**IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE**

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| GARY LIVINGSTON, derivatively on behalf of CABLEVISION SYSTEMS CORPORATION,<br><br>Plaintiff,<br><br>v.<br><br>CHARLES F. DOLAN, JAMES L. DOLAN, KATHLEEN M. DOLAN, DEBORAH DOLAN-SWEENEY, MARIANNE DOLAN WEBER, THOMAS V. REIFENHEISER, JOHN R. RYAN, and VINCENT TESE,<br><br>Defendants,<br><br>-and-<br><br>CABLEVISION SYSTEMS CORPORATION, a Delaware Corporation,<br><br>Nominal Defendant. | ) | C.A. No. _________ |

**VERIFIED STOCKHOLDER DERIVATIVE COMPLAINT**

Plaintiff Gary Livingston ("Plaintiff") alleges, upon information and belief based upon, *inter alia*, the investigation made by and through his attorneys, except as to those allegations that pertain to the Plaintiff himself, which are alleged upon knowledge, as follows:

1. Plaintiff asserts this action for breach of fiduciary duty and waste of corporate assets derivatively on behalf of Cablevision Systems Corporation ("Cablevision") against certain members of the Dolan family, the Company's

controlling stockholder, as well as certain members of the Company's Board of Directors (the "Board").

2. Cablevision is controlled by the Dolan family, who collectively hold 72.9% of the total voting power of all the outstanding Cablevision common stock. Charles F. Dolan ("Charles"), the family's patriarch, founded Cablevision and has served as the Company's Executive Chairman since 1985. James L. Dolan ("James"), Charles' son, has served as Chief Executive Officer ("CEO") of the Company since 1995 and a director since 1991. Eight other Dolan family members serve on the Board, and along with James and Charles, they constitute a majority of the Board.

3. The Dolans treat Cablevision as a family coffer, routinely entering into transactions with the Company that have improperly favored the Dolan family's own interests over the interests of the Company and its public stockholders. Since 2010, the Dolans and their allies on the Board have caused Cablevision to pay various members of the family more than $100 million in compensation, including compensation (i) for virtual no-show Board positions, (ii) for an executive position for Dolan who had been exiled from the Company after committing serious misconduct in connection with an SEC investigation, (iii) substantially higher than that paid by larger, more successful peer companies, and (iv) as a make-up to senior executives for their failure to achieve pre-established performance goals and as a "retention" incentive for members of the controlling stockholder family.

4. Charles' three daughters, Kathleen M. Dolan ("Kathleen"), Deborah Dolan-Sweeney ("Deborah"), and Marianne Dolan Weber ("Marianne"), have been installed as non-employee directors, and each of them collects a generous package

despite the fact that they do not fulfill the most basic responsibilities of Board members. For instance, in the Company's fiscal 2012 year Kathleen did not attend a single Board meeting in person and yet she still collected $171,500 in compensation.

5. The Dolan family has also placed many of its members at high-paying executive positions within Cablevision, giving them impressive titles and lucrative compensation packages whether they are qualified or not. Everyone from Charles' brother-in-law to James' mother-in-law is employed by Cablevision. One of the more obvious examples of nepotism run amok is that of Charles' son, Thomas C. Dolan ("Thomas"), who was forced to take a leave of absence from Cablevision in 2005 after he violated a number of Cablevision's data retention policies in connection with a government investigation. Despite this serious misconduct, Charles brought Thomas back a few years later, putting him in a high-paying position where he conveniently reports directly to his father. During Cablevision's 2010 through 2012 fiscal years, Thomas was paid more than $3.8 million.

6. The most egregious and expensive example of how Cablevision is being run for the benefit of the Dolans is the compensation paid to James and Charles. During the 2010 through 2012 fiscal years James and Charles caused Cablevision to pay them compensation valued at $41.18 million and $40.27 million, respectively, purportedly in exchange for their services as CEO and Executive Chairman, respectively. However, the payments made to James and Charles were awarded through such a deficient process and so far exceeded what their services were worth -- taking into account, among other things, the compensation paid to the CEOs of the Company's peers, Cablevision's size and substantial underperformance when compared to its peers, and

that James and Charles each hold second jobs as executive officers of publicly traded companies even larger than Cablevision -- it is impossible to see the payments as anything but grossly excessive and unfair to the Company and its public stockholders.

7. But it does not end there. In March 2012, James and Charles were awarded a "special" one-time grant of stock options outside of Cablevision's regular executive compensation program. These "special" awards to James and Charles were valued at $6.85 million and $7.09 million, respectively. Because these grants rewarded James and Charles for ***failing*** to achieve the Company's performance goals and purported to "incentivize" them to remain in positions they had no intention of relinquishing, Cablevision itself received consideration that was so disproportionately small in exchange for the extraordinary awards that it effectively constituted a gift.

8. Finally, in February 2013, James' employment agreement with Cablevision was amended for 2013 and beyond. The new terms provided James with even more compensation on top of what was already an excessive compensation package. In another company these terms would likely correlate with improved performance or an increased commitment to the job on the part of the recipient. However, in the case of Cablevision, the enhanced compensation package coincided with Cablevision's poor performance as well as James' decision to commit an increasing amount of time to his role as lead singer of his own rock band, which travelled all across the country and performed at least 40 shows in 36 different cities in 2013 alone.

9. Plaintiff hereby seeks to recover on behalf of the Company the value of the unjustified and unfair payments made to the many Dolan family members as described herein.

**THE PARTIES**

10. Plaintiff is a stockholder of Cablevision and has been continuously since February 2011.

11. Defendant Cablevision is a Delaware corporation with its principal place of business at 1111 Stewart Avenue, Bethpage, New York 11714. Cablevision is a telecommunications and media company with a portfolio of operations including digital television, voice, and high-speed Internet services as well as local media and programming properties. Cablevision offers its services to millions of households and businesses in the New York metropolitan area.

12. After founding Cablevision's predecessor company in 1973, Defendant Charles F. Dolan has served as Cablevision's Executive Chairman since 1985.

13. Defendant James L. Dolan, Charles' son, has served as Cablevision's CEO since October 1995, and as a director since 1991.

14. Defendant Kathleen M. Dolan, Charles' daughter, has served as a director since 2008.

15. Defendant Deborah Dolan-Sweeney, Charles' daughter, has served as a director since 2008.

16. Defendant Marianne Dolan Weber, Charles' daughter, has served as a director since 2005.

17. Defendant Thomas V. Reifenheiser ("Reifenheiser") has served as a director since 2002, and as a member of the Board's Compensation Committee (the "Compensation Committee") since March 2007.

18. Defendant John R. Ryan ("Ryan") has served as a director since 2002, and a member of the Compensation Committee since at least 2005.

19. Defendant Vincent Tese ("Tese") has served as a director since 1996. He has served on the Compensation Committee since at least 2004 and as Chairman of the Compensation Committee since at least 2009.

20. Defendants Reifenheiser, Ryan, and Tese are referred to herein as the "Compensation Committee Defendants." James, Charles, Kathleen, Deborah, Marianne, Reifenheiser, Ryan, Tese, are referred to herein as the "Defendants."

## FURTHER SUBSTANTIVE ALLEGATIONS

### *Background*

21. Cablevision's common stock is divided into two classes, Class A and Class B. Cablevision's Class A common stock trades on the New York Stock Exchange (the "NYSE") under the symbol "CVC." Holders of the common stock are entitled to one vote per share on each matter that is submitted to all stockholders for collective approval, and are entitled to vote as a separate class for the election of 25% of Cablevision's directors. Holders of the Class B common stock are entitled to ten votes per share on each matter that is submitted to all stockholders for collective approval, and are entitled to vote as a separate class for the election of 75% of Cablevision's directors.



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22. As of March 28, 2013, the Company had 213,083,430 shares of Class A common stock outstanding and 54,137,673 shares of Class B common stock outstanding.

***The Dolan Family's Complete Control of Cablevision***

23. Charles F. Dolan founded Cablevision's predecessor company in 1973. Charles and his family collectively own all of Cablevision's Class B common stock, which provides them with a clear majority of the aggregate voting power over Cablevision. In 2004, the members of the Dolan family executed a voting agreement that had the effect of causing the voting power of the Class B stockholders to be cast as a block on all matters to be voted on by holders of Class B common stock (the "Voting Agreement"). As stated in the Company's Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") on February 28, 2013 (the "2013 10-K"), the purpose of the voting agreement was to "consolidate Dolan family control of Cablevision."

24. As of March 28, 2013, the Dolan family owned all of the Company's outstanding Class B common stock and approximately 4.2% of the Company's outstanding Class A common stock, giving them approximately 72.9% of the total voting power over Cablevision. As of that date, Charles individually owned approximately 59.3% of Cablevision's outstanding Class B common stock, and approximately 43% of the total voting power of all the outstanding Cablevision common stock.

25. As a result of the Dolan family's ownership of all of the outstanding Class B common stock, the Dolan family has the power to elect twelve of the sixteen

members of the Board. In addition, with 72.9% of the total voting power, the Dolan family has control over many other actions requiring stockholder approval. As stated in the 2013 10-K:

> In addition, Dolan family members may control stockholder decisions on matters in which holders of all classes of Cablevision common stock vote together as a single class. These matters could include the amendment of some provisions of Cablevision's certificate of incorporation and the approval of fundamental corporate transactions. In addition, the affirmative vote or consent of the holders of at least 66-2⁄3% of the outstanding shares of the Class B common stock, voting separately as a class, is required to approve the authorization or issuance of any additional shares of Class B common stock. Furthermore, the Dolan family members also have the power to prevent any amendment, alteration or repeal of any of the provisions of Cablevision's certificate of incorporation that adversely affects the powers, preferences or rights of the Class B common stock.

26. Since the execution of the Voting Agreement in 2004, Cablevision has identified itself as a "controlled company" under NYSE rules. As a "controlled company" Cablevision has had the right to opt out of certain NYSE-listing standards, including the requirements that listed companies have a board comprised of a majority of independent directors and an independent corporate governance and nominating committee.

27. The Dolan family has chosen to exercise these rights. As stated in the Company's Schedule 14A Proxy Statement filed with the SEC on April 11, 2013 (the "2013 Proxy"), Cablevision has "elected not to comply with the New York Stock Exchange requirement for a majority of independent directors on [Cablevision's] Board and for a corporate governance and nominating committee because of [Cablevision's] status as a 'controlled company.'"



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28. Since 2010 the Board has consisted of either sixteen or seventeen directors. With 100% ownership of Cablevision's outstanding Class B common stock, the Dolan family has had the power to elect twelve directors. The Dolans have used this power to place ten members of their family on the Board.

29. The ten Dolan family members currently on the Board are:

- Charles, the Executive Chairman since 1985.
- James, the CEO since 1995 and a director since 1991.
- Thomas, a director since 2007 and Executive Vice President – Strategy and Development, Office of the Chairman since September 2008.
- Patrick F. Dolan ("Patrick"), a director since 1991.
- Kathleen, a director since 2008.
- Marianne, a director since 2005.
- Deborah, a director since 2008.
- Kristin A. Dolan ("Kristin"), a director since 2010, President of Optimum Services since April 2013, and an employee since 1990.
- Brian G. Sweeney ("Sweeney"), a director since 2005 and Senior Executive Vice President, Strategy and Chief of Staff since January 2013.
- Edward C. Atwood ("Atwood"), a director since May 2011 and Vice President – Multimedia Services since 1998.

Charles is the father of James, Thomas, Patrick, Kathleen, Marianne, and Deborah. Kristin is married to James, Sweeney is married to Deborah, and Atwood is Charles' brother-in-law.

30. Cablevision does not have a nominating committee. Instead, pursuant to Cablevision's Corporate Governance Guidelines, the directors to be elected by the Class A stockholders (25% of the directors) are recommended to the Board by a majority of



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the Class A directors then in office, and the directors to be elected by the Class B stockholders (75% of the directors) are recommended to the Board by a majority of the Class B directors then in office. In other words, the Dolan family has the ability to hand-pick the twelve directors they want on the Board.

### *The Dolan Family's Myriad Abuses of Power*

31. The Dolan family has consistently and thoroughly abused its majority presence on the Board and its position as controlling stockholder. Specifically, the Dolans have run Cablevision for their own benefit, installing immediate and extended family members in sinecures and entering into numerous other transactions that have unduly enriched members of the family at the expense of the Company and its public stockholders.

### *A. The Unfair Compensation Paid to Kathleen, Deborah and Marianne*

32. Kathleen, Deborah, and Marianne, all three of whom are Charles' children, have served as non-employee Board members since 2008, 2008, and 2005, respectively. During Cablevision's 2011 and 2012 fiscal years, Kathleen, Deborah, and Marianne received compensation valued at $340,544, $367,863, and $374,455, respectively, purportedly for their service on the Board. However, as described below, Kathleen, Deborah, and Marianne were not qualified to serve on the Board nor did they fulfill the most basic responsibilities of Board members. To the contrary, Kathleen, Deborah, and Marianne did nothing more than serve as handsomely paid proxies for the Dolan family's interests.

33. The non-employee director compensation package is set by the entire Board, which of course is primarily made up of Dolan family members. As stated in

Cablevision's Corporate Governance Guidelines, the Board is responsible for "conduct[ing] a review at least once every three years of the components and amount of Board compensation in relation to other similarly situated companies." Accordingly, as they constitute a majority of the Board, the Dolan family itself determined the compensation package to be received by Kathleen, Deborah, and Marianne.

34. During Cablevision's 2011 and 2012 fiscal years, the annual compensation package for each non-employee Board member consisted of: (i) a base fee of $60,000 annually (increased from $50,000 a year on May 24, 2011); (ii) restricted stock units valued at $110,000; (iii) $2,000 per Board, committee, and non-management director meeting attended in person and $500 per meeting attended by telephone; and (iv) free cable television service, high-speed data and voice service for directors living in Cablevision's service area.

35. As members of the Board during the 2011 and 2012 fiscal years, Kathleen received compensation valued at $340,544 in the aggregate ($169,044 in 2011 and $171,500 in 2012), Deborah received compensation valued at $367,863 in the aggregate ($182,200 in 2011 and $185,663 in 2012) and Marianne received compensation valued at $374,455 in the aggregate ($188,996 in 2011 and $185,459 in 2012).

36. Kathleen, Deborah, and Marianne provided minimal service in exchange for this compensation. During the 2012 fiscal year, the Board had six meetings. As disclosed in the 2013 Proxy, Kathleen ***did not attend a single Board meeting in person***,

and only attended three via telephone.[1] In other words, half the time Kathleen did not even show up. Nor did Kathleen serve on any Board committees. Neither did she attend Cablevision's 2012 Annual Meeting of Stockholders (the "2012 Annual Meeting") despite the fact that the Company "encourage[s its] directors to attend annual meetings . . . and believe[s] that attendance at annual meetings is just as important as attendance at Board and committee meetings." Thus, Kathleen received a total of $171,500 in 2012 for dialing into three Board meetings by telephone. Deborah and Marianne barely fared better, with each attending just three Board meetings in person and one via phone call, and with Deborah also failing to attend the 2012 Annual Meeting.

37. Kathleen and Deborah were similarly disengaged from their duties as Board members throughout 2011. In 2011, the Board had nine meetings. As disclosed in the 2012 Proxy, Kathleen attended just one Board meeting in person. Kathleen attended at most an additional two Board meetings via telephone, did not attend the 2011 Annual Meeting of Stockholders, and yet still collected $169,044 as compensation. Deborah attended three Board meetings in person and at most one Board meeting via telephone and collected $182,200.

38. Kathleen, Deborah, and Marianne's actions, or rather lack thereof, flouted Cablevision's Corporate Governance Guidelines. Section XIII of the Corporate

[1] The Director Compensation Table in the 2013 Proxy notes that Kathleen received $61,500 in cash for her services on the Board. As described above, this consists of a $60,000 base fee plus $2,000 per Board, committee, and non-management director meeting attended in person, and $500 per meeting attended by telephone. The only possible calculation to reach $61,500 cash total consists of three Board meetings attended by telephone. The same calculations are made in order to determine the attendance of Deborah and Marianne at Board meetings during the Company's 2011-2012 fiscal years.

Governance Guidelines is titled "Expectations of Directors" and lists a number of "specific expectations of directors" that were developed by the Board to "promote the discharge of [a director's] responsibility and the efficient conduct of the Board's business." Paragraph 1, titled "Commitment and Attendance", states that "[a]ll directors should make every effort to attend meetings of the Board and meetings of committees of which are members." Similarly, Section IV of the Corporate Governance Guidelines states that one of the criteria the Board should consider when selecting new nominees for election as a director is their "[a]bility and willingness to commit adequate time to Board and committee matters." Clearly, Kathleen, Deborah and Marianne fell short on this most basic measure of job performance -- merely showing up -- which in turn prevented them from passing muster under various other performance criteria.

39. Indeed, the other expectations Cablevision has for its directors all stem from the assumption that the director will at least attend Board meetings. Paragraph 2, titled "Participation in Meetings", advises directors to "review the materials provided by management and advisors in advance of the meetings of the Board and its committees" and "arrive prepared to discuss the issues presented." Paragraph 5 notes that the directors will have frequent opportunities to meet with Company management at Board meetings.

40. In light of the above, it is thus apparent that Kathleen, Deborah, and Marianne failed adequately to fulfill the most minimal responsibilities required of them as members of the Board of a large publicly traded company such as Cablevision.

41. Additionally, Kathleen, Deborah, and Marianne do not appear to have been anywhere near qualified to serve as directors of Cablevision in the first place. Item



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401 of Regulation S-K requires companies to disclose in its annual proxy statements certain information regarding their directors. Item 401(e) requires companies to, among other things, "briefly describe the business experience during the past five years" of each director, including each director's "principal occupations and employment during the past five years." In addition, Item 401(e) requires companies to "briefly discuss the specific experience, qualifications, attributes or skills that led to the conclusion that the person should serve as a director... in light of the company's business and structure."

42. The experiences and qualifications of Kathleen, Deborah, and Marianne to serve as directors of a $4 billion publicly traded media and telecommunications company are severely lacking. As described in the 2013 Proxy, Marianne and Deborah's primary occupation consists of working at certain charitable foundations founded by the Dolan family. Kathleen has worked at a community art and music center she founded in September 2004. Hard pressed to find any relevant experiences and qualifications, the 2013 Proxy states that Kathleen, Deborah, and Marianne were chosen to serve on the Board due to their "experience as a member of Cablevision's founding family." In other words, it appears that Kathleen, Deborah, and Marianne's most relevant qualification to serve as a director of Cablevision is that they happened to have been born into the family that controls the Company.

43. As Board members and as members of the controlling stockholder family, Kathleen, Deborah, and Marianne have a fiduciary duty to the Company's minority stockholders to place the Company's best interests ahead of their own personal interests. In accepting the generous non-employee director compensation package

despite their virtually non-existent involvement in Board matters, Kathleen, Deborah, and Marianne have breached their fiduciary duties.

### *B. Cablevision Indiscriminately Employs Numerous Other Members of the Dolan Family*

44. The Dolans have used their control of Cablevision to ensure that the members of the Dolan family are well taken care of financially. Numerous Dolan family members, in addition to James and Charles, have been installed into positions at Cablevision with impressive titles and multi-million dollar compensation packages.

45. For example, Charles has ensured that his daughter Deborah is well taken care of by providing her husband Sweeney with an impressive title and lucrative compensation package. Sweeney has served as Cablevision's Senior Executive Vice President, Strategy and Chief of Staff since January 2013. Prior to that he served as Senior Vice President – eMedia from January 2000 to January 2013. For his role during the 2010 through 2012 fiscal years, Sweeney collected $2,070,006 in salary, $1,067,000 in bonuses, and long-term incentive awards, the amount of which was not disclosed in the Company's proxy statements.

46. Two of Charles' sons are also on the Cablevision dole. Thomas served in various positions at Cablevision from 1987 through April 2005, when he was placed on an unpaid leave of absence resulting from his failure to comply with Cablevision's policies, including Cablevision's electronic data retention policy and compliance with specific document retention notices issued by the Company in connection with a formal request from the SEC. Despite Thomas's failure to adhere to Cablevision policies in connection with a government investigation, Charles brought Thomas back in September 2008, installing him as Executive Vice President, Strategy and Development – Office of

the Chairman, a position that reports directly to Charles. In this position during the 2010 through 2012 fiscal years, Thomas has collected $2,384,711 in salary, $1,438,000 in bonuses, and long-term incentive awards the amount of which was not disclosed in the Company's proxy statements.

47. Patrick has served as President of Cablevision's News 12 Networks since February 2002. Prior to that, he served as Vice President of News from September 1995 to February 2002. During the 2010-2012 fiscal years, Patrick collected $897,053 in salary, $538,000 in bonuses, and long-term incentive awards the amount of which was not disclosed in the Company's proxy statements.

48. The Dolan family has also used Cablevision to find work for James' wife and mother-in-law. Kristin has been a Cablevision employee since 1990 and has held a number of different positions, including President, Optimum Services since April 2013, Senior Executive Vice President of Product Management and Marketing from November 2011 to April 2013, Senior Vice President from 2003 to 2011. During the 2010 through 2012 fiscal years, Kristen collected $1,235,476 in salary, $757,000 in bonuses, and long-term incentive awards the amount of which was not disclosed in the Company's proxy statements.

49. Rosemary E. Aigner ("Aigner"), Kristin's mother and James' mother-in-law, is employed by the Company in the mysteriously titled role of "coordinator." During the 2010 through 2012 fiscal years, Aigner collected $345,775 in salary and $10,393 in bonuses.

50. And finally, Atwood, Charles' brother-in-law, has served as a Vice President — Multimedia Services since 1998. During the 2010-2012 fiscal years, Atwood

collected $781,033 in salary, $231,000 in bonuses, and long-term incentive awards the amount of which was not disclosed in the Company's proxy statements.

51. The long list of Dolan family members with well-paid employment positions at Cablevision is not a coincidence; it evidences that the Dolan family has always placed its own family interests ahead of the interests of the Company and its stockholders.

### *C. The Excessive Compensation Paid Out to James and Charles*

52. During the 2010 through 2012 fiscal years, Cablevision paid James and Charles tens of millions of dollars in cash and stock awards purportedly as compensation for serving as CEO and Executive Chairman, respectively. As described below, however, the payments made to James and Charles so far exceeded what their services were worth that they cannot be considered anything other than handouts under the guise of executive compensation.

53. The annual compensation package for James and Charles has typically consisted of a base salary, perquisites, annual cash bonuses, and long-term incentive awards including restricted stock awards that vest as long as the recipient remains employed by Cablevision, which of course the Dolan family itself is able to ensure, and performance cash awards that become payable upon the achievement of a three-year performance goal. The compensation paid to James and Charles for their service in fiscal 2010 was disclosed in the Company's Schedule 14A Proxy Statement filed with the SEC on April 21, 2011 (the "2011 Proxy"); their compensation for fiscal 2011 was disclosed in the Company's Schedule 14A Proxy Statement filed with the SEC on April 5, 2012 (the "2012 Proxy"); and their compensation for fiscal 2012 was disclosed in the

2013 Proxy (the "2011 Proxy, 2012 Proxy, and 2013 Proxy are collectively referred to herein as the "Proxies").

54. As disclosed in the Proxies, for the 2010 through 2012 fiscal years, James received compensation valued at over ***$41.18 million*** in the aggregate, including approximately $13.32 million for 2010, $11.24 million for 2011 and $16.62 million for 2012. For 2010 through 2012, Charles received compensation valued at ***$40.27 million*** in the aggregate, including approximately $13.49 million for 2010, $10.68 million for 2011 and $16.09 million for 2012.

55. The $41.18 million compensation package paid to James and the $40.27 million compensation paid to Charles far exceeded what their services were worth.

56. As described in the Proxies, the Compensation Committee, with the assistance of James himself, selected fourteen publicly traded companies "in the same general industry or industries as the Company as well as companies of similar size and business mix," each of whom were purportedly part of Cablevision's "core peer group" for either all or a portion of the 2010 through 2012 three-year period (the "Company Peer Group").

57. The Company Peer Group consisted of Comcast Corporation ("Comcast"), DIRECTV Group, Inc. ("DIRECTV"), Time Warner Cable Inc. ("Time Warner"), Viacom Inc. ("Viacom"), CBS Corporation ("CBS"), CenturyLink, Inc. ("Century Link"), Discovery Communications, Inc. ("Discovery Communications"), DISH Network Corporation ("DISH Network"), Liberty Media Corporation ("Liberty Media"), Frontier Communications Corporation ("Frontier Communications"), Level 3 Communications, Inc. ("Level 3 Communications"), Scripps Network Interactive, Inc. ("Scripps

Network"), Windstream Corporation ("Windstream"), and Charter Communications, Inc. ("Charter Communications").[2]

58. Institutional Shareholder Service, Inc. ("ISS"), a leading provider of corporate governance research to institutional investors, identified 19 publicly-traded companies based on "industry and size criteria," each of whom were part of Cablevision's peer group for either all or a portion of the 2010-2012 three-year period (the "ISS Peer Group," and collectively with the Company's Peer Group, the "Peer Group").

59. The ISS Peer Group consisted of Viacom, CBS, Discovery Communications, DISH Network, Gannett Co., Inc. ("Gannett"), Liberty Media, Frontier Communications, Liberty Global plc ("Liberty Global"), Live Nation Entertainment, Inc. ("Live Nation"), Omnicom Group Inc. ("Omnicom Group"), The McGraw-Hill Companies, Inc. ("McGraw-Hill"), The Interpublic Group of Companies, Inc. ("Interpublic Group"), The Washington Post Company ("The Washington Post"), Thomson Reuters Corporation ("Thomson Reuters"), Sirius XM Holdings Inc. ("Sirius"), Virgin Media Inc. ("Virgin Media"), Windstream, Federal-Mogul Corporation ("Federal-Mogul"), and BorgWarner Inc. ("BorgWarner"). In total, twenty-six companies made up the Peer Group.

60. In terms of both market capitalization and revenues, Cablevision is one of the smallest in its Peer Group. In fact, with a market capitalization of approximately

[2] A fifteenth company, Qwest Communications, Inc., was also identified as a peer company but is excluded from this analysis because it was acquired in 2011 and accordingly its financial and compensation data for the three-year 2010 through 2012 period was not available.

$4.38 billion, Cablevision is the third smallest company in its Peer Group, as shown in the table below:

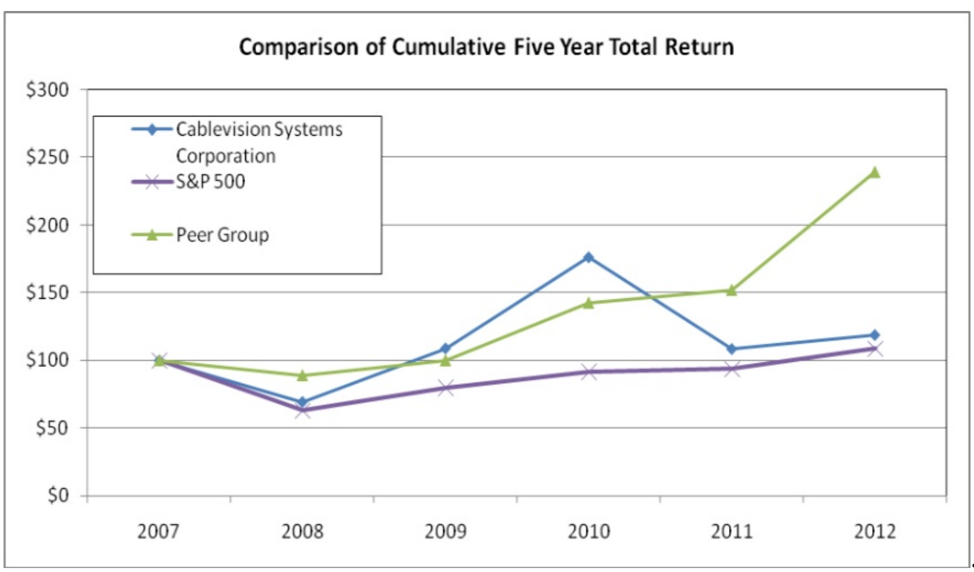
| **Company** | **Peer Group** | **Market** |
|---|---|---|
| Comcast | Company | $274.59 billion |
| Liberty Global | ISS | $103 billion |
| Discovery Communications | Company & ISS | $85.45 billion |
| Viacom | Company & ISS | $75.9 billion |
| Time Warner | Company | $38.06 billion |
| DIRECTV | Company | $37.83 billion |
| CBS | Company & ISS | $36.45 billion |
| Liberty Media | Company & ISS | $31.24 billion |
| Thomson Reuters | ISS | $30.69 billion |
| DISH Network | Company & ISS | $25.45 billion |
| Sirius | ISS | $22.58 billion |
| McGraw-Hill | ISS | $20.72 billion |
| Omnicom Group | ISS | $19.17 billion |
| CenturyLink | Company | $17.85 billion |
| Charter Communications | Company | $14.08 billion |
| Virgin Media | ISS | $13.8 billion |
| BorgWarner | ISS | $12.92 billion |
| Scripps Network | Company | $11.1 billion |
| Level 3 Communications | Company | $7.67 billion |
| Interpublic Group | ISS | $7.31 billion |
| Gannett | ISS | $6.47 billion |
| Frontier Communications | Company & ISS | $4.84 billion |
| The Washington Post | ISS | $4.84 billion |
| Windstream | Company & ISS | $4.72 billion |
| **Cablevision** | | **$4.39 billion** |
| Live Nation | ISS | $4.1 billion |
| Federal-Mogul | ISS | $2.96 billion |

1. Market Capitalization data taken as of January 16, 2014.

As shown in the table, most of the Peer Group companies are much larger than Cablevision, with eighteen of the twenty-six companies having a market capitalization of more than $10 billion, fourteen companies having a market capitalization of more than $17 billion, and nine companies having a market capitalization greater than $30 billion. Similarly, Cablevision has earned total revenues of just $19.58 billion during its 2010 through 2012 fiscal years, while the companies in the Peer Group brought in on average $30.87 billion in revenues during the same three-year period.

61. Additionally, Cablevision has substantially underperformed its peers in total stockholder returns during the one, three, and five-year periods ending December 31, 2012. While total stockholder returns for the Company Peer Group rose 57% in 2012, Cablevision's rose just 9%. Cablevision's total stockholder returns, adjusted for spinoffs, ranks in the bottom quartile of its Bloomberg-selected peer group for the one, three and five-year periods ending December 31, 2012.

62. Cablevision itself has acknowledged its substantial underperformance. The chart below, which was included in the 2013 10-K, shows the total cumulative return on investment over a five-year period based on the assumptions that on December 31, 2007, $100 was invested in the common stock of Cablevision, the S&P 500, and a peer group index, and that all dividends were reinvested.




As the chart shows, Cablevision has substantially underperformed its peers.



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63. One would expect the compensation paid to James and Charles would reflect both Cablevision's small size and its disappointing performance relative to its peers. However, just the opposite is true: the compensation paid to James and Charles during Cablevision's 2010 through 2012 fiscal years is grossly out of proportion to its larger and better-performing peers.

64. The table below shows the total 2010 through 2012 compensation paid to the respective CEOs of the seventeen Peer Group companies whose market capitalization was less than $30 billion.

| **Company** | **Total CEO Compensation (2010-2012)**[1] |
|---|---:|
| Level 3 Communications | $58,368,802 |
| Live Nation | $56,285,033 |
| **Cablevision (James/Charles)** | **$41,183,649/$40,274,027** |
| Omnicom Group | $41,036,350 |
| Charter Communications | $36,729,369 |
| BorgWarner | $34,487,237 |
| Interpublic Group | $32,770,288 |
| Sirius | $31,622,200 |
| CenturyLink | $30,161,396 |
| Scripps Network | $26,362,857 |
| McGraw-Hill | $25,389,536 |
| Windstream | $24,042,269 |
| Frontier Communications | $21,224,469 |
| Virgin Media[2] | $17,641,126 |
| Gannett | $16,966,201 |
| DISH Network | $11,550,541 |
| Federal-Mogul | $9,820,908 |
| The Washington Post | $1,238,480 |

1. The compensation amounts are taken from the Summary Compensation Table in each company's respective proxy statements. The amounts reflected in the "Change in Pension Value and Non-Qualified Deferred Compensation" column from the Summary Compensation Table were excluded from the calculations.
2. Virgin Media reports its compensation in U.K. pounds sterling and was converted to U.S. dollars at an exchange rate of 1.63446.

65. Given Cablevision's small size and poor performance relative to these companies, one would expect to find James and Charles at the low end of this range.

Indeed, Charles is not even a CEO. That his total compensation would even be comparable to the CEOs of Cablevision's peers, let alone at the top of the charts, vividly evidences the excessiveness of his compensation.

66. A close examination reveals the extent to which James and Charles were overpaid. In particular:

(a) James and Charles received 257% and 249% more compensation, respectively, than the CEO of DISH Network, a peer company 5.8 times the size of Cablevision.

(b) James and Charles received 30.2% and 27.4% more compensation, respectively, than the CEO of Sirius, a peer company 5.1 times the size of Cablevision.

(c) James and Charles received 62.2% and 58.6% more compensation, respectively, than the CEO of McGraw-Hill, a peer company 4.7 times the size of Cablevision.

(d) James and Charles received 133.5% and 128.3% more compensation, respectively, than the CEO of Virgin Media, a peer company 3.14 times the size of Cablevision.

(e) James and Charles received 142.7% and 137.4% more compensation, respectively, than the CEO of Gannett, a peer company 1.47 times the size of Cablevision.

(f) James and Charles received 36.5% and 33.5% more compensation, respectively, than the CEO of CenturyLink, a peer company 4.1 times the size of Cablevision.

(g) James and Charles received 19.4% and 16.8% more compensation, respectively, than the CEO of BorgWarner, a peer company 2.9 times the size of Cablevision.

(h) James and Charles received 56.2% and 52.8% more compensation, respectively, than the CEO of Scripps Network, a peer company 2.5 times the size of Cablevision.

(i) James and Charles received 25.7% and 22.9% more compensation, respectively, than the CEO of Interpublic Group, a peer company almost double the size of Cablevision.

(j) James and Charles received 12.1% and 9.7% more compensation, respectively, than the CEO of Charter Communications, a peer company 3.2 times the size of Cablevision.

(k) James and Charles received 94% and 89.8% more compensation, respectively, than the CEO of Frontier Communications, a peer company about the same size as Cablevision.

(l) James and Charles received 3,225% and 3,151% more compensation, respectively, than the CEO of The Washington Post, a company about the same size as Cablevision.

(m) James and Charles received 71.3% and 67.5% more compensation, respectively, than the CEO of Windstream, a company about the same size as Cablevision.

(n) James and Charles each received approximately the same compensation as the CEO of Omnicom Group, a company 4.37 times the size of Cablevision.

67. Even among the nine companies whose market capitalization exceeded $30 billion, James and Charles received more compensation than two of those companies: Liberty Global (market capitalization: $103 billion; 2010-2012 CEO compensation: $39.93 million) and Thomsen Reuters (market capitalization: $30.69 billion; 2010-2012 CEO compensation: $32 million).

68. The compensation paid to James and Charles is even more outrageous when considering that they both have jobs as executive officers at other publicly traded companies that are even larger than Cablevision. Since 2010, James has served as the Executive Chairman of The Madison Square Garden Company ("MSG"), a $4.5 billion publicly traded company also controlled by the Dolan family that was spun off from Cablevision in 2010. The 2013 Proxy acknowledges that James "devotes a portion of his time" to his job at MSG. There is no doubt that James devotes, or is expected to devote, a considerable portion of his time to MSG considering that MSG has paid him over $8.7 million in compensation for his services during the past three fiscal years.

69. Moreover, despite James' multitude of responsibilities as President and Chief Executive Officer of Cablevision and as Executive Chairman of the Madison Square Garden Company, over the past several years James has focused a great deal of his time and attention to something else altogether – his role as lead singer of his band, JD & The Straight Shot. JD & the Straight Shot travels extensively, most recently performing six shows in Inglewood, CA between January 15 and 25, 2014. In 2013

alone, James' band played 40 shows, opening for the Eagles, ZZ Top, Willie Nelson, and Joe Walsh. Between March and November 2013, these performances required James to travel to and from 36 different cities: Las Vegas, NV; Huntington, NY; Clearwater, FL; New Orleans, LA; Wallingford, CT; Morristown, NJ; Crewe, VA; Louisville, KY; Milwaukee, WI; Cleveland, OH; Toronto, ON; Grand Falls, NL; Ottawa, ON; Philadelphia, PA; Uncasville, CT; Mansfield, MA; Washington, D.C.; Pittsburgh, PA; Bethel, NY; Minneapolis, MN; Chicago, IL; Auburn Hills, MI; Dallas, TX; Memphis, TN; Nashville, TN; Kansas City, MO; St. Louis, MO; Montreal, QC; Toronto, ON; New York, NY; Knoxville, TN; Charlotte, NC; Greensboro, NC; Tampa, FL; Miami, FL; and Orlando, FL. James and his band also performed in 11 different cities in 2012.

70. In a 2004 profile, *New York Magazine* describes James' band as his "first love" that "he has pursued with the boundless zeal of a teenager, albeit one with spectacular resources at his disposal," and in August 2013 James joked to a *Wall Street Journal* reporter that he is "'one hit away' from leaving the cable business."

71. Similarly, since June 2011, Charles has served as Executive Chairman of AMC Networks, Inc. ("AMC"), a $4.7 billion publicly traded company also controlled by the Dolan family that spun off from Cablevision in June 2011. The 2013 Proxy acknowledges that Charles "devotes a portion of his business time" to his job at AMC where he was paid over $1.75 million during AMC's 2012 fiscal year. Moreover, Charles' job with Cablevision itself is very limited. As described in the 2013 Proxy, Charles' role at Cablevision is focused on "setting the strategic direction of the Company," while James, while not working for MSG or traveling with his band, is responsible for the day-to-day management of the Company.

72. Putting it all together and taking into account the compensation paid to the CEOs at Cablevision's peers, Cablevision's substantial underperformance when compared to its peers, and the fact that James and Charles also have second jobs as executive officers, and James a third job, it is clear that James and Charles have received excessive compensation from Cablevision.

### *D. The "Special" Stock Option Grant Awarded to James and Charles for Failing to Achieve Performance Goals*

73. The elements of Cablevision's executive compensation program have historically consisted of a base salary, perquisites, annual cash incentives, restricted stock awards, and cash performance awards. However, as described in the 2013 Proxy, in March 2012 the Compensation Committee awarded the Company's executive officers, including James and Charles, a "special" one-time grant of stock options outside of the regular executive compensation program. Specifically, James was awarded 1,687,800 stock options valued at $6.85 million, and Charles was awarded 1,747,600 stock options valued at $7.09 million.

74. As described in the 2013 Proxy, in February 2012 the Compensation Committee had determined that the target goals for the three-year performance awards granted to various officers and employees in 2010 were not expected to be achieved, and that the target goals of the three-year performance awards granted in 2011 were expected to be only partially achieved. Given the compensation that would not be earned as a result of the failure to meet these performance goals, the Compensation Committee decided to make a "special grant" of stock options to various officers and employees in order to "further incentivize and retain" such officers and employees.

75. The Compensation Committee's determination to make a special stock option grant in order to "further incentivize and retain" certain employees at a time when the Company was performing poorly may be a legitimate business decision. However, no reasonable or independent Compensation Committee member would have had the same concerns when it came to James and Charles.

76. Cablevision has been controlled by the Dolan family since Charles founded the Company in 1973. Charles has served as Executive Chairman since 1985 and James, his son, has served as CEO for almost 20 years. The 2013 10-K states that the Dolan family is only interested in taking Cablevision private and would never sell their stake in the Company. Accordingly, without even taking into account how generously they have been compensated for serving "part-time" roles, it is simply inconceivable that James and Charles needed a special grant of stock options to encourage them to remain with the Company. They were not going anywhere. Similarly, given the Dolan family's substantial monetary stake in the Company, James and Charles had all the incentive they needed to stay on the job and work hard. Certainly, their incentive to improve Cablevision was not diminished in even the slightest simply because certain performance awards had failed to vest. Indeed, it should only have increased. Moreover, as the CEO and Executive Chairman, James and Charles were perhaps the two people most responsible for the performance awards failing to vest in the first place. Thus, in essence, the March 2012 stock option grant was truly "special" indeed: it rewarded James and Charles for failure.



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77. The special grant of stock options provided minimal or no extra incentive or retentive value to James and Charles, and Cablevision received grossly insufficient or no consideration for it.

78. The special stock option grant to James and Charles was effectively a gift that served no valid corporate purpose, and thus constitutes a waste of corporate assets.

### *E. The Perquisites Provided to James and Charles*

79. As executive officers, James and Charles are provided with an extraordinary amount of perquisites, including (i) James and Charles each have a Company car and driver assigned to them on a full-time basis, which they are permitted to use for their personal use in addition to business purposes; (ii) the Company pays for a security program for the protection of James and Charles; (iii) James and Charles are provided with free cable television, high-speed data, and voice services; (iv) James and Charles are permitted to use Company's travel department to arrange for personal travel; (v) James and Charles are permitted to use Company-owned tickets to sporting and entertainment events, and (vi) the Company reimburses James and Charles for costs incurred related to filings made under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

80. In total, for the 2010-2012 three-year period, as a component of the wasteful and unfair compensation described herein, James and Charles have been provided with perquisites valued at $476,000 and $792,000 respectively.

### *F. The 2013 Letter Agreement with James*

81. Although Cablevision has not yet filed a proxy statement describing James' 2013 compensation, it appears that James' compensation for the already

completed 2013 fiscal year will be even more than the already excessive $16.1 million package he received in 2012. Specifically, on February 27, 2013, the Compensation Committee entered into a letter agreement with James renewing and amending certain aspects of his employment agreement, including (a) increasing James' annual base salary from a minimum $1,750,000 to a minimum of $2,000,000, effective January 1, 2013; and (b) increasing the target value of James' long-term incentive awards from $7,500,000 per year to $12,000,000 per year. That already equates to a minimum value of $14 million per year without even taking into account the annual cash bonus program and the perquisites.

82. In addition, in renewing James' employment agreement, the Compensation Committee chose not to eliminate the modified single-trigger provision that will pay James severance *if he chooses to terminate his employment for any reason* within a certain period of time after a change in control. As explained in the May 9, 2013 report issued by ISS (the "2013 ISS Report") in connection with Cablevision's 2013 Annual Meeting of Stockholders (the "2013 Annual Meeting"):

> These walk-away provisions, commonly known as "modified single-trigger" arrangements, give the executive the ability to unilaterally decide whether or not to continue employment, and may put the Compensation Committee at a disadvantage in compensation negotiations. The purpose of "golden parachutes" is to provide a cushion to an executive who could lose employment due to a change in control, not to provide a windfall to executives who do not. The executive may not be motivated to stay with the company over the long-term given the prospect of an unconditional payment. Because of this, modified single trigger arrangements are increasingly uncommon and are considered a problematic pay practice by many investors.

The inclusion of the problematic modified single-trigger provision thus provides James with further value in what is an already excessive compensation program.

83. Moreover, the inclusion of the problematic modified single-trigger provision is exacerbated in this case because the company's ownership structure means that no change in control will take place without the consent of the Dolan family. For this reason, providing CEO Dolan with the right to walk away and still receive severance payments is far more problematic than the granting of such a right to other executives.

84. The increase in compensation is even more troubling when considering that James has recently begun committing an increasing amount of time to his band, travelling all over the country performing at least 40 shows in 36 cities in 2013 alone.

85. Unsurprisingly, the Company's compensation program and overall corporate governance has received much criticism. For example, during each of the past three years, ISS has recommended that Cablevision's Class A stockholders WITHHOLD their votes for the election of Compensation Committee members Tese, Ryan, and Reifenheiser as a result of the Company's unfair compensation program. In the April 27, 2012 report issued by ISS in connection with the Cablevision's 2012 Annual Meeting of Stockholders, ISS was particularly critical of the compensation decisions made by the Compensation Committee during 2011, stating:

> In review of the principal elements of CEO compensation in fiscal 2011, a pay for-performance disconnect is identified because the CEO's pay package includes a large base salary increase, a discretionary bonus, and disclosure of certain elements of performance-based pay may not be robust enough for shareholders to assess plan rigor. Further, performance-based equity awards only required the achievement of a 1 percent growth rate in any of the three fiscal years 2011, 2012, and 2013 which may put in question the rigors of how these awards are earned. Given these disclosure shortcomings and the one-, and three-year pay-for-performance misalignment noted above ... the company's compensation actions in fiscal 2011 do not warrant shareholder support.

In the 2013 ISS Report, ISS criticized James' increased compensation in 2012 as compared to 2011 despite the Company's poor performance, the special stock option grants made in March 2012, and the terms of the amended employment agreement entered into with James in February 2013.

86. Similarly, another leading proxy advisory firm, Glass Lewis & Co., has criticized Tese, Ryan, and Reifenheiser. In its May 8, 2013 report on Cablevision, it stated: "In light of the board's failure to respond to the evident desire of shareholders that Messrs. Reifenheiser, Ryan, and Tese resign, we believe that the Class A directors, acting as a group, have failed to protect shareholder interests. We think shareholders should withhold support from these directors to express continued displeasure with their ineffective board representation."

87. In addition, on April 24, 2013, the Comptroller of the City of New York, on behalf of the New York City Pension Funds (the holder of 532,000 shares of Class A common stock), filed a Notice of Exempt Solicitation (the "Comptroller's Letter") with the SEC. As stated in the Comptroller's Letter, among its many concerns were:

> **Poor performance.** Cablevision's total shareowner returns, adjusted for spinoffs, rank in the bottom quartile of its Bloomberg-selected peer group for the past one, three and five years.
>
> **Excessive executive compensation.** Total combined compensation for Chairman Charles F. Dolan and his son, CEO James L. Dolan, surged 49% to $33.4 million in 2012 despite shareowner returns that dramatically lagged the company-selected peer group; Cablevision's shares rose 9% in 2012 compared to a 57% increase for the company-selected peer group. The spike in 2012 compensation is especially troubling given that pay was already high relative to peers in 2011, according to leading proxy advisors ISS and Glass Lewis.
>
> **Pervasive conflicts of interest.** There are extensive related-party transactions and other conflicts of interest involving the company and entities controlled by the Dolans, including AMC Networks and The



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> Madison Square Garden Company. In addition, numerous Dolan family members and in-laws are on the Cablevision payroll as directors and employees.

Accordingly, the Comptroller's Letter urged fellow Class A stockholders to withhold their votes on all five Class A director nominees, including Tese, Ryan, and Reifenheiser, at Cablevision's 2013 Annual Meeting.

### *G. The Defective Process Used in Determining James' and Charles' Compensation*

88. That James and Charles were paid grossly excessive compensation is not surprising given the defective process used to determine their compensation. As described below, the compensation package for James and Charles was approved by a three-member Compensation Committee, with the Chair of the committee having served on the Board alongside James and Charles for almost twenty years, and the other two members having served on the Board for approximately twleve years. The Compensation Committee, among other things, (a) allowed James to determine certain aspects of his own compensation (b) did not compare Charles' compensation with a peer group, and (c) failed to remove themselves from the Board or even to address the executive compensation concerns raised by the Class A stockholders after a majority of the Class A stockholders WITHHELD their vote for the election of every member of the Compensation Committee. It is thus apparent that the Compensation Committee lacked independence and that the process implemented in determining James' and Charles' compensation was a sham.

89. James' and Charles' compensation during the past four years has been approved by a three-member Compensation Committee consisting of defendants Tese, Reifenheiser, and Ryan.

90. The Chair of the Compensation Committee, Tese, has served on the Board alongside James and Charles for almost twenty years and has served on the Compensation Committee for approximately ten years. Moreover, Tese's brother is an employee at MSG, another Dolan-family controlled entity. In addition, Tese, who is 70 years old and does not appear to have a full-time job, is dependent on the compensation he receives as a director of both Cablevision and MSG. In total, during the past three years, Tese received compensation totaling $1,205,349 for serving as a director at Cablevision and MSG. Moreover Tese had previously served as Bear Stearns' lead director before that firm's collapse in 2008, and served on the finance and risk committee of that ill-fated firm.

91. Meanwhile, Reifenheiser and Ryan have each served on the Board alongside James and Charles for approximately twelve years. Reifenheiser is 77 years old, and like Tese, also retired. The extraordinary longevity of Tese, Reifenheiser, and Ryan's service on the Board alongside James and Charles calls their independence into question. For example, in a recent ISS report dated October 2013 in which over 150 institutional investors were polled, approximately 63% responded that "a director's ability to serve as an independent steward is diminished when he or she has served too long." With respect to the length of board service that would raise concerns about the independence of a director, the most common response among investor respondents was more than ten years. The same report noted that in most of continental Europe, a director with tenure exceeding twelve years is automatically deemed non-independent.

92. The Compensation Committee's response, or rather lack thereof, to the Class A stockholders' concerns – the very stockholders they are supposed to represent –

regarding Cablevision's compensation program further evidences their lack of independence from James and Charles. In 2010 and 2012, each of Tese, Ryan, and Reifenheiser received a majority of WITHHOLD votes out of the total votes that were cast for their election. In 2013, Tese received a majority of WITHHOLD votes while Ryan and Reifenheiser received substantial but less than a majority opposition (38.9% of the votes cast opposed Ryan and 49.4% opposed Reifenheiser).

93. The withholding of support is a clear message of dissatisfaction from the Class A stockholders. Because the Board has no nominating committee, however, Class A directors serve as the de facto nominating committee for themselves under Cablevision's Corporate Governance Guidelines; and despite the stockholder opposition, Tese, Ryan, and Reifenheiser have continued to collectively nominate themselves to serve on the Board as Class A directors, which nominations have been repeatedly approved by the full Board. Moreover, Tese, Ryan, and Reifenheiser have not bothered to even provide the Class A stockholders with an explanation as to why they have repeatedly nominated themselves despite the opposition of the Class A stockholders. None of the Proxies provide any explanation whatsoever. It is thus clear that Tese, Ryan, and Reifenheiser view themselves as answering only to the Dolan family, not the Class A stockholders. As stated in the Comptroller's Letter, "that all three remain on the board suggests that one of the few rights afforded Class A shareowners under Cablevision's dual class share structure – to elect at least 25 percent of the members of the board – is fictitious."

94. Not only have all three members remained on the Board, but they have failed to address the underlying issues that caused the high level of dissenting votes

during the past four years, i.e. an excessive compensation program. The Proxies have not identified any measures the Compensation Committee has taken in response to stockholder concerns. To the contrary, the Compensation Committee has only added fuel to the fire, making the "special" stock option grants in 2012 and extending James' employment agreement with very favorable terms in 2013. The Compensation Committee's failure to respond to stockholder concerns not only evidences their lack of independence and good faith, as stated in the Comptroller's Letter, it highlights "longstanding concerns that the ***company is run for the benefit of the Dolans***." (emphasis added).

95. Given their lack of independence and indifference to the views of stockholders other than the members of the Dolan family, it is not surprising that the Compensation Committee allowed James to participate in determining certain aspects of his own compensation. As described in the Proxies, the Compensation Committee reviewed and compared the compensation paid to the CEOs at the Company Peer Group companies when setting James' compensation. However, as described in the Proxies, the Compensation Committee allowed James to "assist the Compensation Committee and its compensation consultant in determining the Company's core peer group and the peer group comparisons." Given James' own involvement in choosing and evaluating the peer companies, it is not surprising that the Company Peer Group ultimately consisted of companies that were much larger and better performing than Cablevision to make James' compensation somehow appear fair.

96. With respect to Charles, the Compensation Committee did not even compare Charles' compensation package with those of peers in order to determine

whether his compensation was fair. As stated in the Proxies, the Compensation Committee did not make any peer group comparisons when setting Charles' compensation, but rather determined "that as a result of [Charles'] important role in setting the strategic direction of the Company, an appropriate general guideline for [Charles'] target total direct compensation ... was slightly below the target total direct compensation of the Chief Executive Officer of the Company." The use of a peer group in determining executive compensation is one of the most basic aspects of a sound corporate governance practice. Indeed, New York Stock Exchange Listing Rule 303A.05 – which Cablevision is subject to as a NYSE-listed company – states that "in determining the long-term incentive component of CEO compensation, the [compensation] committee should consider... the value of similar incentive awards to CEOs at comparable companies...." It is obvious why the Compensation Committee chose not to compare Charles' compensation with the other executive chairman at Cablevision's peers. Any legitimate comparison would have resulted in significantly lower compensation for Charles; in fact, as described above, Charles was even grossly overpaid when compared to the CEOs of Cablevision's peers.

97. Finally, the Dolan family has never sought Class A stockholder approval of any meaningful compensation limits to ensure that the compensation paid to James and Charles would be fair. First, there were no stockholder-approved limits with respect to James' and Charles' base salaries, and thus the Compensation Committee has exercised absolute discretion in setting this component of James' and Charles' compensation. Similarly, a substantial component of the compensation paid to James and Charles was in the form of cash bonuses and cash performance awards, which again

was not constrained by any stockholder-approved limits. And finally, although the Compensation Committee granted James and Charles stock awards pursuant to the terms of a stockholder-approved equity compensation plan, there were no meaningful limits in that plan as to the total amount of stock awards that the Compensation Committee could grant James and Charles. To the contrary, the Amended 2006 Employee Stock Plan (the "Plan"), pursuant to which the stock awards were granted, provides that an individual participant could receive stock awards covering as many as 2,000,000 shares per year – which, given the Company's closing common stock price of $19.27 per share on May 21, 2009, the day the Plan was last approved by the Company's stockholders, equates to an illusory cap of almost $40 million in stock awards per year. Moreover, when the Plan was last put up for approval in 2009, a majority of the Company's minority Class A stockholders that cast votes voted against approval of the Plan. The Plan only passed when taking into account the votes by the Dolan family. Accordingly, there were no effective Class A stockholder-approved limits to ensure that the compensation to James and Charles was fair.

98. Accordingly, it is apparent that the Compensation Committee's decisions were not made in good faith to advance the interests of the Company's welfare, but rather the Company's executive compensation program was merely a sham, the true purpose of which was to improperly and unfairly transfer assets from Cablevision to James and Charles.

## DEMAND FUTILITY ALLEGATIONS

99. Plaintiff bring this action derivatively on behalf of Cablevision to redress injuries suffered, and to be suffered, by the Company as a direct and proximate result of Defendants' misconduct.

100. Plaintiff has owned Cablevision Class A common stock continuously during the time of the wrongful course of conduct and continues to hold Cablevision stock.

101. Plaintiff will adequately and fairly represent the interests of Cablevision in enforcing and prosecuting its rights and has retained counsel competent and experienced in stockholder derivative litigation.

102. At the time of this filing the Board consists of the following sixteen directors: James, Charles, Thomas, Patrick, Kathleen, Marianne, Deborah, Kristin, Sweeney, Atwood, Reifenheiser, Ryan, Tese, Rand V. Araskog ("Araskog"), Frank J. Biondi ("Biondi"), and Dr. Leonard Tow ("Tow").

103. Plaintiff did not make a demand on the Board prior to instituting this Action because a pre-suit demand upon the Board would be futile.

104. James and Charles each received compensation that is being challenged in this lawsuit. Accordingly, they have a strong financial incentive to not authorize any corrective action that would force them to disgorge the improperly obtained compensation. Accordingly, James and Charles are interested and demand is excused.

105. Thomas, Patrick, Kathleen, Marianne, Deborah, Kristin, Sweeney, and Atwood will not be able to consider impartially a demand to institute an action against the interested directors James and Charles. Specifically, Thomas, Patrick, Kathleen,

Marianne, and Deborah will not be able to decide whether to impartially decide whether to sue their father (Charles) and their brother (James). Kristin will not be able to impartially decide whether to sue her husband (James) and her father-in-law (Charles). Sweeney will not be able to impartially decide whether to sue his father-in-law (Charles) and his brother-in-law (James). And Atwood will not be able to impartially decide whether to sue his wife's brother (Charles) and his nephew (James). The Board and the Dolan family do not dispute these facts, as the Proxies acknowledge that all of these family members are not independent.

106. Accordingly, with James and Charles interested in this Action, and the eight family members unable to impartially decide whether to sue them, Plaintiff has adequately shown that demand is excused as to a majority of the Board.

107. Additionally, Kathleen, Deborah, and Marianne each received compensation that is being challenged in this lawsuit. Accordingly, they have a strong financial incentive to not authorize any corrective action that would force them to disgorge the excessive compensation. Therefore Kathleen, Deborah, and Marianne are interested and demand is excused.

108. Charles, James, Thomas, Patrick, Kristin, Sweeney, and Atwood will not be able to consider impartially a demand to institute an action against the interested directors Kathleen, Deborah, and Marianne. Specifically, James, Thomas, Patrick, and Kristin will not be able to decide whether to impartially decide whether to sue their sisters. Charles will not be able to impartially decide whether to sue his daughters. Sweeney will not be able to impartially decide whether to sue his wife (Deborah) and his sisters-in-law (Kathleen and Marianne). And Atwood will not be able to impartially

decide whether to sue his nieces. The Dolan family does not dispute these facts, as the Proxies acknowledge that all of these family members are not independent.

109. Accordingly, with Kathleen, Deborah, and Marianne interested in this Action, and the eight family members unable to impartially decide whether to sue them, Plaintiff has adequately shown that demand is excused as to a majority of the Board with respect to the unfair compensation claims against Kathleen, Deborah, and Marianne.

110. Finally, demand is also excused with respect to the Compensation Committee Defendants Tese, Ryan, and Reifenheiser, each of whom face a substantial likelihood of liability for their various and ongoing breaches of fiduciary duty and waste of corporate assets, as described herein.

## COUNT I
## Breach of Fiduciary Duty
## (Against James and Charles)

111. Plaintiff repeats each and every allegation contained above as if fully set forth herein.

112. James and Charles – as executive officers of the Company and as members of the Dolan family, the Company's controlling stockholder – owed the Company's Class A stockholders the fiduciary duties of loyalty, good faith, and fair dealing.

113. James breached his fiduciary duties to Cablevision (a) by causing Cablevision to issue him and by accepting a $41.18 million excessive compensation package, (b) by causing Cablevision to issue him and by accepting the special stock option grant in March 2012 without providing any consideration in return, (c) by causing Cablevision to issue him and by accepting an extraordinary amount of perquisites, and (d)

by negotiating for even more compensation in 2013 and beyond on top of what was already a grossly excessive compensation package and despite the fact that he had begun spending less time on his job duties and more time travelling with his band. By entering into these transactions, James elevated his own interests ahead of the interests of the Company. These transactions were substantively unfair to Cablevision and were entered into as a result of a deficient process.

114. Charles breached his fiduciary duties to Cablevision (a) by causing Cablevision to issue him and by accepting a $40.27 million excessive compensation package, (b) by causing Cablevision to issue him and by accepting the special stock option grant in March 2012 without providing any consideration in return, and (c) by causing Cablevision to issue him and by accepting an extraordinary amount of perquisites. By entering into these transactions, Charles elevated his own interests ahead of the interests of the Company. These transactions were substantively unfair to Cablevision and were entered into as a result of a deficient process.

115. As a direct and proximate result of the breaches of fiduciary duties, the Company has sustained damages.

## COUNT II
## Breach of Fiduciary Duty
## (Against Kathleen, Deborah, and Marianne)

116. Plaintiff repeats each and every allegation contained above as if fully set forth herein.

117. Kathleen, Deborah, and Marianne – as directors of the Company and as members of the Dolan family, the Company's controlling stockholder – owed the Company's Class A stockholders fiduciary duties of loyalty, good faith, and fair dealing.

118. Kathleen breached her fiduciary duties by causing Cablevision to issue her and by accepting $340,544 in compensation despite her virtually non-existent participation as a Board member.

119. Deborah breached her fiduciary duties by causing Cablevision to issue her and by accepting $367,863 in compensation despite her virtually non-existent participation as a Board member.

120. Marianne breached her fiduciary duties by causing Cablevision to issue her and by accepting $374,455 in compensation despite her virtually non-existent participation as a Board member.

121. As a direct and proximate result of the breaches of fiduciary duties, the Company has sustained damages.

## COUNT III
## Breach of Fiduciary Duty
## (Against the Compensation Committee Defendants)

122. Plaintiff repeats each and every allegation contained above as if fully set forth herein.

123. As directors of the Company, each of the Compensation Committee Defendants owed the Company and its stockholders fiduciary duties.

124. The Compensation Committee Defendants breached their fiduciary duties by awarding James and Charles excessive compensation packages pursuant to a deficient process and on terms that were unfair to Cablevision. In so doing, the Compensation Committee Defendants were not acting in good faith toward the Company and were elevating the interests of James and Charles ahead of the interests of the Company.

125. By awarding James and Charles the special stock option grants, the Compensation Committee Defendants were not acting in good faith toward the Company and were elevating the interests of James and Charles ahead of the interests of the Company. This constitutes a breach of their fiduciary duties.

126. The Compensation Committee Defendants breached their fiduciary duties by entering into the letter agreement with James in February 2013 providing him with even more compensation in 2013 and beyond on top of what was already a grossly excessive compensation package. In so doing, the Compensation Committee Defendants were not acting in good faith toward the Company and were elevating the interests of James and Charles ahead of the interests of the Company.

127. As a direct and proximate result of the breaches of fiduciary duties, the Company has sustained damages.

**COUNT IV**
**Waste of Corporate Assets**
**(Against James, Charles, and the Compensation Committee Defendants)**

128. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

129. The Compensation Committee Defendants caused Cablevision to waste valuable corporate assets when it granted James and Charles the special stock option award in March 2012. Similarly, James and Charles caused the Company to waste valuable corporate assets when it accepted the award.

130. Cablevision received consideration that was so disproportionately small in exchange for the stock options awarded to James and Charles in March 2012. The stock option grant effectively constituted a gift that served no valid corporate purpose, and

which no reasonable person acting in the best interests of the Company would have awarded and/or accepted.

131. As a result of this waste of corporate assets, James, Charles, and the Compensation Committee Defendants are liable to the Company.

## **PRAYER FOR RELIEF**

WHEREFORE, Plaintiff requests entry of an order as follows:

A. Awarding the Company the amount of damages it sustained as a result of the Defendants' breaches of fiduciary duties and waste of corporate assets;

B. Ordering defendants James and Charles to disgorge to the Company the excessive proceeds they received from Cablevision during the past four years;

C. Ordering defendants Kathleen, Marianne, and Deborah to disgorge to the Company the excessive proceeds they received from Cablevision during the 2011-2012 fiscal years;

D. Awarding Plaintiff the costs and disbursements of this action, including reasonable allowance of fees and costs for Plaintiff's attorneys, experts, and accountants; and

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

/s/ Joel Friedlander
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