, considering, approving, and/or recommending the Transaction;

iii. whether the Transaction was entirely fair to the unaffiliated Class A stockholders; and

iv. whether the members of the Class have sustained damages and, if so, what the proper measure of damages is.

(c) Plaintiffs are committed to prosecuting this action and have retained competent counsel experienced in litigation of this nature. Plaintiffs' claims are typical of the claims of the other members of the Class and Plaintiffs have the same interests as the other members of the Class. Accordingly, Plaintiffs are adequate representatives of the Class and will fairly and adequately protect the interests of the Class.

(d) The likelihood of individual Class members prosecuting separate individual actions is remote due to the relatively small loss suffered by each Class member as compared to the burden and expense of prosecuting litigation of this nature and magnitude. Absent a class action, Defendants are likely to avoid liability for their wrongdoing, and Class members are unlikely to obtain redress for their wrongs alleged herein. There are no difficulties likely to be encountered in the management of the Class claims. This Court is an appropriate forum for this dispute.

(e) The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications with respect to individual members of the Class, which would establish incompatible standards of conduct for Defendants, or adjudications with respect to individual members of the Class which would, as a practical matter, be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.

(f) Defendants have acted, or refused to act, on grounds generally applicable to, and causing injury to, the Class with respect to the matters complained of herein, thereby making appropriate the relief sought herein with respect to the Class as a whole.

COUNT I

(Breaches of Fiduciary Duties against the Director Defendants)

142. Plaintiffs incorporate by reference and re-allege each and every allegation contained above as though fully set forth herein.

143. By reason of the Director Defendants' positions with the Company as officers and/or directors, they were in a fiduciary relationship with Plaintiffs and the other unaffiliated Class A stockholders of MSGN and owed them, as well as the Company, duties of care and loyalty.

144. As alleged herein, the Director Defendants were not independent from the Dolan Defendants and approved the Transaction.

145. By the acts and conduct alleged herein, the Director Defendants acted to benefit the Dolans at the unfair expense of the interests of Plaintiffs and other members of the Class in the fair value of their investment in MSGN.

146. The Director Defendants have failed to exercise due care, good faith, and loyalty in carrying out the fiduciary obligations they owe to Plaintiffs and the other members of the Class in considering, recommending, and causing the approval of the Transaction. As a result, the Transaction is subject to the entire fairness standard and is not fair to the Class A stockholders, as alleged herein.

147. As a direct and proximate result of the Director Defendants' actions, Plaintiffs and the Class have suffered damages by having their MSGN stock taken at an unfair price.

148. Plaintiffs and the members of the Class have no adequate remedy at law.

COUNT II

(Breaches of Fiduciary Duties against the Dolan Defendants as Controlling Stockholders)

149. Plaintiffs incorporate by reference and re-allege each and every allegation contained above as though fully set forth herein.

150. By reason of the Dolan Defendants' status as controlling stockholders of MSGN, they were in a fiduciary relationship with Plaintiffs and the other

unaffiliated Class A stockholders of MSGN and owed them, as well as the Company, duties of care and loyalty.

151. By the acts and conduct alleged herein, the Dolan Defendants acted to benefit themselves and MSGE at the unfair expense of the interests of Plaintiffs and other members of the Class in the fair value of their investment in MSGN.

152. The Dolan Defendants have failed to exercise due care, good faith, and loyalty in carrying out the fiduciary obligations they owe to Plaintiffs and the other members of the Class in connection with the Transaction. As a result, the Transaction is subject to entire fairness review, and is not fair to the Class A stockholders, as alleged herein.

153. As a direct and proximate result of the Dolan Defendants' actions, Plaintiffs and the Class have suffered damages by having their MSGN stock taken at an unfair price.

154. Plaintiffs and the member of the Class have not adequate remedy at law.

PRAYER FOR RELIEF

155. Wherefore, Plaintiffs pray for judgment and relief as follows:

A. Declaring that this action is properly maintainable as a class action and certifying Plaintiffs as class representatives;

B. Declaring that Defendants' conduct has been in breach of the fiduciary duties owed by the Director Defendants and the Dolan Defendants to MSGN and its Class A unaffiliated stockholders;

C. Directing the Director Defendants and the Dolan Defendants to account to Plaintiffs and the Class for all damages suffered as a result of their actions with respect to the Transaction;

D. Awarding Plaintiffs the costs and disbursements of this action, including reasonable attorneys' fees and experts' fees and expenses; and

E. Granting such other and further relief as this Court may deem just and proper.

October 29, 2021

OF COUNSEL:

KAHN SWICK & FOTI, LLC
Michael J. Palestina
Brian C. Mears
1100 Poydras Street, Suit3200
New Orleans, LA 70163
(504) 455-1400

MONTEVERDE & ASSOCIATES PC
Juan Monteverde
Miles D. Shreiner
The Empire State Building
350 Fifth Avenue, Suite 4405
New York, NY 10118
(212) 971-1341

GRANT & EISENHOFER P.A.

/s/ Christine M. Mackintosh
Michael J. Barry (#4368)
Christine M. Mackintosh (#5085)
John C. Kairis (#2752)
Michael D. Bell (#6633)
123 Justison Street
Wilmington, DE 19801
(302) 622-7000
mbarry@gelaw.com
cmackintosh@gelaw.com
jkairis@gelaw.com
mbell@gelaw.com

Co-Lead Counsel for Lead Plaintiffs

CHIMICLES SCHWARTZ KRINER & DONALDSON-SMITH LLP
Robert J. Kriner, Jr. (#2546)
Scott M. Tucker (#4925)
Tiffany J. Cramer (#4998)
2711 Centerville Road, Suite 201
Wilmington, DE 19808
(302) 656-2500
rjk@chimicles.com
smt@chimicles.com
tjc@chimicles.com

Co-Lead Counsel for Lead Plaintiffs

WOLF POPPER LLP
Carl L. Stine
Adam J. Blander
Antoinette Adesanya
845 Third Avenue
New York, NY 10022
(212) 759-4600
cstine@wolfpopper.com

ablander@wolfpopper.com
aadesanya@wolfpopper.com

Co-Lead Counsel for Lead Plaintiffs

BARRACK, RODOS & BACINE
Jeffrey W. Golan
Michael A. Toomey
3300 Two Commerce Square
2001 Market Street
Philadelphia, PA 19103
jgolan@barrack.com
mtoomey@barrack.com

Co-Lead Counsel for Lead Plaintiffs