



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

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IN RE MADISON SQUARE	:	
GARDEN ENTERTAINMENT CORP.	:	CONSOLIDATED
STOCKHOLDERS LITIGATION,	:	C.A. No. 2021-0468-KSJM
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**ANSWER OF THE INDEPENDENT DIRECTOR DEFENDANTS  
TO VERIFIED CONSOLIDATED DERIVATIVE COMPLAINT**

Defendants Joseph J. Lhota, John L. Sykes, Martin Bandier, Vincent Tese, and Isiah L. Thomas III (the “Independent Director Defendants”), by and through their undersigned counsel, answer and assert affirmative defenses to the allegations contained in Plaintiffs’ Verified Consolidated Derivative Complaint (“Complaint”) as follows:

**GENERAL DENIALS**

Except as otherwise expressly admitted herein, the Independent Director Defendants deny each and every allegation contained in the Complaint. The Independent Director Defendants state that the titles, headings, and footnotes throughout the Complaint do not constitute well-pleaded allegations of fact and, therefore, require no response. To the extent a response is required, the allegations of the titles, headings, and footnotes in the Complaint are denied.

By referring to or admitting the existence of any documents quoted, described, or otherwise referenced in the Complaint, the Independent Director Defendants do not acknowledge or concede that such documents are what they purport to be, are accurate as to their substance, constitute business records within the meaning of the rules of evidence, or are otherwise admissible on any other basis. By referring to or admitting the existence of any document quoted, described, or otherwise referenced in the Complaint, the Independent Director Defendants do not acknowledge or concede that the Independent Director Defendants, individually or collectively, have any knowledge or information concerning the document quoted, described, or otherwise referenced at any particular point in time prior to the filing of the Complaint, unless explicitly admitted herein.

The Independent Director Defendants' use herein of defined terms in the Complaint should not be interpreted as, and is not, an admission that the Independent Director Defendants agree with Plaintiffs' characterization or use of the defined terms, the defined terms are accurate, or the documents or items described by the defined terms actually exist. The Independent Director Defendants use these defined terms solely for purposes of responding to the allegations in the Complaint.

Unless otherwise stated, the Independent Director Defendants' responses herein are based on facts available to them or to their counsel as of the date of the Complaint.

The Independent Director Defendants expressly reserve the right to seek to amend and/or supplement their Answer as may be necessary.

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

**The allegations in this Complaint are made upon Plaintiffs' knowledge as to themselves and, as to all other matters, upon information and belief, including the investigation of counsel, the review of publicly available information, and the review of certain books and records produced by the Company in response to Plaintiffs' demands made under 8 Del. C. § 220 as to all other matters.**

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

**ANSWER:** These paragraphs and footnote 1 purport to characterize the action and define terms and, as such, they do not require a response, except the Independent Director Defendants admit that the Complaint purports to reference certain publicly-available information and books and records produced by Madison Square Garden Entertainment Corp. (“MSGE” or the “Company”) and state that they otherwise lack knowledge or information sufficient to form a belief about the truth of the allegations concerning the information reviewed by Plaintiffs or their counsel in preparing the Complaint.

### **NATURE OF THE ACTION**

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

**ANSWER:** Paragraph 1 consists of legal conclusions to which no response is required. To the extent Paragraph 1 contains allegations requiring a response, the Independent Director Defendants (as defined above on page 2) deny the allegations in Paragraph 1.

**2. None of the Madison-Square-Garden-related entities made any pretense about who controlled them and their respective boards. In fact, at the time of the Merger, at least half of the members of the board of directors of each of MSGE and MSGN were named Dolan (or are in-laws in the Dolan Family), and the few directors who were not family members had spent years**

**in the social and business umbrella created by J. Dolan’s father, Charles F. Dolan (“C.F. Dolan”).**

**ANSWER:** The Independent Director Defendants deny the allegations in Paragraph 2, except admit that at the time of the Merger, certain members of the board of directors of MSGE and MSGN Networks, Inc. (“MSGN”) had the last name “Dolan” or were in-laws to an individual with the last name “Dolan.”

**3. In April 2020, the company now known as Madison Square Garden Sports Corp. (“MSGS”) spun-off the recently created MSGE, which houses the live-entertainment assets of the Madison Square Garden empire (the “Spin-Off”). For its part, MSGS had previously been spun out of MSGN, which houses the Madison Square Garden cable network assets.**

**ANSWER:** The Independent Director Defendants deny the allegations in Paragraph 3, except admit that Madison Square Garden Sports Corp. (“MSGS”) spun-off MSGE in April 2020 and that prior to that time, MSGS was spun off from MSGN.

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

**ANSWER:** The Independent Director Defendants deny the allegations in Sentence 1 of Paragraph 4, except admit that MSGE and MSGN merged on July 9, 2021. Sentence 2 of Paragraph 4 consists of a legal conclusion to which no response is required. To the extent Sentence 2 of Paragraph 4 contains an allegation requiring a response, the Independent Director Defendants deny the allegations in Sentence 2 of Paragraph 4. The Independent Director Defendants deny the allegations in Sentences 3, 5, and 6 of Paragraph 4, except admit that MSGN is a television sports and entertainment programming company. The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Sentence 4 of Paragraph 4.

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Sentence 1 of Paragraph 5. The Independent Director Defendants deny the allegations in Sentences 2, 3, 4, and 5 of Paragraph 5, except admit that the MSG Sphere is a building in Las Vegas being built by MSGE and that MSGE has announced plans to

build a second MSG Sphere in London, pending necessary approvals, and respectfully refer the Court to the Joint Proxy Statement filed on June 2, 2021 for a description of that project.

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

**ANSWER:** The Independent Director Defendants deny the allegations in Paragraph 6.

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

**ANSWER:** The second sentence of Paragraph 7 contains a legal conclusion to which no response is required. The Independent Director Defendants deny the remaining allegations in Paragraph 7, except: the Independent Director Defendants lack knowledge or information sufficient to form a belief as to the accuracy of allegations concerning contingent fees arising from the transaction and that Sullivan & Cromwell LLP (“S&C”) has served at times as counsel to MSGE and MSGN in connection with the Merger.

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

**ANSWER:** The Independent Director Defendants deny the allegations in Sentence 1 of Paragraph 8. Sentence 2 of Paragraph 8 consists of a legal conclusion to which no response is required. To the extent Sentence 2 of Paragraph 8 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Sentence 2 of Paragraph 8. Sentence 3 of Paragraph 8 purports to characterize the Complaint and state legal conclusions to which no response is required. To the extent Sentence 3 of Paragraph 8 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Sentence 3 of Paragraph 8.



## **PARTIES AND RELEVANT NON-PARTIES**

### **I. Plaintiffs**

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph 9.

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph 10.

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph 11.

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph 12.

## **II. Defendants**

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

**ANSWER:** The Independent Director Defendants deny the allegations in Paragraph 13, except admit that: MSGE has described itself as a live entertainment experiences company; MSGE is incorporated in Delaware and has an office in New York City; that MSGE operates Madison Square Garden, Hulu Theater at Madison Square Garden, Radio City Music Hall, the Beacon Theatre, and the Chicago Theatre; MSGE is constructing a building called the MSG Sphere in Las Vegas; that MSGE has announced plans to build a second MSG Sphere in London, pending

necessary approvals; and that MSGE owns a controlling interest in TAO Group Holdings LLC.

**14. Defendant J. Dolan has served as a Class B Director, the Executive Chairman, and CEO of MSGE since it was created in November 2019, and as a director and Executive Chairman of MSGN from 2009 until the Merger. Since 2015, J. Dolan has also served as a director and the Executive Chairman of MSGS. J. Dolan was the CEO of MSGS from November 2017 to April 2020, and the CEO and President of Cablevision Systems Corporation (“Cablevision”) from 1995 to 2016 and 1998 to 2014, respectively.<sup>2</sup>**

**ANSWER:** The Independent Director Defendants admit that Defendant James L. Dolan serves as Executive Chairman and Chief Executive Officer and has served as a Class B Director of MSGE since November 21, 2019. To the extent the allegations of Paragraph 14 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. Footnote 2 constitutes a legal conclusion to which no response is required. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 14 and footnote 2, and deny them on that basis.

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<sup>2</sup> The Dolans controlled Cablevision Systems Corporation until its 2016 sale to Altice.

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

**ANSWER:** To the extent the allegations of Paragraph 15 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to the proxy statement for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 15, and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 16, and deny them on that basis.

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

**17. J. Dolan is related by family ties to numerous defendants in this Action. J. Dolan is: (i) the son of C.F. Dolan; (ii) the spouse of Kristin A. Dolan (“K. Dolan”); (iii) the father of Charles P. Dolan (“C.P. Dolan”), Quentin F. Dolan (“Q. Dolan”), and Ryan T. Dolan (“R. Dolan”); (iv) the brother of Marianne Dolan Weber (“Weber”) and Thomas C. Dolan (“T. Dolan”); (v) the brother-in-law of Brian G. Sweeney (“Sweeney”); and (vi) the cousin of Paul J. Dolan (“P. Dolan”). MSGE acknowledges that J. Dolan is not “independent” within the meaning of the rules of the New York Stock Exchange (“NYSE”) and the U.S. Securities and Exchange Commission (“SEC”).**

**ANSWER:** To the extent the allegations of Paragraph 17 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 17, and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants admit that Charles F. Dolan has served as a Class B Director of MSGE since April 17, 2020. To the extent the allegations of Paragraph 18 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 18, and deny them on that basis.

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

**ANSWER:** To the extent the allegations of Paragraph 19 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 19, and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants admit that Charles P. Dolan has served as a Class B Director of MSGE since April 17, 2020. To the extent the allegations of Paragraph 20 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 20, and deny them on that basis.

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

**ANSWER:** To the extent the allegations of Paragraph 21 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully

refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 21, and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants admit that Kristin A. Dolan has served as a Class B Director of MSGE since April 17, 2020. To the extent the allegations of Paragraph 22 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 22, and deny them on that basis.

**23. K. Dolan is related by family ties to numerous defendants in this Action. K. Dolan is: (i) the spouse of J. Dolan; (ii) the step-mother of C.P. Dolan, Q. Dolan, and R. Dolan; (iii) the daughter-in-law of C.F. Dolan; (iv) the sister-in-law of Weber, T. Dolan, and Sweeney; and (v) the cousin by marriage of P.**



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

**ANSWER:** To the extent the allegations of Paragraph 23 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 23, and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants admit that Marianne Dolan Weber has served as a Class B Director of MSGE since April 17, 2020. To the extent the allegations of Paragraph 24 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack

knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 24, and deny them on that basis.

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

**ANSWER:** To the extent the allegations of Paragraph 25 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 25, and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants admit that Paul J. Dolan has served as a Class B Director of MSGE since April 17, 2020. To the extent the allegations of Paragraph 26 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required.

The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 26, and deny them on that basis.

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

**ANSWER:** To the extent the allegations of Paragraph 27 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 27, and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants admit that Quentin F. Dolan has served as a Class B Director of MSGE since April 17, 2020. To the extent the allegations of Paragraph 28 purport to refer to or characterize publicly available

information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 28, and deny them on that basis.

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

**ANSWER:** To the extent the allegations of Paragraph 29 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 29, and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants admit that Ryan T. Dolan has served as a Class B Director of MSGE since April 17, 2020. To the extent the allegations of Paragraph 30 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 30, and deny them on that basis.

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

**ANSWER:** To the extent the allegations of Paragraph 31 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 31, and deny them on that basis.

**32. Defendant T. Dolan has served as a Class B Director of MSGE since April 2020, and as a director of MSGN since 2010. T. Dolan served as Executive Vice President — Strategy and Development, Office of the Chairman of Cablevision from 2008 to 2016. T. Dolan was CEO of Rainbow Media from 2004 to 2005 and served in various roles at Cablevision, including: Executive Vice President and Chief Information Officer (“CIO”) from 2001 until 2005, Senior Vice President and CIO from 1996 to 2001, Vice President and CIO from 1994 to 1996, General Manager of Cablevision’s East End Long Island cable system from 1991 to 1994, and System Manager of Cablevision’s East End Long Island cable system from 1987 to 1991. T. Dolan has served as a director of MSGS since 2015 and AMC Networks since 2011. T. Dolan served as a director of Cablevision from 2007 to 2016.**

**ANSWER:** The Independent Director Defendants admit that Thomas C. Dolan has served a Class B Director of MSGE since April 17, 2020. To the extent the allegations of Paragraph 32 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 32, and deny them on that basis.

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

**ANSWER:** To the extent the allegations of Paragraph 33 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 33, and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants admit the allegations in Paragraph 34.

**35. Defendant Matthew C. Blank (“Blank”) served as a Class A Director of MSGE from April 2020 to August 23, 2021. Blank served as a director at MSGS from December 2019 until April 2020. Blank has also served as a senior advisor to The Raine Group, LLC (the “Raine Group”), a merchant bank focused on technology, media and telecommunications, since September 2020. Blank was a member of the two-person MSGE Special Committee. On August 24, 2021, AMC Networks, which is controlled by the Dolans, announced that Blank would serve as its interim CEO.**

**ANSWER:** The Independent Director Defendants admit the allegations in Sentences 1, 2, 3, and 4 of Paragraph 35. The Independent Director Defendants deny the allegations in Sentence 5 of Paragraph 35, except admit that on August 24, 2021, AMC Networks announced that Blank would serve as its interim CEO and that in SEC filings AMC Networks classifies itself as a “controlled company”.

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

**ANSWER:** The Independent Director Defendants admit the allegations in Paragraph 36.

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

**ANSWER:** The Independent Director Defendants admit the allegations in Paragraph 37.

**38. Defendant Sweeney has served as a Class B Director of MSGE since April 2020, and as a director of MSGN from 2010 until the Merger. Sweeney served as the President of Cablevision from 2014 and President and Chief Financial Officer of Cablevision from 2015 to 2016. Previously, Sweeney served in various other roles at Cablevision, including: Senior Executive Vice President, Strategy and Chief of Staff from 2013 to 2014; Senior Vice President — Strategic Software Solutions from 2012 to 2013; and Senior Vice President — eMedia from January 2000 to 2012. Sweeney has served as a director of MSGS since 2015, AMC Networks since 2011, and served as a director of Cablevision from 2005 to 2016.**

**ANSWER:** The Independent Director Defendants admit that Brian G. Sweeney has served as a Class B Director of MSGE since April 17, 2020. To the extent the allegations of Paragraph 38 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule



14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 38, and deny them on that basis.

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

**ANSWER:** To the extent the allegations of Paragraph 39 purport to refer to or characterize publicly available information or documents, such as the MSGE Proxy Statement (Schedule 14A) dated October 27, 2020, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 39, and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants admit the allegations in Paragraph 40.

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

**ANSWER:** The Independent Director Defendants admit the allegations in Paragraph 41.

**42. Defendant Isiah L. Thomas III (“Thomas”) has served as a Class B Director of MSGE since April 2020. Thomas served as the President & Alternate Governor of the New York Liberty of the Women’s National Basketball Association from 2015 to February 2019, which was owned by MSGS until it was sold to a third party. Following a successful basketball career that included winning the NBA Championship with the Detroit Pistons, Thomas became a lightning rod for discontented fans while serving as the General Manager, President of Basketball Operation and Head Coach of the New York Knicks, which is owned by MSGS, from 2006 to 2008. MSGE acknowledges that Thomas is not “independent” within the meaning of the rules of the NYSE and the SEC.**

**ANSWER:** The Independent Director Defendants admit the allegations in Sentences 1 and 2 of Paragraph 42. The Independent Director Defendants deny the allegations in Sentence 3 of Paragraph 42, except admit that Isiah L. Thomas had a successful basketball career that included winning two NBA Championships with the Detroit Pistons, served as the General Manager, President of Basketball Operations, and Head Coach of the New York Knicks from 2006 to 2008, and that the New York Knicks were owned by MSGS in 2006 to 2008. The Independent Director Defendants deny the allegations in Sentence 4 of Paragraph 42, except

admit that in SEC filings MSGE has not listed Thomas among the independent directors.

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

**ANSWER:** Paragraph 43 purports to define terms and does not require a response.

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

**ANSWER:** Paragraph 44 purports to define terms and does not require a response.

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

**ANSWER:** Paragraph 45 purports to define terms and does not require a response.

### **III. Relevant Non-Party**

**46. Relevant non-party MSGN was a Delaware corporation headquartered in New York City. MSGN owned and operated two sports broadcasting networks (MSG Network and MSG+) and owned the local broadcasting rights for live games of the New York Knicks of the National Basketball Association, and the New York Rangers, New York Islanders, New Jersey Devils, and Buffalo Sabres of the National Hockey League. It provided coverage of the New York Giants and Buffalo Bills of the National Football League as well. MSGN also provided a wide array of other television sports and entertainment programming. The vast majority of MSGN’s revenue (over 90%) came from carriage fees charged to distributors (mainly cable television**

operators) for the right to carry MSGN's channels. The balance of MSGN's revenue came from advertising. MSGN was previously named as a defendant as a necessary party to the injunctive relief that Plaintiffs sought.<sup>4</sup>

**ANSWER:** The Independent Director Defendants admit that MSGN was a Delaware corporation headquartered in New York City. To the extent the allegations of Paragraph 46 purport to refer to or characterize publicly available information or documents, such as the Joint Proxy Statement filed June 2, 2021, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 36, and deny them on that basis, except that the Independent Director Defendants admit that MSGN was previously named by Plaintiffs as a defendant.

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

**ANSWER:** The Independent Director Defendants admit that MSGS is incorporated in Delaware and headquartered in New York City. The Independent Director Defendants further admit that MSGS was incorporated on March 4, 2015

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<sup>4</sup> See footnote 1, *supra*.

as an indirect wholly owned subsidiary of MSGN. The Independent Director Defendants further admit that MSGS was spun off as an independent company from MSGN. The Independent Director Defendants further admit that MSGS owns the New York Knicks and the New York Rangers. The Independent Director Defendants otherwise deny the allegations in Paragraph 47.

### **FACTUAL BACKGROUND**

#### **I. The Dolans Control MSGE and MSGN**

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

**ANSWER:** The Independent Director Defendants admit the allegations in Sentence 1 of Paragraph 48. The Independent Director Defendants deny the allegations in Sentences 2 and 3, and 4 of Paragraph 48, except admit that MSGE was incorporated in Delaware and thereafter MSGE became a wholly-owned subsidiary of MSGS.

**49. Through their ownership of super-voting stock, ability to appoint directors, and service as directors and officers, the Dolans controlled both MSGE and MSGN. Both MSGE and MSGN had (and MSGE still has) two classes of common stock: one-vote-per-share Class A stock and ten-votes-per-share Class B stock. Holders of Class B stock were entitled to elect 75% of the directors at each company. At all relevant times, the Dolans, through a series of family trusts, controlled a super-majority of the voting power at MSGE and MSGN. Prior to the Merger, the Dolans owned 100% of MSGE's super-voting Class B stock and 4.2% of the Company's Class A stock. As a result, they controlled approximately 71% of MSGE's total voting power despite holding**

**an approximately 21% economic interest in the Company. Similarly, the Dolans owned 100% of MSGN's super-voting Class B stock and 7.2% of MSGN's Class A stock. As a result, they controlled approximately 77% of MSGN's total voting power despite holding an approximately 29% economic interest in MSGN.**

**ANSWER:** The allegations in the first sentence of Paragraph 49 constitute legal conclusions to which no response is required. The Independent Director Defendants admit that MSGE and MSGN had two classes of common stock at the time that the acquisition of MSGN by MSGE was approved by the MSGE Special Committee, with the Class A stock holding one vote per share and the Class B stock holding 10 votes per share at each of MSGE and MSGN. The Independent Director Defendants further admit that the Dolan Family Group owned all outstanding MSGE and MSGN Class B common stock, which accounted for approximately 70.7% of the total voting power of MSGE and 76.9% of the total voting power of MSGN, as of May 17, 2021. To the extent the allegations of Paragraph 49 purport to refer to or characterize publicly available information or documents, such as the Joint Proxy Statement filed June 2, 2021, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. The Independent Director Defendants otherwise deny the allegations in Paragraph 49.

**50. At the time that Plaintiffs filed their initial complaints, the MSGE Board comprised 17 directors, 12 of whom the Dolans directly elected<sup>5</sup> and 10 of whom are members of the Dolan Family.<sup>6</sup> Moreover, as described above, at least three of the remaining four Class A directors have deep and longstanding ties to the Dolans and/or served as dual directors inherently conflicted by the Merger:<sup>7</sup>**

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

**ANSWER:** The Independent Director Defendants admit that, at the time the acquisition of MSGN by MSGE was approved by the MSGE Special Committee, the MSGE Board contained 17 directors and that certain members of the MSGE Board were related to the Dolan family and that Blank resigned from the MSGE Board on August 23, 2021. The Independent Director Defendants otherwise lack

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

<sup>6</sup> J. Dolan, C.F. Dolan, C.P. Dolan, K. Dolan, Weber, P. Dolan, Q. Dolan, R. Dolan, T. Dolan, and Sweeney.

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

information sufficient to form a belief as to the truth of the remaining allegations set forth in the first sentence of paragraph 50 and deny them on that basis. The second sentence of paragraph 50 states a legal conclusion to which no response is required. To the extent a response is required, the Independent Director Defendants deny the allegations set forth in the second sentence of paragraph 50, except admit the three bulleted descriptions of the curriculum vitae of defendants Lhota, Sykes and Tese and further admit that Chuck Tese is presently employed by MSGE Entertainment.

**51. The MSGN Board comprised 14 directors, ten of whom the Dolans directly elected<sup>8</sup> and seven of whom were members of the Dolan Family.<sup>9</sup> Moreover, at least two of the remaining four Class A directors had deep and longstanding ties to the Dolans and/or served as dual directors inherently conflicted by the Merger. In addition to Lhota, Joseph M. Cohen was President of MSGN from 1977-1985 and has served as a director of MSGS since 2020.**

**ANSWER:** The Independent Director Defendants admit that, at the time of the Merger, the MSGN Board comprised 14 directors. To the extent the allegations of Paragraph 51 purport to refer to or characterize publicly available information or documents, such as the Joint Proxy Statement filed June 2, 2021, such document

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

<sup>9</sup> J. Dolan, Aiden J. Dolan, C.F. Dolan, K. Dolan, P. Dolan, T. Dolan, and Sweeney. MSGE Board and MSGN Board at all times relevant to the Merger: J. Dolan, C.F. Dolan, K. Dolan, P. Dolan, T. Dolan, Sweeney, Lhota, and Sykes. J. Dolan served as Executive Chairman of both MSGE and MSGN, and he also serves as CEO of MSGE.



speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to the proxy statement for its full contents. The second sentence of paragraph 51 states a legal conclusion to which no response is required, and is denied to the extent a response is required. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 50, and deny them on that basis.

**52. There was also a substantial overlap of directors between MSGE and MSGN, as the following eight people (six of whom are Dolans) served on both the MSGE Board and MSGN Board at all times relevant to the Merger: J. Dolan, C.F. Dolan, K. Dolan, P. Dolan, T. Dolan, Sweeney, Lhota, and Sykes. J. Dolan served as Executive Chairman of both MSGE and MSGN, and he also serves as CEO of MSGE.**

**ANSWER:** The Independent Director Defendants admit that J. Dolan served as the CEO and Executive Chairman of MSGE as of the date of Plaintiffs' Consolidated Complaint. The Independent Director Defendants also admit that the eight persons listed in the first sentence of Paragraph 52 served on both the MSGE Board and the MSGN Board at the time of the Merger. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 52, and deny them on that basis.

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

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**ANSWER:** The Independent Director Defendants admit MSGE has filed disclosures with the SEC stating, “We Are Controlled by the Dolan Family,” but otherwise lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations of the first sentence of Paragraph 53 and deny them on that basis. The Independent Director Defendants admit that MSGE elected to be a controlled company under NYSE listing standards, but otherwise lack information sufficient to form a belief as to the truth of the second sentence of paragraph 53. To the extent the allegations in the third sentence of Paragraph 53 purport to quote from or characterize [REDACTED], such document speaks for itself and no response is required, and the Independent Director Defendants respectfully refer the Court to that document for its full contents.

**54. The Dolans are infamous for their disregard for proper corporate governance and for engaging in improper related-party transactions. Indeed, the stock of companies controlled by the Dolans are known to be afflicted by the so-called “Dolan Discount” because they trade at a discount to peers, reflecting the market’s concern that the Dolans will spend “cash in ways that**

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<sup>10</sup> [REDACTED]

don't necessarily help the company" and their willingness to "punish[] investors" for not bowing to their will.<sup>11</sup>

**ANSWER:** The Independent Director Defendants deny the allegations in Paragraph 54 and footnote 11.

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

### **A. A Conflicted Management Team Initiates Merger Discussions**

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

**ANSWER:** The Independent Director Defendants admit that a joint proxy statement was filed in connection with the Merger. To the extent the allegations in Paragraph 55 purport to quote from or characterize that document, the joint proxy statement speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. Sentence 2 of Paragraph 55 consists of legal conclusions to which no response is required. To the extent Sentence 2 of Paragraph 55 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Sentence 2 of Paragraph 55.

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

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

**ANSWER:** Paragraph 56 purports to refer to and selectively quote the Proxy, and the Independent Director Defendants respectfully refer the Court to the Proxy for its true and complete contents and otherwise deny the allegations of paragraph 56.

**57. The Proxy very conspicuously noted whenever conflicted management members were excluded from a conversation or meeting that the Proxy described. The fact that the Proxy never mentioned that conflicted members of management were excluded from these initial discussions is a glaring omission. It is reasonable to infer that these critical preliminary discussions, which set the stage for and kicked off the Merger process, included J. Dolan—the Chairman and CEO of MSGE and Chairman of MSGN—and other conflicted members of MSGE management who stood on both sides of the Merger.<sup>12</sup>**

**ANSWER:** The allegations in Paragraph 57 reflect plaintiffs’ characterization of the action to which no response is required. To the extent the allegations of Paragraph 57 characterize the Proxy, the Independent Director Defendants respectfully refer the Court to that document for its full contents. The

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

Independent Director Defendants otherwise deny the remaining allegations in Paragraph 57.

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

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

**ANSWER:** The Independent Director Defendants deny the allegations in Paragraph 58, except admit that the MSGE Board held a meeting on January 6, 2021, at which representatives of Sullivan & Cromwell LLP were present. To the extent that Sentence 2 of Paragraph 58 purports to refer to the Proxy, the Independent Director Defendants respectfully refer the Court to the Proxy for its true and correct contents and deny any allegation inconsistent therewith.

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

**ANSWER:** The Independent Director Defendants admit the allegations in Paragraph 59.

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

**ANSWER:** The Independent Director Defendants deny the allegations in the first sentence of Paragraph 60. The second and third sentences of paragraph 60 state legal conclusions to which no response is required. To the extent a further response is required, the Independent Director Defendants respectfully refer the Court to the resolution forming the MSGE Special Committee for its true and complete contents, and otherwise deny the characterizations of paragraph 60.

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

**ANSWER:** The Independent Director Defendants deny the allegations in Paragraph 61, except lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph 61 concerning the proceedings of the MSGE Special Committee meeting, except admit that the MSGE Special Committee retained Wachtell, Lipton, Rosen & Katz (“Wachtell”) as its legal counsel and that Scott Packman was MSGE’s General Counsel and an officer of MSGE as of January

6, 2021. Further, to the extent that Paragraph 61 purports to refer to the Proxy, the Independent Director Defendants respectfully refer the Court to the Proxy for its true and correct contents and deny any allegation inconsistent therewith.

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

**ANSWER:** The Independent Director Defendants admit that the MSGN Board formed a special committee and that the MSGN Special Committee retained Davis Polk & Wardwell LLP as legal counsel and LionTree and Morgan Stanley financial advisors. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 62 and deny them on that basis.

**63. On January 18, 2021, the MSGE Special Committee hired two financial advisors: Moelis & Company (“Moelis”) and Raine Securities LLC (“Raine”), a subsidiary of the Raine Group. Notably, Blank, one of the two members of the MSGE Special Committee, is a senior advisor to Raine Group—which is a relatively obscure investment bank that is not usually hired in connection with transactions of this size. Raine was paid \$1.5 million when it signed the engagement letter. It was paid \$2.5 million after delivering its fairness opinion, and it earned another \$3.5 million when the Merger closed. Given Raine’s relative obscurity, it is difficult to understand why it would be engaged and paid such hefty fees other than as a favor to Blank.**

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph 63 and therefore deny them, except admit that the MSGE Special Committee hired two financial advisors: Moelis & Company (“Moelis”) and Raine, and that the website for Raine lists Matthew Blank as a Senior Advisor. Further, to the extent that Paragraph 63 purports to refer to the Proxy, the Independent Director Defendants respectfully refer the Court to the Proxy for its true and correct contents and deny any allegation inconsistent therewith.

**64.** [REDACTED]

[REDACTED]

**ANSWER:** [REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

65. [REDACTED]

[REDACTED]

[REDACTED]<sup>13</sup>

ANSWER: T [REDACTED]

[REDACTED]

[REDACTED]

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

ANSWER: The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Sentence 1 of Paragraph 66 and therefore deny them as stated. The Independent Director Defendants admit the allegations in Sentence 2 of Paragraph 66.

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

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<sup>13</sup> [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

**ANSWER:** The Independent Director Defendants admit that members of the two special committees received presentations from the management of each of MSGE and MSGN and that virtual data rooms were opened. The Independent Director Defendants otherwise lack information sufficient to form a belief as to the truth regarding and therefore deny the allegations of Paragraph 67.

**C. Negotiations Accelerate Once News of the Merger Discussions Leaks**

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

**ANSWER:** The allegations contained in Paragraph 68 purport to refer to or characterize publicly available information to which no response is required. To the extent a response is required, the Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 68 and deny them on that basis.

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

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

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

**ANSWER:** The Independent Director Defendants admit that on March 10, 2021, *Bloomberg* published a story entitled: “MSG Networks Considering Rejoining with MSG Entertainment,” which Paragraph 69 purports to refer to and quote from, and the Independent Director Defendants respectfully refer the Court to that story for the fact of its publication and contents. Except as expressly admitted, the Independent Director Defendants deny the allegations of Paragraph 69.

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

**ANSWER:** The allegations in Paragraph 70 purport to refer to or characterize publicly available information to which no response is required. To the extent a response is required, the Independent Director Defendants deny the allegations in Paragraph 70.

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

**ANSWER:** The allegations in Paragraph 71 purport to refer to or characterize publicly available information to which no response is required. To the extent a response is required, the Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 71 and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph 72. Further, to the extent that Paragraph 72 purports to refer to the Proxy, the Independent Director Defendants respectfully refer the Court to the Proxy for its true and correct contents and otherwise deny the allegations and characterizations set forth in Paragraph 72.

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

[REDACTED]

[REDACTED]

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph

73. [REDACTED]

[REDACTED]

[REDACTED]

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

[REDACTED]

[REDACTED]

[REDACTED]

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

**ANSWER:** The first two sentences of Paragraph 74 reflect legal conclusions to which no response is required. The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the remainder of the allegations in Paragraph 74 and therefore deny them. To the extent that Paragraph 74 purports to refer to the Proxy or documents produced to Plaintiffs

pursuant to 8 *Del. C.* § 220, the Independent Director Defendants respectfully refer the Court to those documents for their contents.

**75. The day after that, the two committees met and the MSGE Special Committee made its proposal verbally. The MSGE Special Committee did not prepare minutes of this key meeting. Wachtell delivered the same proposal in writing later that day.** [REDACTED]

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph

75. [REDACTED]

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph

76. Further, to the extent that Paragraph 76 purports to refer to the Proxy, the Independent Director Defendants respectfully refer the Court to the Proxy for its true and correct contents and deny any allegation inconsistent therewith.

77. [REDACTED]

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph 77. To the extent that Paragraph 77 purports to refer to and quote from a document of the Special Committee produced to Plaintiffs under 8 *Del. C.* § 220, the Independent Director Defendants respectfully refer the Court to that document for its contents.

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

meeting with the MSGN Special Committee, despite the meeting's critical importance.

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph 78. Further, to the extent that Paragraph 78 purports to refer to the Proxy, the Independent Director Defendants respectfully refer the Court to the Proxy for its true and correct contents and deny any allegation inconsistent therewith.

**79. The agreed-upon exchange ratio of 0.172 shares of MSGE stock for each share of MSGN stock overvalued MSGN and its declining company prospects. The agreed-upon exchange ratio exceeded every measure of the many historical exchange ratios for the two companies that the MSGE Special Committee was advised of. For example, on March 4, 2021, the MSGE Special Committee was advised** [REDACTED]

**[REDACTED]<sup>16</sup> On March 11 and 19, 2021, the MSGE Special Committee was advised** [REDACTED]

[REDACTED]

**[REDACTED]<sup>17</sup> The exchange ratio was, therefore, completely unjustified** [REDACTED]

[REDACTED]

**ANSWER:** Sentences 1 and 5 of Paragraph 79 consist of legal conclusions to which no response is required. To the extent Sentences 1 and 5 of Paragraph 79 contain allegations requiring a response, the Independent Director Defendants deny the allegations in Sentences 1 and 5 of Paragraph 79. The Independent Director

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<sup>16</sup> [REDACTED]

<sup>17</sup> [REDACTED]



Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Sentences 2, 3, and 4 of Paragraph 79 and therefore deny them. To the extent that Sentences 3 and 4 of Paragraph 79 purport to refer to documents produced to Plaintiffs pursuant to 8 *Del. C.* § 220, the Independent Director Defendants respectfully refer the Court to those documents for their contents.

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

**ANSWER:** The Independent Director Defendants deny the allegations in Sentence 1 of Paragraph 80. The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Sentence 2 of Paragraph 80. To the extent that Paragraph 80 purports to refer to the Proxy, the Independent Director Defendants respectfully refer the Court to the Proxy for its true and correct contents and deny any allegation inconsistent therewith.

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

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Sentence 1 of Paragraph 81. To the extent that Paragraph 81 purports to refer to the Proxy, the Independent Director Defendants respectfully refer the Court to the Proxy for its true and correct contents and deny any allegations inconsistent therewith. The Independent Director Defendants admit that on March 25, 2021, the MSGE Board met, the MSGE Board received legal advice from Sullivan & Cromwell, and the MSGE Board unanimously voted to approve the Merger. The Independent Director Defendants otherwise deny the allegations of Paragraph 81.

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

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

**ANSWER:** To the extent the allegations of Paragraph 82 purport to characterize or refer to publicly available information or documents, such documents speak for themselves and no response is required. The Independent Director Defendants respectfully refer the Court to such documents for their full contents. Sentence 5 of Paragraph 82 asserts a legal conclusion, to which no response is required. To the extent a response to Sentence 5 is required, the Independent Director Defendants deny the allegations of Sentence 5 and respectfully refer the Court to the Merger Agreements for its contents. The Independent Director Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 82 and deny them on that basis.

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

**ANSWER:** The allegations in Paragraph 83 purport to refer to or characterize publicly available information to which no response is required. To the extent a response is required, the Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 83 and deny them on that basis.

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



**ANSWER:** The Independent Director Defendants deny the allegations in Paragraph 84, except admit that the price of MSGE's Class A common stock has closed below \$115 per share every day since March 11, 2021, and on October 1, 2021 MSGN released a public statement reporting that an agreement with Comcast had expired.

**85. The reaction from analysts and major stockholders to the Merger was highly critical. Jefferies noted that MSGE's stock price dropped after the announcement and speculated that this reaction might "be driven by the lower multiples for MSGN and the perception of linear TV deteriorating, magnified by recent market weakness in media companies." Oppenheimer explained that the "somewhat confusing" Merger "clouds the growth attributes of MSG Entertainment" and suggested that the Merger appears more favorable to MSGN, which it described as a "declining business." Berenberg wrote that it "would like more industrial logic for the combination." And Boyar Value Group published an open letter stating that "there are no aspects of the**

**‘synergies’ created by the transaction . . . that cannot be accomplished via a contractual relationship between both entities.”**

**ANSWER:** The allegations in Sentence 1 of Paragraph 85 purport to characterize “[t]he reaction from analysts and major stockholders” to which the Independent Director Defendants respectfully refer the Court for their contents. Sentences 2, 3, 4, and 5 of Paragraph 85 purport to refer to, characterize and selectively quote analyst reports from Jefferies, Oppenheimer, Berenberg, and Boyar Value Group, and the Independent Director Defendants respectfully refer the Court to those reports for their complete contents.

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

**ANSWER:** The allegations in Paragraph 86 purport to refer to or characterize publicly available information or documents, which speak for themselves and to which no response is required. The Independent Director Defendants respectfully refer the Court to those documents for their full contents. To the extent a further response is required, the Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 86 and deny them on that basis.

**87. The first question focused on conflicts of interest: “And the first thing I wanted to ask you is what do you say to investors who are concerned that the interests of the Class B shareholders are different from those of the Class A shareholders?” Seibert, who is the Vice Chairman of both MSGE and MSGN, gave a rambling and entirely non-responsive answer, that concluded with the demonstrably false statement that “I think everyone’s interests are aligned.”**

**ANSWER:** The allegations in Paragraph 87 purport to refer to or characterize publicly available information or documents, which speak for themselves and to which no response is required. The Independent Director Defendants respectfully refer the Court to those documents for their full contents. To the extent a further response is required, the Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 87 and deny them on that basis.

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

**ANSWER:** The allegations in Paragraph 88 purport to refer to or characterize publicly available information or documents, which speak for themselves and to which no response is required. The Independent Director Defendants respectfully refer the Court to those documents for their full contents. To the extent a further response is required, the Independent Director Defendants lack knowledge or

information sufficient to form a belief as to the truth of the allegations in Paragraph 88 and deny them on that basis.

**89. Later in the interview, an analyst asked: “[I]n the past . . . you’ve done spins intercompany agreements and it seemed like the different MSG Sports, Entertainment and Networks were very tightly aligned anyway [so] why do you need to put them all together under the same roof to achieve that?” In response, Andrew Lustgarten, MSGE’s President, replied that “an intercompany agreement works to a certain extent it’s not – it definitely puts you in the right direction but there’s nothing like being under the same roof, growing together with one focus on the bottom line saying same similar goals similar objectives, incentivize together and we just think that this is a really great opportunity to really grow the business.” Finally, an analyst noted that the Proxy’s optimistic projections for MSGN were “[a] little surpris[ing]” because they “showed I think revenue growth kind of continuing over the next I don’t know whether it’s four or five years and pretty steady AOI [adjusted operating income]. And as we’ve hinted at already it’s a fairly challenged business and a lot of regards cord cutting wherever it may be.”**

**ANSWER:** The allegations in Paragraph 89 purport to refer to or characterize publicly available information or documents, which speak for themselves and to which no response is required. The Independent Director Defendants respectfully refer the Court to those documents for their full contents. To the extent a further response is required, the Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 89 and deny them on that basis.

**90. Seibert responded by aggressively disavowing the projections: “[J]ust to refer to the numbers in the prospectus I just want to make clear that those are internal numbers that were used by the Special Committees in the negotiations and they’re not intended to be guidance for investors.”**

**ANSWER:** The allegations in Paragraph 90 purport to refer to or characterize publicly available information or documents, which speak for themselves and to which no response is required. The Independent Director Defendants respectfully refer the Court to those documents for their full contents. To the extent a further response is required, the Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 90 and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants deny the allegations in Sentence 1 of Paragraph 91. The Independent Director Defendants admit the allegations in Sentence 2 of Paragraph 91. The Independent Director Defendants deny the allegations in Sentence 3 of Paragraph 91, except admit that on May 6, 2021, MSGN retained Guggenheim Securities in connection with the preparation of investor materials and shareholder engagement.

**92. The Merger closed on July 9, 2021.**

**ANSWER:** The Independent Director Defendants admit the allegations in Paragraph 92.



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

**ANSWER:** The Independent Director Defendants admit the allegations in Sentence 1 of Paragraph 93. The Independent Director Defendants otherwise lack information sufficient to form a belief regarding the remaining allegations set forth in paragraph 93 and deny them on that basis.

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

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

**ANSWER:** Paragraph 94 consists of legal conclusions to which no response is required. To the extent that Paragraph 94 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 94.

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 95 and deny them on that basis.

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

**ANSWER:** Paragraph 96 consists of legal conclusions to which no response is required. To the extent that Paragraph 96 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 96.

*i. MSGE Overpaid for MSGN*

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

**ANSWER:** The Independent Director Defendants deny the allegations set forth in Sentence 1 of Paragraph 97. The remaining allegations in Paragraph 97 otherwise purport to refer to or characterize publicly available information or other

documents, which speak for themselves and to which no response is required. The Independent Director Defendants respectfully refer the Court to those documents for their full contents. To the extent a further response is required, the Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 97 and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph 98 to the extent Paragraph 98 purports to characterize the knowledge or belief of market analysts. To the extent that Paragraph 98 purports to refer to and quote analyst reports, the Independent Director Defendants respectfully refer the Court to the analyst reports for their contents.

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

**ANSWER:** The allegations in Paragraph 99 purport to refer to or characterize publicly available information or other documents, which speak for themselves and to which no response is required. The Independent Director Defendants respectfully refer the Court to those documents for their full contents. To the extent a further response is required, the Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 99 and deny them on that basis.

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

**ANSWER:** The allegations in Paragraph 100 purport to refer to or characterize publicly available information or other documents, which speak for themselves and to which no response is required. The Independent Director Defendants respectfully refer the Court to those documents for their full contents. To the extent a further response is required, the Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 100 and deny them on that basis.

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

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Sentences 1, 2, 3, and 5 of Paragraph 101 to the extent those Sentences purport to characterize the knowledge and belief of stockholders and market analysts, except that to the extent those Sentences purport to refer to and quote analyst reports and statements by the MSGE Special Committee, the Independent Director Defendants respectfully refer the Court to the analyst reports and MSGE Special Committee statements for their contents. The Independent Director Defendants deny the allegations in Sentence 4 of Paragraph 101.

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

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<sup>19</sup> [REDACTED]

**MSGN's EBITDA was expected to decline by approximately 43% from 2022 to 2025.**

**ANSWER:** The Independent Director Defendants deny the allegations in Sentence 1 of Paragraph 102. The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Sentences 2, 3, and 4 of Paragraph 102 except that, to the extent those Sentences purport to refer to and quote analyst reports by Oppenheimer and Guggenheim, the Independent Director Defendants respectfully refer the Court to the analyst reports for their contents.

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Paragraph 103, except that to the extent that Sentence 2 and the graphic in Paragraph 103 purport to refer to and quote slides from the Moelis fairness opinion presentation, the Independent Director Defendants respectfully refer the Court to such presentation for its contents.

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

[REDACTED]

**ANSWER:** The Independent Director Defendants deny the allegations in Paragraph 104, [REDACTED]

**105.** Neither the Merger’s press release nor the analyst conference call hosted by the Company adequately explained how tying MSGE’s assets to a business reliant on decaying cable TV carriage fees would benefit the Company. This is especially true as the “cord-cutting” trend continues to substantially erode cable TV subscriptions, which are decreasing by millions of subscribers each year. As Oppenheimer noted in an August 23, 2021 report—after the Merger had closed— “the company continues to benefit from the recovery of live events. However, we continue to question the rationale for the acquisition of MSGN as the business continues to lose subscribers— e.g., a ~7% decline during the quarter.” An August 24, 2021 Guggenheim report similarly noted that “we remain skeptical about the long-term strategic benefits of a recombination and continue to view the long-term outlook for the RSN business as sub-optimal (no clear DTC strategy, path back to growth).”

**ANSWER:** The Independent Director Defendants deny the allegations in Sentences 1 and 2 of Paragraph 105. The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Sentences 3, 4, and 5 of Paragraph 105. To the extent Paragraph 105 purports to refer to an August 23, 2021 Oppenheimer analyst report and an August 24, 2021 Guggenheim analyst report, the Independent Director Defendants respectfully refer the Court to the analyst reports for their contents.



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

**ANSWER:** The allegations in Paragraph 106 purport to refer to or characterize publicly available information or other documents, which speak for themselves and to which no response is required. The Independent Director Defendants respectfully refer the Court to those documents for their full contents. To the extent a further response is required, the Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 106 and deny them on that basis.

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

**ANSWER:** The Independent Director Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 107 and deny them on that basis. To the extent the allegations in Sentence 3 of Paragraph 107 purport to refer to and quote an article published in *Sportico*, the

Independent Director Defendants respectfully refer the Court to that article for its contents.

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

**ANSWER:** The Independent Director Defendants deny the allegations in Sentence 1 of Paragraph 108. The Independent Director Defendants deny the allegations in Sentence 2, 3, footnote 20, and 4 of Paragraph 108, except admit that on November 30, 2020, MSGN's Class A stock was \$12.14 at closing and on March 10, 2021, MSGN's Class A stock was \$19.13 at closing. The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegation in Sentence 5 of Paragraph 108. The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth

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

of the allegations in Sentence 6 of Paragraph 108, except that to the extent that Sentence 6 of Paragraph 108 purports to refer to the March 10, 2021 J.P. Morgan analyst report, the Independent Director Defendants respectfully refer the Court to that report for its contents.

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

[REDACTED]

**ANSWER:** Sentence 1 of Paragraph 109 consists of legal conclusions to which no response is required. To the extent that Sentence 1 of Paragraph 109 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Sentence 1 of Paragraph 109. Sentence 2 of Paragraph 109 purports to refer to and quote MSGE-220-000051 produced to Plaintiffs pursuant to 8 *Del. C.* § 220, and the Independent Director Defendants respectfully refer the Court to that document for its true and correct contents and otherwise deny Plaintiffs' characterizations.

**110. The Merger's press release explains:**

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

**ANSWER:** Paragraph 110 purports to refer to and quote the Merger's press release, which speaks for itself, and the Independent Director Defendants respectfully refer the Court to that release for its true and complete contents.

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

**ANSWER:** The Independent Director Defendants deny the allegations in Paragraph 111.

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

[REDACTED] [REDACTED]<sup>23</sup>

**ANSWER:** The Independent Director Defendants admit that, o [REDACTED]

[REDACTED]

[REDACTED] To the extent the allegations in Paragraph 112 purport to refer to or characterize a document, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to that document for its full contents. To the extent a further response is required, the Independent Director Defendants deny the allegations in Paragraph 112.

**113.** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]<sup>24</sup>

**ANSWER:** The Independent Director Defendants deny the allegations in Paragraph 113. To the extent Paragraph 113 purports to refer to the Proxy and Merger Announcement and documents produced to the Plaintiffs pursuant to 8 *Del.*

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<sup>22</sup> [REDACTED]

<sup>23</sup> [REDACTED]  
[REDACTED]

<sup>24</sup> [REDACTED]

C. § 220, the Independent Director Defendants respectfully refer the Court to those documents for their contents.

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

**ANSWER:** The Independent Director Defendants deny the allegations in Paragraph 114, except admit as of closing on March 26, 2021, the Company's Class A stock price was \$84.67 and that at the closing of the markets on October 18, 2021, the Company's Class A stock price was \$70.04.

*ii. The Merger Was Negotiated Through An Unfair Process*

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

**ANSWER:** Paragraph 115 consists of legal conclusions to which no response is required. To the extent that Paragraph 115 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 115.

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

**ANSWER:** Paragraph 116 consists of legal conclusions to which no response is required. To the extent that Paragraph 116 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 116, except admit that the Merger was approved by a vote of a majority of MSGE's voting stock.

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

**ANSWER:** The allegations in Paragraph 117 reflect legal conclusions to which no response is required. To extent the allegations in Paragraph 117 purport to refer to or characterize a document, such document speaks for itself and no response is required. The Independent Director Defendants respectfully refer the Court to the MSGE Special Committee's authorizing resolution for its full contents. The Independent Director Defendants otherwise deny the allegations in Paragraph 117.

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

**Indeed, Blank received the lucrative role as interim CEO at AMC Networks as a reward for pushing through the Merger.**

**ANSWER:** The Independent Director Defendants admit that Defendant Blank has been a senior advisor to the Raine Group, of which Raine is a subsidiary, and he served as one of two members of the MSGE Special Committee. The Independent Director Defendants otherwise lack information sufficient to form a belief as to, and therefore deny, the remaining allegations in Paragraph 118.

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

**ANSWER:** The Independent Director Defendants deny the allegations in Sentences 1 and 2 of Paragraph 119, except admit that S&C advised MSGE and MSGN at various times and note that Wachtell advised the MSGE Special Committee and Davis Polk advised the MSGN Special Committee. The Independent Director Defendants lack knowledge or information sufficient to form a belief about the allegations in Sentences 3 and 4 of Paragraph 119, except admit that S&C attended meetings of the MSGE Board. To the extent that Paragraph 119 purports



to refer to and quote the Proxy, the Independent Director Defendants respectfully refer the Court to the Proxy for its true and correct contents and deny any allegations inconsistent therewith.

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

**ANSWER:** To extent the allegations in Paragraph 120 purport to refer to or characterize documents, such documents speak for themselves and no response is required. The Independent Director Defendants respectfully refer the Court to those documents for their full contents. The Independent Director Defendants otherwise deny the allegations in Paragraph 120.

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

[REDACTED]

**ANSWER:** To extent the allegations in Paragraph 121 purport to refer to or characterize documents, such documents speak for themselves and no response is required. The Independent Director Defendants respectfully refer the Court to those documents for their full contents. The Independent Director Defendants otherwise deny the allegations in Paragraph 121.

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

- a. In calculating the discount rate, Moelis and Raine both looked to the capital structure of selected comparable companies instead of MSGE and MSGN’s actual or target capital structures. This is a common error that Delaware courts have routinely rejected.**
- b. Notably, Moelis’s and Raine’s DCF analyses calculated substantially lower values for MSGE (\$66 to \$120 per share and \$68 to \$101 per share, respectively) than the DCF analysis of MSGE performed by MSGN’s advisors at LionTree and Morgan Stanley (\$121 to \$146 per share) because Moelis and Raine inexplicably used much higher discount rates than did LionTree and Morgan Stanley.**
- c. For its DCF analysis of MSGE, Moelis used cash flow projections from January 1, 2021 through June 30, 2025. But for its DCF analysis of MSGN, Moelis used cash flow projections from July 1, 2021 through December 31, 2025. In other words, Moelis used 4.5 years for both companies (instead of the standard five). This artificially reduces MSGE’s value by giving it less credit for a post-COVID recovery. Similarly, the 4.5 years of projections for MSGE include an additional six-months of COVID-impacted projections (January 1, 2021 through June 30, 2025) that the 4.5 years of cash flow projections for MSGN did not. Notably, in 2025 (as the discrete period ends), MSGE’s projections show MSGE’s free cash flow growing at 218% and MSGN free cash flow decreasing by 14%. The decision to reduce the discrete period from 5 years to 4.5 and to forego a three-stage model for MSGE resulted in an artificially low valuation and helps explain why 178% of Moelis’ implied DCF net value for MSGE comes from the terminal period.**

**ANSWER:** The Independent Director Defendants lack knowledge or information to form a belief about the allegations in Paragraph 122 and therefore deny them. To the extent that Paragraph 122 purports to refer to the fairness opinions of Moelis, Raine, LionTree Advisors, LLC, and Morgan Stanley, the Independent Director Defendants respectfully refer the Court to those opinions for their contents.

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

**ANSWER:** Paragraph 123 purports to refer to the Proxy, to which the Independent Director Defendants respectfully refer the Court for its true and complete contents and otherwise deny the allegations in Paragraph 123.

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

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

**ANSWER:** The Independent Director Defendants deny the allegations in Sentences 1 and 2 of Paragraph 124. Sentence 3 of Paragraph 124 consists of legal conclusions to which no response is required. To the extent that Sentence 3 of

Paragraph 124 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Sentence 3 of Paragraph 124.

**125. Moreover, the structure of the Merger allowed the Dolan Family to steer capital to the Company but also avoid the dilution to *themselves* that would result from a cheaper form of third-party financing preferable to MSGE's public stockholders.**

**ANSWER:** Paragraph 125 asserts legal conclusions to which no response is required. To the extent that Paragraph 125 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 125.

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

**ANSWER:** Paragraph 126 asserts legal conclusions to which no response is required. To the extent that Paragraph 126 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 126.

### **DERIVATIVE AND DEMAND-FUTILITY ALLEGATIONS**

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

**represent the interests of the Company and its stockholders in enforcing and prosecuting its rights.**

**ANSWER:** Sentences 1 and 3 of Paragraph 127 consists of legal conclusions to which no response is required. To the extent that Sentences 1 and 3 of Paragraph 127 contain allegations requiring a response, the Independent Director Defendants deny the allegations in Sentences 1 and 3 of Paragraph 127. The Independent Director Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in Sentence 2 of Paragraph 127.

**128. Plaintiffs did not make a demand on the MSGE Board to institute this Action because pre-suit demand is excused. The facts alleged in the preceding paragraphs raise a reasonable doubt that, at a minimum, a majority of the MSGE Board would be disinterested and independent when considering a demand regarding breaches of fiduciary duty by the Director Defendants and the Independent Director Defendants.**

**ANSWER:** Paragraph 128 consists of legal conclusions to which no response is required, except the Independent Director Defendants admit that Plaintiffs did not make a demand on the MSGE Board to institute this Action. To the extent that Paragraph 128 contains other allegations requiring a response, the Independent Director Defendants deny the other allegations in Paragraph 128.

**129. At the time that Plaintiffs filed their initial complaints, the MSGE Board consisted of 17 directors, all of whom were named as Director Defendants in this Action. Because the initial complaints would have survived a motion to dismiss, that Board is the relevant demand board. The same is true even if the Court considers the current Board to be the relevant demand Board because the only relevant changes are Blank's resignation and his replacement by Joel Litvin, one of the two members of the MSGN Special Committee who**

**had served as a MSGN director since 2015. Either way, a majority of the demand Board faces a substantial likelihood of liability for breach of fiduciary duty in connection with the negotiation and approval of the Merger, which was unfair to MSGE and its public holders of Class A stock.**

**ANSWER:** The Independent Director Defendants admit the allegations in Sentence 1 of Paragraph 129. The remaining allegations of Paragraph 129 consists of legal conclusions to which no response is required. To the extent that Paragraph 129 contains allegations requiring a response, the Independent Director Defendants deny the remaining allegations in Paragraph 129, except admit that Joel Litvin is presently a member of the MSGE Board.

**130. Likewise, a majority of the demand Board would not be disinterested and independent when considering a demand regarding breaches of fiduciary duty by MSGE's controller, the Dolans. A majority of the demand Board consisted of Dolans themselves, and a number of additional directors on the MSGE Board have deep and long-standing ties to the Dolans. And Litvin could not independently consider a demand challenging a transaction that benefited MSGN stockholders, which he voted for as an MSGN director. As such, a majority of the MSGE Board would not be disinterested and impartial when considering a demand to institute litigation to hold the Independent Director Defendants accountable for negotiating and approving the unfair Merger, which also provides the Dolans with unique and non-ratable benefits.**

**ANSWER:** Sentences 1, 3, and 4 of Paragraph 130 consist of legal conclusions to which no response is required. To the extent that Sentences 1, 3 and 4 of Paragraph 130 contain allegations requiring a response, the Independent Director Defendants deny the allegations in Sentences 1, 3, and 4 of Paragraph 130. The Independent Director Defendants deny the allegations in Sentence 2 of

Paragraph 130, except admit that a majority of the MSGE Board had the last name Dolan or is or was related to an individual with the last name Dolan.

**CLAIMS FOR RELIEF**  
**COUNT I**

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

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

**ANSWER:** The Independent Director Defendants incorporate by reference their responses to each allegation above as though fully set forth herein.

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

**ANSWER:** Paragraph 132 consists of legal conclusions to which no response is required. To the extent Paragraph 132 contains factual allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 132.

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

**ANSWER:** Paragraph 133 consists of legal conclusions to which no response is required. To the extent Paragraph 133 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 133.

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

**ANSWER:** Paragraph 134 consists of legal conclusions to which no response is required. To the extent that Paragraph 134 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 134.

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

**ANSWER:** Paragraph 135 consists of legal conclusions to which no response is required. To the extent that Paragraph 135 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 135.

## **COUNT II**

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

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



**ANSWER:** The Independent Director Defendants incorporate by reference their responses to each allegation above as though fully set forth herein.

**137. The Dolans were (and are) MSGE's controlling stockholders. As controlling stockholders, the Independent Director Defendants owed MSGE and its stockholders fiduciary duties.**

**ANSWER:** Paragraph 137 consists of legal conclusions to which no response is required. To the extent Paragraph 137 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 137.

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

**ANSWER:** Paragraph 138 consists of legal conclusions to which no response is required. To the extent that Paragraph 138 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 138.

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

**ANSWER:** Paragraph 139 consists of legal conclusions to which no response is required. To the extent that Paragraph 139 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 139.

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

**ANSWER:** Paragraph 140 consists of legal conclusions to which no response is required. To the extent that Paragraph 140 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 140.

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

**ANSWER:** Paragraph 141 consists of legal conclusions to which no response is required. To the extent that Paragraph 141 contains allegations requiring a response, the Independent Director Defendants deny the allegations in Paragraph 141.

### **PRAYER FOR RELIEF**

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

- A. Declaring that demand on the MSGE Board is excused as futile;**
- B. Declaring that the Director Defendants breached their fiduciary duties of loyalty and care to the Company;**
- C. Declaring that the Independent Director Defendants breached their fiduciary duties of loyalty and care to the Company as controlling stockholders;**
- D. Granting any further appropriate equitable relief to remedy the Director Defendants' and Independent Director Defendants' breaches of fiduciary duty to the Company that the Court deems appropriate;**
- E. Awarding MSGE damages as a result of the Director Defendants' and Independent Director Defendants' breaches of fiduciary duty;**
- F. Awarding pre- and post- judgment interest on any monetary award;**
- G. Awarding Plaintiffs their reasonable attorneys' fees, expenses, and costs; and**
- H. Granting such other and further relief as the Court deems just and equitable.**

**ANSWER:** The Independent Director Defendants specifically deny that Plaintiffs are entitled to the relief requested or to any relief as to their causes of action.

\* \* \*

## **AFFIRMATIVE AND OTHER DEFENSES**

The Independent Director Defendants assert the following defenses with respect to the claims alleged in the Complaint, without assuming the burden of proof or persuasion where such burden rests on Plaintiffs. The Independent Director Defendants reserve the right to assert additional defenses or to amend these defenses as this action proceeds.

### **FIRST DEFENSE**

The Complaint fails to state a claim, in whole or in part, upon which relief may be granted against the Independent Director Defendants.

### **SECOND DEFENSE**

To the extent the Complaint purports to state a claim against the Independent Director Defendants for breach of the duty of care, the Independent Director Defendants are shielded from monetary liability pursuant to MSGE's exculpatory charter provision adopted pursuant to 8 *Del. C.* § 102(b)(7).

### **THIRD DEFENSE**

Plaintiffs' claims against the Independent Director Defendants are barred because the Independent Director Defendants did not breach any fiduciary duty owed to Plaintiffs.

#### **FOURTH DEFENSE**

The Independent Director Defendant's acts or actions, as alleged in the Complaint, are protected by the business judgment rule.

#### **FIFTH DEFENSE**

Plaintiffs' claims against the Independent Director Defendants are barred, in whole or in part, because Plaintiffs suffered no injury or damage as a result of the conduct alleged in the Complaint, and even if they did, the Independent Director Defendants did not proximately cause such injury or damage.

#### **SIXTH DEFENSE**

Plaintiffs' claims against the Independent Director Defendants are barred, in whole or in part, because the alleged damages sought are too speculative and uncertain, and because of the impossibility of ascertaining the alleged damages.

#### **SEVENTH DEFENSE**

Plaintiffs' claims against the Independent Director Defendants are barred because an independent Special Committee of the MSGE board of directors approved the Merger.

#### **EIGHTH DEFENSE**

Without conceding any argument that the correct standard of review is entire fairness, the transaction challenged in the Complaint was entirely fair.

### **NINTH DEFENSE**

The Independent Director Defendants adopt and incorporate by reference any and all other defenses asserted, or to be asserted, by any other defendant to the extent that the Independent Director Defendants may share in such defense.

### **TENTH DEFENSE**

Any purported injury suffered by Plaintiffs was, either wholly or in part, the legal fault of persons, firms, corporations or entities other than each of the Independent Director Defendants, and that legal fault reduces the percentage of responsibility, if any, which is to be borne by each of the Independent Director Defendants.

### **ELEVENTH DEFENSE**

The Complaint does not describe the claims made against the Independent Director Defendants with sufficient particularity to allow them to determine all of their defenses, and they therefore lack sufficient knowledge to form a belief as to the existence and availability of additional defenses.

### **PRAYER FOR RELIEF**

WHEREFORE, the Independent Director Defendants respectfully request that this Court enter judgment for Defendants and against Plaintiffs, that Plaintiffs be denied any and all relief, and that the Court grant the Independent Director Defendants such other and further relief as may be just and appropriate.

DATED: December 30, 2021  
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**DLA PIPER LLP (US)**

/s/ John L. Reed

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**CERTIFICATE OF SERVICE**

I, Peter H. Kyle, hereby certify that on this 7<sup>th</sup> day of January 2022, I caused true and correct copies of the foregoing **[PUBLIC VERSION] ANSWER OF THE INDEPENDENT DIRECTOR DEFENDANTS TO VERIFIED CONSOLIDATED DERIVATIVE COMPLAINT** to be served upon the following counsel of record in the manner indicated:

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