

In re Madison Square Garden Entertainment Corp. Stockholders Litigation, 2021-0468-KSJM (Del. Ch.)

COURT: Delaware Court of Chancery
CASE NUMBER: 2021-0468-KSJM
CASE LEADERS: Jeroen van Kwawegen, Gregory V. Varallo
CASE TEAM: Mae Oberste, Daniel Meyer

This stockholder derivative action sought damages on behalf of Madison Square Garden Entertainment, Inc. (“MSGE”) related to MSGE’s acquisition of MSG Networks, Inc. (“MSG Networks”), an unfair stock-for-stock acquisition that was orchestrated and effected by MSGE’s controllers, the Dolan family. On May 27, 2021, BLB&G initiated this lawsuit. On September 10, 2021, the Court appointed BLB&G as co-lead counsel in the case, and BLB&G’s client as co-lead plaintiff. On October 11, 2021, BLB&G and its co-counsel filed the Verified Consolidated Derivative Complaint (the “Complaint”). To view the complaint, see the **Case Documents** section of this page.

MSGE is a “live experiences” empire that owns event venues, entertainment content, dining and nightlife venues, and a premier music festival that, together, draw approximately 12 million guests a year. MSGE also 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, it 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. During the pandemic, MSGE’s revenues declined.

MSG Networks owned and operated a wide array of television sports and entertainment programming, including two sports broadcasting networks (MSG Network and MSG+), 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. The pandemic benefited MSG Networks, leading to an increase in revenue. The Dolan family dominated both the MSGE empire and MSG Networks, comprising more than half of both companies’ boards of directors and controlling a super-majority of stockholder voting power for both companies.

The Complaint asserts breach of fiduciary duty claims against (i) certain directors of MSGE and (ii) certain members of the Dolan family in their capacity as MSGE’s controlling stockholders. The Complaint alleges that MSGE overpaid for MSG Networks, and that the Dolan family received unique benefits from the acquisition, to the detriment of other MSGE stockholders. In particular, the Dolan family used the Merger as a means to finance MSGE’s business by taking advantage of MSG Network’s substantial cash flow, despite other financing options presenting better value for MSGE. By effectuating the Merger, however, the Dolan family was able to maintain their voting and economic control of the companies without having to raise third-party financing or issue dilutive equity capital. Moreover, the interests of minority stockholders were not protected; MSGE’s two-person special committee included at least one conflicted member, and MSGE did not condition the acquisition on approval of a minority stockholder vote.

On February 11 and 12, 2023, while preparation for trial was proceeding, Plaintiff’s Co-Lead Counsel and Defendants’ Counsel participated in an in-person, two-day mediation session before retired United States District Court Judge Layn R. Phillips (the “Mediator”). The session ended without any agreement being reached.

Following the in-person mediation session, Plaintiff's Co-Lead Counsel and Defendants' Counsel engaged in additional negotiations under the supervision and guidance of the Mediator. As a result of extensive, arm's-length negotiations at and following the mediation session, the Parties reached an agreement in principle to settle this action in exchange for a cash payment of \$85 million (the "Settlement").

On April 19, 2023, the Parties entered into the Stipulation and Agreement of Settlement, Compromise, and Release setting forth the final terms and conditions of the proposed Settlement. Under the terms of the Stipulation, the \$85 million cash settlement amount, after deducting any fee and expense award to Plaintiff's Counsel and any required taxes, tax expenses, and escrow fees, will be paid to the Company. Because the Action was brought as a derivative action, which means that it was brought on behalf of and for the benefit of the Company, the benefits from the Settlement will go to the Company. Individual stockholders of the Company will not receive any direct payment from the Settlement.

On April 20, 2023, MSGE executed a spinoff transaction that resulted in its stockholders receiving a dividend of shares in a newly created entity named MSGE Spinco, Inc. ("SpinCo" and the "Spin-Off Transaction"). Upon the completion of the Spin-Off Transaction, SpinCo was renamed "Madison Square Garden Entertainment Corp." and the Company was renamed "Sphere Entertainment Co." ("Sphere").

On August 14, 2023, the Court held the settlement hearing and granted final approval of the Settlement. Additional information about the Settlement is set forth in the Final Order and Judgment Approving Derivative Action (the "Final Order"). A copy of the Final Order is available at the **Case Documents** section of this page.

Case Documents

- Notice of Pendency and Proposed Settlement of Stockholder Derivative Action, Settlement Hearing, and Right to Appear
- August 15, 2023 - Final Order and Judgment Approving Derivative Action Settlement_MSGE
- April 20, 2023 - Stipulation and Agreement of Settlement, Compromise, and Release
- October 11, 2021 - Verified Consolidated Derivative Complaint