



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

AMER DASTGIR,)
)
 Plaintiff,)
)
 v.) C.A. No. _____
)
 WORLD WRESTLING)
 ENTERTAINMENT, INC.,)
)
 Defendant.)

**VERIFIED COMPLAINT PURSUANT TO 8 DEL. C. § 220
TO COMPEL INSPECTION OF BOOKS AND RECORDS**

Plaintiff Amer Dastgir (“Plaintiff”), by his undersigned attorneys, for this Verified Complaint against defendant World Wrestling Entertainment, Inc. (“WWE,” the “Company,” or “Defendant”), alleges upon personal knowledge with respect to himself, and upon information and belief based upon, *inter alia*, the investigation of counsel as to all other allegations herein, as follows:

NATURE OF THE ACTION

1. Plaintiff, a beneficial owner of WWE common stock at all relevant times, brings this action pursuant to 8 *Del. C.* § 220 (“Section 220”) to enforce Plaintiff’s statutory right to inspect certain books and records of Defendant.
2. In particular, Plaintiff wishes to inspect books and records relating to meetings of WWE’s Board of Directors (the “Board”) dating from no earlier than

December 1, 2018 through no later than March 1, 2020, relating to materially false and misleading statements issued by the Company and its representatives regarding the Company's business, finances, and international contracts; as well as insider trades executed by Company insiders during the period of these misstatements.

3. On April 5, 2021, Plaintiff served WWE and the Chairman of the Board, Vincent McMahon ("McMahon"), with a Demand pursuant to Section 220 (the "Demand" or "Demand Letter"), requesting the Company provide documents related to the above allegations. A copy of the Demand is attached as Exhibit 1 and is incorporated herein by reference.

4. Plaintiff's purpose in making the Demand is reasonably related to his interests as a WWE stockholder. As set forth more fully below and in the Demand, there is more than a credible basis to infer that members of the Board and other WWE executives made or caused the Company to make false and/or misleading statements and material omissions to investors and stockholder regarding the Company's business, finances, and international contracts, among other things. Further, there a credible basis to infer the Company's fiduciaries sold Company stock while in possession of material, non-public Company information in violation of their fiduciary duties under *Brophy v. Cities Serv. Co.*, 70 A.2d 4 (Del. Ch. 1949).

5. Public information about WWE and its directors' materially false and misleading statements – including, for instance, U.S. District Judge Jed S. Rakoff's decision in *City of Warren Police & Fire Ret. Sys. v. World Wrestling Entm't Inc.* Case No. 20-cv-2031 (JSR), 2020 U.S. Dist. LEXIS 140925, at *2 (S.D.N.Y.) (the "Securities Action") to uphold securities fraud claims against the Company and each of the named executives – supplies a credible basis to suspect wrongdoing that warrants investigation, but that information is insufficient for Plaintiff's purpose of investigating that wrongdoing and for his separate but related purpose of investigating the independence of each of the Company's directors and officers.

6. On April 12, 2021, counsel for WWE responded to the Demand by letter, and wrongfully refused to provide Plaintiff any of the requested documents. A copy of the letter is attached as Exhibit 2 and is incorporated herein by reference.

7. Accordingly, Plaintiff seeks a summary Order from this Court requiring the Company to produce the demanded books and records for inspection.

PARTIES

8. Plaintiff has been a continuous beneficial owner of WWE common stock since at least December 2018.

9. Defendant is a Delaware corporation with its principal executive offices located in the Stamford, Connecticut.

SUBSTANTIVE ALLEGATIONS

10. WWE is an entertainment company that produces and distributes scripted wrestling content across the globe.

11. As a result of WWE's international expansion in the early 2000s, the Company's international revenues increased from \$87.6 million in 2005 to \$169.8 million in 2015, \$189 million in 2016, and \$201 million in 2017. Over time, the Company's growing international revenue began to represent an increasingly large percentage of its total revenue. In 2018, the international segment increased to 34% of the Company's total revenues from 25% in 2017, with North America revenues falling to 66% from 75% in 2017.

12. As a result, international media rights agreements became central to the Company's overall success. These agreements are so important that the Company includes the following language in its financial reports: "Our failure to maintain or renew key agreements could adversely affect our ability to distribute our media content, our films and/or other of our goods and services, which could adversely affect our operating results."

13. In March 2018, the Saudi Press Agency announced that WWE and the Saudi General Sports Authority ("SGSA") had signed a 10-year multi-platform

partnership with the Company to hold wrestling events in Saudi Arabia. The partnership was believed to be worth approximately \$500 million to WWE.

14. Market participants estimated that the Greatest Royal Rumble (held in April 2018) and the Crown Jewel (held in November 2018) together generated revenues for the Company in the range of \$70 to \$80 million. These results were significant considering that the Company announced that its “international revenue increased 58% to \$317.8 million from \$201.3 million in the prior year[.]”¹

15. For years, the Company’s exclusive provider of its Middle East content had been Orbit Showcase Network (“OSN”). On July 21, 2014, the Company and OSN entered into a five-year exclusive media rights agreement which provided OSN with exclusive access to WWE programming and pay-per-view events through 2019 (the “OSN Agreement”).

16. On February 12, 2015, the Company and OSN jointly issued a release stating they were adding WWE Network, the Company’s subscription streaming app service (similar to Netflix), to the five-year agreement as part of an expanded partnership. The WWE Network agreement with OSN meant that OSN subscribers

¹ The Company’s February 7, 2019 press release revealed that 2018 revenues in the Media segment, the Company’s largest segment in terms of revenue, “increased by \$147.8 million, or 28%, to \$683.4 million in 2018 over the prior year, primarily driven by the \$95.8 million increase of Other media revenues, due to the addition of certain live, in-ring programming content in international markets.”

would now have access to the WWE Network content independent of any WWE Network subscription. The Company's reported WWE Network subscriber numbers were at least in part dependent on those individuals in the Middle East and North Africa ("MENA") region who had access to the WWE Network by virtue of the OSN agreement. The market believed that the OSN Agreement with the Company was worth millions of dollars a year to WWE.

17. Thereafter, the Company told investors that it expected to significantly grow the revenue which it earns from its media rights agreement between 2018 and 2020. In the presentation accompanying its June 27, 2018 conference call, the Company stated that it "expects [that] revenue from existing and new 'key content agreements,' . . . will grow to approximately \$311M in 2019 and \$462M in 2021." The Company's "total revenue from 'key content agreements' would increase to \$314M in 2019 and \$542M in 2021."

18. On February 7, 2019, the Company announced its fourth-quarter and full-year 2018 financial results. The same day, the Company also provided its full-year 2019 financial guidance, reporting in a press release that the Company expected to achieve revenue of approximately \$1.0 billion and was targeting Adjusted OIBDA of at least \$200 million. The Company informed investors that this financial outlook

depended on the Company's ability to renew a number of expiring media-rights agreements, including in the Middle East.

19. Unbeknownst to the public, due to financial troubles at OSN and a change in its strategic direction, OSN privately informed WWE in November 2018 that it intended to cancel the OSN Agreement and exit sports broadcasting altogether. Carlo Nohra, Vice President and General Manager of WWE—Middle East, would later reveal that OSN had been delinquent in making certain payments to WWE for several months during 2018. Thus, it is unlikely that the Company was surprised by OSN's termination request.

20. Between November 2018 and December 18, 2018, WWE and OSN negotiated a termination and settlement agreement to formally end the OSN Agreement effective March 31, 2019—nine months before its original expiration date. The foregoing was confirmed by Andrew Warkman, Vice President and General Manager, WWE UK & Ireland.

21. For several months after learning that OSN intended to cancel its agreement early, the Company withheld this critical information from shareholders. George Barrios ("Barrios"), then-WWE Co-President and Director, claimed on February 7, 2019 that WWE was working on "renewals" in the MENA region—despite OSN's plan to exit the business entirely, thus making a "renewal" totally

impossible. Indeed, in the Securities Action, U.S. District Judge Jed S. Rakoff was unpersuaded by the “facial implausibility” of defendants’ argument that the word “renewal” in this context meant securing continued media rights in the region, not with a particular broadcaster. *City of Warren Police*, 2020 U.S. Dist. LEXIS 140925, at *10.

22. WWE only revealed the truth about the OSN Agreement on July 25, 2019—eight months after OSN’s notification to WWE and four months after the agreement’s termination date. However, the Company falsely reported that a replacement media rights agreement would soon be forthcoming with an entity controlled by the Kingdom of Saudi Arabia. Barrios told investors: “We believe we have agreements in principle[] with the [...] Saudi General Sports Authority on the broad terms for [a second large-scale event and the completion of a media rights deal in the MENA region].” The Company also assured the market that a new deal would get done “very soon,” which they claimed would allow the Company to meet its full-year 2019 guidance.

23. But no such deal was near. As the Company eventually disclosed in its 2019 Form 10-K, filed on February 7, 2020, “In certain places, notably India and the Middle East, agreements that were expected to be completed have not been signed to date.” The Company and its representatives knew but disregarded that negotiating

a brand new agreement with a new provider would take time and would not be completed by the end of 2019—as the Company and its representatives had assured the market.

24. Information from the ongoing Securities Action indicates that WWE may have known all along that an agreement in the MENA region was not realistically expected under the circumstances. Among other things, confidential witness statements therein reflect that although WWE was negotiating with the Saudi government, the parties were not close to a media rights agreement. The witnesses claim that WWE and the Saudis were far apart in their negotiating positions and that WWE had “wildly unreasonable expectations of the revenue it expected from a potential broadcast partner.”

25. As a result of the announcement that a new media rights agreement was being negotiated and would close in 2019, the Company’s shares rose \$1.31 per share, or about 1.75%, to close at \$75.99 per share on July 26, 2019.

26. On October 31, 2019, WWE once again declined to reveal the full truth. The Company once again concealed the full truth in announcing its third quarter results for 2019 and during the conference call held the same day. After announcing disappointing financial results and lowering its 2019 guidance, which the Company attributed in part to the lack of a media rights deal in the MENA region, WWE

continued to suggest a deal would get done. Analysts voiced concerns about the status of an agreement, but Barrios claimed that “discussions are ongoing” and “it’s similar to all discussions, you’re just trying to find common ground.” Barrios also downplayed certain late payments from the Saudis pertaining to an event held earlier in 2019, dismissing it as a mere “cash flow” issue.

27. The same day, the Company’s stock price fell \$10.40 per share, or 15.65%, to close at \$56.04 per share, which reflected the importance of this situation to shareholders. Nevertheless, the public continued to believe a deal was forthcoming because WWE consistently guided the market to that false conclusion.

28. On January 30, 2020, WWE announced that two of its most senior and longest serving executives, Barrios and Michelle D. Wilson (“Wilson”), had abruptly left the Company.

29. Analysts and market commentators reacted with shock at the sudden loss of two key figures who had long been part of the public face of the Company. For instance, *Forbes* described the departures as a “bloodbath” that had caused “[p]anic and uncertainty” throughout the Company’s corporate offices. The same day, the Company also preannounced its fourth quarter results for 2019, which revealed for the first time that it “expects its full year 2019 Adjusted OIBDA to be

approximately \$180 million” which was at the lower end of guidance of \$180 million to \$190 million provided by the Company on October 31, 2019.

30. On this news, the Company’s stock price fell \$13.42 per share, or 21.54%, to close at \$48.88 per share on January 31, 2020.

31. The full truth about the Company’s inability to secure a media rights deal with the Saudi Arabian government and its effects on the Company’s revenues was not revealed until February 6, 2020 when the Company issued a press release, reporting disappointing financial results for fourth quarter 2019 and reduced guidance for full year 2020. The press release revealed that the Company had achieved just \$180 million in adjusted OIBDA for the year due to the failure to complete the MENA distribution agreement with the Saudis. This news reflected that the OSN Agreement had terminated earlier that year, meaning the Company lost WWE Network subscribers who previously had accessed it for free as OSN subscribers when the OSN Agreement was still in place.

32. On this news, the Company’s stock price fell another \$4.50 per share, or 9.18%, to close at \$44.50 per share on February 6, 2020.

33. As mentioned above, these revelations led purchasers of WWE stock to file multiple lawsuits against the Company and certain of its executives for violating multiple provisions of the Securities Exchange Act of 1934, including the Securities

Action. In addition to the costs of defending, and potential class wide liability in, the Securities Action, the wrongful conduct described herein has also exposed the Company to massive reputational harm and loss of goodwill.

34. To make matters worse, during the time when WWE stock was trading at an artificially inflated rate due these false and misleading statements, McMahon and at least four other WWE executives made hundreds of millions of dollars in insider trades. During the period of the misstatements:

(a) McMahon sold 3,510,427 shares WWE stock for proceeds of \$283,867,102.86;

(b) Barrios sold 249,678 shares of WWE for proceeds of \$18,559,813.32;

(c) Wilson sold 158,134 shares of WWE stock for proceeds of \$10,958,686.20;

(d) Patricia A. Gottesman (“Gottesman”) sold 8,235 shares of WWE stock for proceeds of \$576,170.50; and

(e) Kevin Dunn (“Dunn”) sold 14,000 shares of WWE stock for proceeds of \$1,027,600.

The Securities Action

35. Purchasers of WWE stock filed suit against the Company, McMahon, Barrios, and Wilson in the U.S. District Court for the Southern District of New York for securities fraud in connection with the conduct and statements described herein. In addition to the costs of defense, the wrongful conduct described herein has

exposed the Company to potentially massive class-wide liability in the Securities Action.

36. The Securities Action alleges defendants made false and misleading public statements concerning the terminated OSN Agreement and whether the Company would secure a replacement media rights agreement in the MENA region. On August 6, 2020, U.S.D.J. Rakoff upheld securities fraud claims against all defendants under the heightened pleading standards of the PLSRA. *City of Warren Police*, 2020 U.S. Dist. LEXIS 140925, at *2. Judge Rakoff also found that the plaintiff in the Securities Action adequately alleged both scienter and loss causation as to alleged misrepresentations made by defendants between February 7, 2019 and February 5, 2020.

Plaintiff's Books and Records Demand

37. Plaintiff's Demand Letter, dated April 5, 2021, is annexed hereto as Exhibit 1 and is incorporated herein by reference. Attached to the Demand Letter as Exhibit A was a true and correct copy of Plaintiff's current brokerage account statement reflecting Plaintiff's beneficial ownership of WWE common stock at all relevant times. *Id.* Attached to the Demand Letter as Exhibit B was a true and correct copy of a Special Power of Attorney authorizing Rigrodsky Law, P.A. and the Grabar Law Office to act on behalf of Plaintiff in connection with the Demand.

Id. Attached to the Demand Letter as Exhibit C was a true and correct copy of a Verification of Plaintiff. *Id.*

38. The Demand Letter was sent on April 5, 2021 via FedEx overnight delivery to the Company's principal place of business in Stamford, Connecticut. The Demand Letter was also served on the Company's Registered Agent in Delaware.

39. Plaintiff demanded that WWE² provide him with the opportunity to inspect and copy the following books and records³ within the Company's possession, custody, and control during the usual hours of business within five (5) business days of receipt of the Demand Letter:

1. Minutes of all meetings of the Board⁴ from December 1, 2018 through March 1, 2020, inclusive, during which the following were on the agenda or otherwise discussed at the meeting:
 - a. The Company's marketing materials, investor conference calls, earnings calls, press releases,

² "WWE" was defined to include "the Company's subsidiaries as defined at 8 *Del. C.* § 220(a)(2)."

³ The term "books and records" was to be "construed as broadly as possible under Delaware precedent, including emails of directors or officers, whether or not stored on the Company's servers."

⁴ The Demand Letter stated the phrase "all meetings of the Board of Directors of WWE" (here, "all meetings of the Board") included, for the purposes of the letter, "all regular, special, and ad hoc meetings of the Board and all such meetings of regular, special, or ad hoc committees or subcommittees of the Board, whether held in person, telephonically, electronically, or otherwise."

promotional events, videos, or other materials or events, regardless of when they were created, distributed, or occurred, including, but not limited to the Company's:

- i. February 7, 2019 press release and conference call;
 - ii. February 7, 2019 annual report;
 - iii. February 26, 2019 conference and related presentation;
 - iv. June 26, 2019 conference and related presentation;
 - v. July 25, 2019 press release and conference call;
 - vi. October 31, 2019 press release and conference call;
 - vii. November 4, 2019 press release;
 - viii. December 9, 2019 conference and related presentation; and
 - ix. January 7, 2020 conference and related presentation;
- b. The Company's communications, contracts, and relationship with Saudi Arabian entities, including but not limited to Orbit Showcase Network and the Saudi General Sports Authority;
 - c. International revenues, including any actual or expected changes;
 - d. The SGSA and the Company's 10-year agreement with the SGSA;
 - e. Vision 2030;
 - f. Media rights agreements, including any policies and procedures related to engagement, negotiation, effectuation, renewal, or the Board (or its subcommittees involvement) in media rights

agreements; and timetables for executing and/or closing media rights agreements;

- g. OSN; the Company's media rights agreement with OSN; termination of the Company's media rights agreement with OSN; and renewal of the Company's media rights agreement with OSN, whether actual or expected;
- h. Media rights agreements with anyone other than OSN after termination of the OSN agreement, whether actual or expected; expectations of a new media rights deal after termination of the OSN agreement; and expected or actual timelines for a new media rights deal after termination of the OSN agreement;
- i. The Company's July 25, 2019 public statements and the rise in the Company's stock price the same day;
- j. The Company's October 31, 2019 public announcements, including its decision to lower guidance as well as reasons for lowering the Company's guidance, and the drop in the Company's stock price the same day;
- k. The Company's January 30, 2020 announcement that George Barrios and Michelle D. Wilson were leaving the Company, and preannouncement of fourth quarter 2019 results, and the drop in the Company's stock price the same day;
- l. The Company's February 6, 2020 public announcements, including its decision to lower the Company's guidance as well as reasons for lowering the Company's guidance, and the drop in the Company's stock price the same day;
- m. *City of Warren Police & Fire Ret. Sys. v. World Wrestling Entm't Inc.*, Case No. 20-cv-2031 (JSR)

(S.D.N.Y. Aug. 6, 2020); *Merholz v. McMahon*, Case No. 20-cv-00557 (D. Conn. Apr. 24, 2020) and *Leavy v. World Wrestling Entertainment, Inc.*, No. 2020-0907 (Del. Ch. Oct. 21, 2020); and

- n. Sales of Company stock by Company executives and insiders, including sales by McMahon, Barrios and Wilson.
2. All of the Board's agendas, packages, presentations, reports, exhibits, official correspondence and emails, recordings, summaries, memoranda, transcripts, notes, summaries of meetings, and resolutions for all of the above-described meetings of the Board.
3. Any other stockholder books and records demand letters received by the Company regarding the above-referenced items ("Related Demands").
4. All books, records, and documents produced by the Company in response to Related Demands.

(Exhibit 1, pgs. 2-4).

40. The Demand Letter set forth Plaintiff's desire to inspect the materials listed above for the following legitimate and proper purposes, all of which are reasonably related to Plaintiff's interests as a stockholder of WWE:

- A. Investigating wrongdoing, mismanagement, and breaches of fiduciary duties by the members of the Board, Company officers, and/or others, including but not limited to the dissemination of materially false and/or misleading statements or material omissions regarding WWE's business, finances, and international contracts, as well as related insider trades;
- B. Assessing the ability of the Board to consider impartially a demand for action, including a request for permission to

file a derivative lawsuit on the Company's behalf, related to such issues; and

- C. Taking appropriate action if the members of the Board did not properly discharge their duties, including making a demand on the Board and/or preparing and filing a stockholder derivative lawsuit, if appropriate.

(Id. at 3-4).

41. The Demand Letter also stated:

An additional purpose to those stated above is to take appropriate action if the Board did not properly discharge its duties. This purpose relates to a stockholder's decision about how to act in the event the demanded inspection reveals impropriety or actionable conduct. Possible courses of conduct include making a demand on the Board to act or initiating litigation against the Board on the Company's behalf. Both possible courses of action are well within a stockholder's rights under Delaware law, and, thus, gathering information for this purpose is proper.

(Id. at 9).

42. Plaintiff designated Rigrodsky Law, P.A. and the Grabar Law Office as his agents to conduct the demanded inspection.

43. On April 12, 2021, counsel for WWE responded to the Demand by letter, and wrongfully refused to provide Plaintiff with any of the requested books and records. (See Exhibit 2). The Company's response letter failed to address any of the substantive allegations in the Demand. Instead, it erroneously claimed the Demand did not state a proper purpose because Plaintiff is "improperly lending his name as a nominal stockholder to allow his lawyers to pursue the Demand." *(Id.*,

page 2). In straggling the line between argument and conspiracy theory, Defendant offered no evidence to support this conclusion. Indeed, when considered in the context of Defendant's erroneous and overly technical analysis of Plaintiff's ownership documents, which more than sufficiently establish requisite ownership of Company stock (Exhibit A to Exhibit 1), it becomes clear that the company has no legitimate defense to the Demand.

44. Defendant has therefore failed to adequately respond to Plaintiff's lawful and proper Demand.

45. Accordingly, Plaintiff brings this action to enforce his rights under Section 220(c) based on Defendant's failure to provide books and records in response to Plaintiff's Demand.

CAUSE OF ACTION

(Inspection of Books and Records of WWE Pursuant to 8 *Del. C.* § 220(c))

46. Plaintiff repeats and re-alleges the preceding allegations as if fully set forth herein.

47. Plaintiff has complied fully with all requirements under Section 220 concerning the form and manner of making a demand for inspection of WWE's books and records.⁵

48. Through his Demand, Plaintiff has demonstrated a credible basis from which to infer that there are reasonable grounds to suspect mismanagement that warrant further investigation. Plaintiff's Demand is for a proper purpose and the documents identified in the Demand are essential for that purpose.

49. WWE has wrongfully failed to comply with the Demand.

50. Pursuant to Section 220, Plaintiff is entitled to apply to this Court for an Order compelling inspection of WWE's corporate books and records because the Company has wrongfully refused to permit the inspection after Plaintiff complied with said statute concerning the form and manner of making a demand for inspection of such documents and articulated a proper purpose for the inspection.

51. Plaintiff therefore seeks relief from the Court pursuant to Section 220 to compel inspection of WWE's books and records without further delay.

52. Plaintiff has no adequate remedy at law.

⁵ Plaintiff's proof of ownership is attached hereto as Exhibit A to Plaintiff's Demand and incorporated herein by reference.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment and relief as follows:

- A. An order summarily requiring WWE to permit immediately the inspection and copying of each and every requested book and record in un-redacted form as set forth in Plaintiff's April 5, 2021 Demand Letter;
- B. An order directing WWE to pay Plaintiff's reasonable attorneys' fees and expenses in connection with the Demand and related litigation; and
- C. Such other and further relief as this Court deems just and proper.

Dated: April 19, 2021

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