

# WORLD WRESTLING ENTERTAINMENT INC

## FORM 10-K (Annual Report)

Filed 7/26/2002 For Period Ending 4/30/2002

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Industry	Recreational Activities
Sector	Services
Fiscal Year	04/30

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-K**

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended April 30, 2002**

**or**

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 0-27639**

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**WORLD WRESTLING ENTERTAINMENT, INC.**  
(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**04-2693383**  
(I.R.S. Employer  
Identification No.)

**1241 East Main Street  
Stamford, CT 06902  
(203) 352-8600**

(Address, including zip code, and telephone number, including area code,  
of Registrant's principal executive offices)

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT**

Class A Common Stock, \$.01 par value per share  
(Title of each class)

New York Stock Exchange  
(Name of each exchange on which registered)

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT**

None

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be

contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Aggregate market value of the voting stock held by non-affiliates of the Registrant at July 10, 2002 was approximately \$177,835,894.

As of July 10, 2002, the number of shares outstanding of the Registrant's Class A common stock, par value \$.01 per share, was 15,807,735 and the number of shares outstanding of the Registrant's Class B common stock, par value \$.01 per share, was 54,780,207 shares.

**Portions of the Registrant's definitive proxy statement for the 2002 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K**

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\* Incorporated by reference from the Registrant's Proxy Statement for the 2002 Annual Meeting of Stockholders (the "Proxy Statement").

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## PART I

### Item 1. Business

We are an integrated media and entertainment company, principally engaged in the development, production and marketing of television programming, pay-per-view programming and live events, and the licensing and sale of branded consumer products featuring our successful World Wrestling Entertainment brand. We have been involved in the sports entertainment business for over 20 years, and have developed World Wrestling Entertainment into one of the most popular forms of entertainment today. In May 2002, we changed our name to World Wrestling Entertainment, Inc. With the name change, we now have a global identity that is distinctive, unencumbered and supports our domestic and international growth plans and our brand extension initiatives.

The key economic drivers of our business are live event attendance, pay-per-view buys and television ratings. While these drivers have continued to be soft in recent months relative to their previous highs, they nonetheless continue to reflect our strong presence in the marketplace and the loyalty of our fan base. This marketplace strength and loyal fan base has been monetized across our many revenue streams within our live and televised and branded merchandise segments. We anticipate continuing to develop broader distribution arrangements for our brand both in the United States and internationally.

Over the past fifteen months, we have deepened our talent pool through our acquisition of certain assets of World Championship Wrestling, and as a result of a contraction in the number of competing sports entertainment companies. In an effort to further exploit and bolster our business, we launched a brand extension, creating two separate and distinct brands, *Raw* and *SmackDown!*, which each have their own distinct story lines, thus enabling us to have two separate live event tours. The two tours will allow us to visit domestic markets that we have been unable to visit and will also allow us to tour internationally on a more frequent basis.

Our continuing operations are reported within two reportable segments, Live and Televised Entertainment and Branded Merchandise. For additional segment information, see Note 16 of Notes to Consolidated Financial Statements.

World Wrestling Entertainment, Inc., formerly known as World Wrestling Federation Entertainment, Inc., was incorporated in Delaware in 1987, and in 1988 we merged with our predecessor company, which had existed since 1980. In October 1999, we sold 11,500,000 shares of Class A common stock to the public at an initial offering price of \$17.00 per share. To further broaden our exposure in the financial marketplace, in October 2000, we began trading our Class A common stock on the New York Stock Exchange (NYSE symbol: "WWE"). Our operations include our wholly-owned subsidiaries, World Wrestling Entertainment Canada, Inc.; The World Entertainment, Inc.; World Wrestling Entertainment (International) Limited; Stephanie Music Publishing, Inc.; TSI Realty Company; Event Services, Inc.; WCW, Inc.; and our majority owned subsidiary, Titan/Shane Partnership. In early May 2001, we formalized our decision to discontinue the operations of the XFL, LLC and accordingly, reported the operating results and estimated shutdown costs as Discontinued Operations in our Consolidated Financial Statements as of April 30, 2001.

In this Annual Report on Form 10-K, "WWE" refers to World Wrestling Entertainment, Inc. and its subsidiaries and its predecessors, unless the context otherwise requires. References to "we," "us," "our" and the "Company" refer to WWE and its subsidiaries. World Wrestling Entertainment and the stylized and highly distinctive World Wrestling Entertainment scratch logo are two of our marks. This Annual Report on Form 10-K also contains other of our trademarks and trade names as well as those of other companies. All trademarks and trade names appearing in this report are the property of their respective holders.

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## Creative Development and Production

Our creative team, headed by Vincent McMahon, develops soap opera-like storylines employing the same techniques that are used by many successful television series. We create compelling and complex characters and weave them into interactive entertainment that combines social satire, action adventure, drama, mystery, athleticism and humor. The interactions among the characters reflect a wide variety of contemporary topics, often depicting exaggerated versions of real life situations and typically containing "good versus evil" or "settling the score" themes. Story lines are usually played out in the wrestling ring, our main stage, and typically unfold on our weekly television shows and monthly pay-per-view events. Woven into the story lines is the ongoing competition for the various World Wrestling Entertainment championship titles.

Our creative team also develops a character for each performer. Once a character's basic traits have been formulated, we work to define and emphasize those traits through various accessories, including costumes and entrance music. We own the rights to substantially all of our characters, and we exclusively license the rights we do not own through agreements with our performers.

Our success is, in large part, due to the continuing popularity of our performers. We currently have exclusive contracts with approximately 150 performers, ranging from development contracts with prospective performers to long term guaranteed contracts with established performers. These contracts vary depending upon a number of factors, including the performer's popularity with our audience, their skill level and prior experience. Our performers are independent contractors who are highly trained and motivated and portray popular characters such as *The Rock*, *The Undertaker*, *Triple H*, *Hollywood Hulk Hogan*, *Kane*, *Chris Jericho*, *Kurt Angle* and *Edge*. We constantly seek to identify, recruit and develop additional performers for our business. Once recruited, established performers are immediately incorporated into our story lines while less experienced performers participate in our own extensive developmental training programs. Under agreements with regional promoters of wrestling events, promising candidates are often "loaned" to the regional promoters allowing these new performers to hone their skills by working in front of live audiences and appearing on local television programs. The most successful and popular performers are then incorporated into our television programming and pay-per-view events where their characters are more fully developed.

With limited exceptions, we retain all rights in perpetuity to any intellectual property that is developed in connection with the characters portrayed by our performers. This includes the character and any associated costumes, names, props, story lines and merchandise. Our performers share in a portion of the revenues that we receive. We believe that our relationships with our performers are generally good.

## Live and Televised Entertainment

Live events, television programming and pay-per-view programming are our principal creative and production activities. Revenues from these activities were approximately \$323.5 million, \$335.7 million and \$265.5 million in fiscal 2002, 2001 and 2000, respectively.

### *Live Events*

Live events are the cornerstone of our business, providing the content for our television and pay-per-view programming. Each event is a highly theatrical production, which involves a significant degree of audience participation and employs various special effects, including lighting, pyrotechnics, powerful entrance music and a variety of props.

In fiscal 2002, we held 237 live events in approximately 100 cities in North America, including 18 of the 20 largest metropolitan areas in the United States, as well as several international locations. We have consistently held our live events at major arenas, such as Madison Square Garden in New York City, Arrowhead Pond of Anaheim, Allstate Arena in Chicago, First Union Center in Philadelphia,

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Fleet Center in Boston and Earls Court in London, England. Attendance at our live events was approximately 2.0 million for the fiscal year ended April 30, 2002 and approximately 2.5 million for the fiscal years ended April 30, 2001 and 2000.

With the increase and depth of our talent pool and the introduction of two separate tours, we expect to hold approximately 350 live events in fiscal 2003. In an effort to meet strong international demand, we have increased our ability to tour internationally on a more frequent basis. In March 2002, we held three live events in Asia with total attendance of over 40,000 and an average ticket price of \$63.00. In May 2002, we held a pay-per-view event in England as part of our European tour and have scheduled a live event in August in Melbourne, Australia where we expect approximately 50,000 fans at a sold-out Colonial Stadium and expect to return to Europe for another tour in October.

We promote our live events through a variety of media, including television, radio, print and the Internet. Our revenues from live events are primarily derived from ticket sales, with prices for our live events averaging approximately \$36 per ticket. The operator of a venue at which our live event is held typically receives a fixed fee or a percentage of the revenues from ticket and merchandise sales. In the past two years, our *WrestleMania* events broke our record for gross receipts for an event with approximately \$3.5 million for *Wrestlemania 17* and approximately \$3.9 million for *Wrestlemania 18*. Attendance at these respective events was approximately 67,900 and 68,200 at Houston's Reliant Astrodome and Toronto's Skydome, respectively.

Revenues from live events were approximately \$74.1 million, \$81.9 million and \$68.9 million for the fiscal years ended April 30, 2002, 2001 and 2000, respectively.

#### *Television Programming*

We are an independent producer of television programming. Relying primarily on our in-house production capabilities, we produce seven shows consisting of nine hours of original programming 52 weeks per year. On a weekly basis, our nine hours of programming delivers approximately 24 million television impressions each week. In addition to our television programming, we also produce on an annual basis 12 domestic pay-per-views, which are also distributed through certain international pay-per-view providers and 2 international pay-per-views which are produced in the U.K.

Seven hours of our programming air domestically on cable and broadcast networks owned by Viacom Inc. and two hours air in syndication. To further develop our separate and distinct identities, talent and story lines for our flagship *Raw* and *SmackDown!* brands, we recently revised our programming lineup as follows:

- *Raw* is our two-hour live production that airs on TNN in primetime and has consistently been the number one rated regularly scheduled cable television program.
- *Sunday Night Heat* is primarily a taped one-hour live event program which airs on MTV on Sunday evenings, and *Bottom Line*, is a post produced "magazine" type show which airs in syndication on Friday / Saturday nights. Both of these programs help further define our *Raw* brand.
- *SmackDown!* is a taped two-hour program that airs on United Paramount Network ("UPN") in primetime and has consistently been the number one rated program on network television among male teens on Thursday nights.
- *Velocity* is a taped one-hour live event program which airs on TNN on Saturday nights, and *After Burn* is a post produced "magazine" type show which airs in syndication on Saturday / Sunday nights. Both of these programs help further define our *SmackDown!* brand.
- *Confidential* is a taped one-hour magazine-style program which airs on TNN on Saturday nights. This program provides an up-close look at World Wrestling Entertainment and its past and present performers, both in and out of the ring.

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Currently TNN is available in approximately 85 million households, UPN is available in approximately 93 million households and MTV is available in approximately 83 million households. Our two syndicated programs are on air for approximately 319 hours per week on approximately 190 broadcast stations across the country.

In connection with our TNN and MTV programming, we receive a rights fee totaling \$572,000 per week.

In addition to the foregoing programming, we co-produce a weekly half hour reality-based program, *Tough Enough*, which premiered on MTV in June 2001 and immediately follows *SmackDown!*. *Tough Enough* is a 13-week series that is a joint collaboration with MTV. Based on the success of the inaugural series, we aired *Tough Enough II* and have agreed with MTV to air *Tough Enough III* in the fall of 2002. *Tough Enough II* was the Number 1 rated regularly scheduled cable program on Thursday evenings during its run among certain key demographics, primarily audiences aged 12 - 34.

Domestic television rights fee revenues were \$35.0 million, \$20.9 million and \$7.1 million for the fiscal years ended April 30, 2002, 2001 and 2000, respectively.

Due to the density of certain key demographics that our programming reaches, we are an attractive and efficient buy for our advertisers. Our programming is principally directed to audiences aged 12 to 34. Since our programming appeals to such a wide spectrum of age groups, we voluntarily designate the suitability of each of our shows using standard television industry ratings.

We sell a substantial portion of the advertising time on our domestic and Canadian television programs to over 110 major advertisers and sponsors. We advertise products from some of the leading companies in the food and beverage, video game, toy, movie and television studio and telecommunications industries, among others. In addition to the sale of our advertising time, we also package sponsorships to meet the needs of our advertisers. These sponsorships range from presenting the *Slam Of The Week*, a 35-second spot that airs within our television programs, to sponsoring our annual *WrestleMania* event. Through these sponsorships, we offer advertisers a full range of our promotional vehicles, including television, Internet and print advertising, arena signage, on-air announcements and special appearances by our performers. Additionally, as part of certain sponsorship packages, we produce commercials featuring our performers.

Advertising time and customized sponsorship programs are sold directly by our New York, Chicago and Toronto-based sales forces. Our arrangement with our television network partners provides that we pay the network the greater of a fixed percentage of our net advertising revenues less certain adjustments or a minimum guaranteed amount. With respect to *Sunday Night Heat*, while MTV sells the advertising inventory, we have a similar share in the participation of the net revenues.

Advertising revenues were \$83.6 million, \$90.2 million and \$77.9 million for the fiscal years ended April 30, 2002, 2001 and 2000, respectively.

Our television and music recording studios and post-production operations are housed at our state-of-the-art facility in Stamford, Connecticut, which is staffed by 117 employees, including producers, directors, editors, cameramen, audio engineers, graphic designers, English and Spanish-speaking announcers and an administrative staff that oversees the production schedule. Our staff is augmented by freelance technicians who assist in our remote television broadcasts.

#### *Pay-Per-View Programming*

On a monthly basis, our story lines either culminate or change direction at each pay-per-view. We intensively market and promote the story lines that are associated with our upcoming pay-per-view event through our television shows, our Internet sites, and a variety of other promotional campaigns. We produce 12 domestic pay-per-view programs and two international pay-per-view programs annually, which consistently rank among the pay-per-view programs achieving the highest number of buys.

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Pay-per-view buys of our domestic events over the past three fiscal years were 7.1 million, 8.0 million and 6.9 million in fiscal 2002, 2001 and 2000, respectively. *WrestleMania* 16 and 17, which is our annual premiere event, generated over 1.0 million buys each and *Wrestlemania* 18 is currently in line to achieve the same amount. A substantial amount of the buys for an event and the related payment is determined and paid by the cable and satellite distributors within 120 days after the event. Final reconciliation is completed within one year. *WrestleMania* 18 had a suggested retail price of \$39.95 and effective with our April 2002 event, each of our other 11 domestic pay-per-view events has a suggested retail price of \$34.95, up from \$29.95.

Currently, pay-per-view is available to approximately 57 million cable and satellite subscribers in the United States. Our pay-per-views are available to approximately 54% of all domestic cable homes with inDemand being the largest distributor with approximately 29 million cable subscribers. Other major distributors include DIRECTV, Echostar and a growing number of international affiliates which continue to increase the potential subscriber base for our pay-per-view events. We also distribute our pay-per-view programs to commercial locations for public viewing. Consistent with industry practices, we share the revenues with the cable systems and satellite providers and pay fees to inDemand.

*WWE Fanatics* is a post-produced pay-per-view program that utilizes content from our extensive tape library. Each new program airs throughout the month. *WWE Fanatics* has a suggested retail price of \$9.95. Buys for *WWE Fanatics* programs were 0.3 million and 0.2 million in fiscal 2002 and 2001, respectively.

Domestic and International pay-per-view revenues were \$112.0 million, \$128.2 million and \$106.4 million for the fiscal years ended April 30, 2002, 2001 and 2000, respectively.

### *International*

In an effort to meet strong international demand, we have expanded our international live event tours and the distribution of our television programming. Our television programming is currently broadcast in over 130 countries and 13 different languages. In February 2002, we opened our office in London, England to facilitate sales and administration of our international television distribution. We have expanded our distribution throughout Asia, Europe, Latin America and Australia and have secured new television distribution agreements on terrestrial, cable and satellite platforms throughout those locations. Most notably we have recently signed distribution agreements with broadcasters in Australia, India, Indonesia, Malaysia, the United Kingdom, France and South Africa.

Television rights fee revenues outside of North America were \$18.3 million, \$14.3 million and \$5.1 million for the fiscal years ended April 30, 2002, 2001 and 2000, respectively.

In March 2002, we held three live events in Asia with total attendance of over 40,000 and an average ticket price of \$63.00. In May 2002, we held a pay-per-view event in England as part of our European tour. In addition, we have scheduled a live event in August in Melbourne, Australia where we expect approximately 50,000 fans at a sold-out Colonial Stadium and expect to return to Europe for another tour in October. We believe there is strong demand for our programming, live events and products internationally, and with the creation of two separate brands and two live event tours, we should be in a much stronger position to meet this demand.

In connection with our agreement with BSkyB in the U.K., we produce two U.K. pay-per-view programs per year through April 30, 2003. Buys related to these events totaled approximately 0.3 million for both fiscal 2002 and 2001 and approximately 0.2 million for fiscal 2000. Our U.K. pay-per-views have a suggested retail price of 14.00 Pounds (approximately \$20.00).

Total revenues derived from sales outside of North America were approximately \$31.4 million, \$22.1 million and \$9.0 million for the fiscal years ended April 30, 2002, 2001 and 2000, respectively.

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### **Branded Merchandise**

We offer a wide variety of branded merchandise through a licensing program and an integrated direct sales effort. Our revenues from the sale of our branded merchandise were approximately \$101.5 million, \$120.3 million and \$113.8 million in fiscal 2002, 2001 and 2000, respectively.

#### *Licensing and Direct Sales*

We have an established licensing program using our World Wrestling Entertainment mark and logo, copyrighted works and characters on thousands of retail products, including toys, video games, apparel and a wide assortment of other items. In all of our licensing agreements, we retain creative approval over the design, packaging, advertising and promotional material associated with all licensed products to maintain the distinctive style, look and quality of our intellectual property and brand. Our licensing agreements provide that we receive a percentage of the wholesale revenues as a royalty and require minimum guarantees.

Our direct merchandise operations consist of the design, marketing and sale of various products, such as shirts, caps and other items, all of which feature our characters and/or our scratch logo. All of these products are designed by our in-house creative staff and manufactured by third parties. The merchandise is sold at our live events under arrangements with the arenas, which receive a percentage of the revenues. Our merchandise is also sold through internally developed catalogs, which are distributed periodically as part of *World Wrestling Entertainment Magazine* and *RAW Magazine*. We also sell merchandise on a direct basis via our television shows, our *wweshopzone.com* Internet site and our retail store in New York.

#### *Home Video*

We own and continue to amass a video library containing thousands of hours of programming from our pay-per-view events and our television shows dating back to the 1970s. Beginning in the mid-1980s, this library was used in the production and sale of home videos by a licensee. In 1998, we began to produce and market home videos in-house and in 1999 added DVD's. In addition to producing videos and DVD's from our library footage, as well as from our recently acquired WCW film library, we also utilize original footage produced specifically for this purpose. We create master tapes and contract with third parties to create our DVD master and to duplicate our videos and DVD's. As of August 2001, we entered into an agreement with Sony Music Video for the distribution of all our home video products at retail. Prior to August 2001, our home video revenues were derived from sales through approximately 25 unaffiliated distributors and/or direct customers. Our videos are typically sold at retail sales prices ranging from \$14.95 to \$19.95 and our DVD's are typically sold at retail sales prices ranging from

\$19.95 to \$24.95. In fiscal 2002 we sold approximately 1.7 million units which consisted of 51 new titles as well as other titles from our catalog. According to Billboard Magazine, six of our home videos ranked among the top 10 best selling home videos in the "Recreational Sports" category as of July 13, 2002.

The injunction issued by the English High Court in legal proceedings instituted against us by World Wide Fund for Nature, unless modified or clarified, may adversely affect the future use or repackaging of our historical video library to the extent it contains our former logo and verbal references to the "WWF". See "Legal Proceedings."

### *SmackDown! Records*

Music is an integral part of the entertainment experience at our live events and on our television programs. We compose and record theme songs tailored to our characters in our recording studio in Stamford, Connecticut. We and a third-party music publisher own the musical composition rights to this music and we own all of the sound recording rights to our master recordings. Third parties

manufacture, market and distribute CDs of our music to retailers nationwide, such as MusicLand, K-Mart, Wal-Mart, Best Buy and Transworld.

Seven albums containing our music have been released to date. Our most recent compilation, *Forceable Entry*, was our first release with Columbia Records.

### *Publishing*

Our publishing operations consist primarily of two magazines, *World Wrestling Entertainment Magazine* and *RAW Magazine*, each of which are issued every four weeks, and a series of specials. All of these magazines are used to help shape and complement story lines in our television programs and at our live events. We also include our direct marketing catalog in our magazines on a quarterly basis. The magazines include color photographs taken at recent live events, biographies and features of our performers and human interest articles. Our in-house publishing and editorial departments prepare all of the editorial content and use outside contractors to print and distribute the magazines to subscribers and newsstands. The combined circulation of our monthly magazines was approximately 5.7 million and circulation for our specials was approximately 1.2 million in fiscal 2002.

Under a publishing licensing agreement with Simon and Schuster, they will publish multiple book titles commencing in the fall of 2002. Previously, our books were published through ReganBooks, an imprint of Harper Collins. We have broadened into literary genres beyond autobiographies, including children's books, cookbooks and historical anthologies. To date, nine titles have been released. Each of the titles made an appearance on the New York Times Bestseller List with three titles reaching the Number 1 position.

### *New Media*

We utilize the Internet to promote our brand, create a community experience among our fans and to market and distribute our various products. Through our network of Internet sites, our fans can purchase our branded merchandise online, obtain our latest news and information, including content that is accessible only online, stay abreast of our evolving story lines, tap into interactive chat rooms to communicate with each other and our performers, and experience archived video and audio clips of performers and previous media events. We promote *wwe.com* on our televised programming, at our live events, in our two monthly magazines and in substantially all of our marketing and promotional materials. In addition to *wwe.com*, our network of sites includes, among others, *wweshopzone.com*, *therock.com*, *wwedivas.com*, *undertaker.com* and *wwe.corpbiz.com*.

*WWE.com* continues to maintain a strong base in the number of people visiting our sites and purchasing our products via the Internet. In April 2002, our Internet sites generated approximately 330 million page views as compared to approximately 300 million page views in April 2001 and approximately 200 million page views in April 2000. According to Net Score, we had approximately 7.3 million, 8.7 million and 4.4 million unique visitors in April 2002, 2001 and 2000, respectively. The 7.3 million visitors spent an average of 45 minutes on our site.

### *The World*

In May 2000, we acquired for approximately \$24.5 million our leased 46,500 square foot entertainment complex located in Times Square. Through April 30, 2002 we have invested an additional \$16.0 million in the facility. These investments include the construction of a marquee, built to historical landmark specifications, and a television and recording sound stage and studio. The complex includes a 600 seat restaurant and 2,200 square feet of retail space. The complex provides for a variety of entertainment uses, including:

- the airing of our regularly scheduled TV shows and pay-per-views,



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- the hosting of concerts and other live events, including press conferences, stockholder meetings and product launches,
  - a night club,
  - ongoing appearances and autograph sessions featuring our performers, and
  - banquets, birthday parties and other social and corporate functions.

*The World* generated net revenue of \$14.1 million and \$16.6 million in fiscal 2002 and 2001, respectively, and incurred operating losses of \$7.9 million and \$2.6 million in fiscal 2002 and 2001, respectively, which included depreciation and amortization of \$2.9 million and \$2.4 million in fiscal 2002 and 2001, respectively.

### **Other Business Developments**

We recently hired Joel Simon as President for our new entertainment division, WWE Films, which is based in Los Angeles, California, to spearhead our initiatives in developing complementary theatrical and television productions.

### **Competition**

We compete for advertising dollars with other media companies. For our live, television and pay-per-view audiences we face competition from professional and college sports as well as from other forms of live, film and televised entertainment and other leisure activities. We compete with entertainment companies, professional and college sports leagues and other makers of branded apparel and merchandise for the sale of our branded merchandise. Certain companies with whom we compete have greater financial resources than we do.

### **Trademarks and Copyrights**

Intellectual property is material to all aspects of our operations and we expend substantial cost and effort in an attempt to maintain and protect our intellectual property and to maintain compliance vis-à-vis other parties' intellectual property. We have a large portfolio of registered and pending trademarks and service marks worldwide and maintain a large catalog of registered copyrights on all of our merchandise containing artwork, including merchandise, music, photographs, books and magazines, videos and apparel art. The focus of our continuous registration effort is to seek copyright and trademark registration of marks and works which embody our originally created characters portrayed by our performers and which encompass images, likenesses or names of these characters, commonly referred to as their trade dress. We also own a large number of Internet web domain names and have a network of developed sites, which contribute to the exploitation of our trademarks and service marks worldwide. See "Legal Proceedings."

We vigorously enforce our intellectual property rights by, among other things, searching the Internet to ascertain unauthorized use of our intellectual property, seizing goods at our live events that feature unauthorized use of our intellectual property and seeking restraining orders in court against any individual or entity infringing on our intellectual property rights.

### **Employees**

As of July 3, 2002, excluding operations at *The World*, we had 413 full-time employees. Of that total, 154 were primarily engaged in organizing and producing live performances and television and pay-per-view shows, 69 were primarily engaged in licensing, merchandising and consumer product sales, and 190 were primarily engaged in management and administration. Our in-house production staff is supplemented with contract personnel that are routinely used for our television production.

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As of July 3, 2002, we had approximately 226 full time employees at *The World* complex. Of that total, 27 were engaged in management and administration and 199 were hourly employees engaged in the food service, retail administration and entertainment aspects of the complex.

We believe that our relationships with our employees are generally satisfactory. None of our employees, other than certain stage production employees at *The World*, are represented by a union.

## **Item 2. Properties**

We maintain our executive offices, television and music recording studios, post-production operations and warehouses at locations in or near Stamford, Connecticut, our entertainment complex in New York and sales offices in New York, Chicago, Los Angeles, London and Toronto.

We own the buildings in which our executive and administrative offices, our television and music recording studios and our post-production operations are located. We lease space for our entertainment complex, sales offices and our warehouse facilities.

Our principal properties consist of the following:

<b>Facility</b>	<b>Location</b>	<b>Square Feet</b>	<b>Owned/Leased</b>	<b>Expiration Date of Lease</b>
Executive offices	Stamford, CT	114,300	Owned	—
Executive offices	Stamford, CT	13,563	Leased	April 9, 2006
Production studio	Stamford, CT	39,000(1)	Owned	—
Ring / Photo Studio	Stamford, CT	5,600	Leased	May 11, 2006
Sales office	New York, NY	10,075	Leased	July 15, 2008
Sales office	Toronto, Canada	7,069	Leased	February 28, 2006
Sales office	Chicago, IL	347	Leased	October 31, 2002
Sales office	London, England	600	Leased	December 31, 2002
Executive office	Los Angeles, CA	2,100	Leased	July 15, 2007
Warehouse	Trumbull, CT	30,000	Leased	August 9, 2004
Entertainment complex	New York, NY	46,500	Leased	October 31, 2017

(1) Excludes 4,000 sq ft of temporary space and 138,000 square feet of parking space adjacent to the production facilities.

In addition, we own a daycare facility in Stamford, Connecticut on property adjacent to our production facilities, which originally offered child care services only to our employees, but is now also open to the public. The licensing and operation of this facility is fully managed by a third-party contractor. We have the responsibility to obtain the required licenses and to ensure that the facility meets health, safety, fire and building codes.

## Regulation

### *Live Events*

In certain states in the United States we are required to comply with regulations of state athletic commissions and other applicable regulatory agencies in order to promote and conduct our live entertainment. Twenty-four states require that we obtain a promoter's license, which is a corporate license necessary for us to promote our live events and is granted to us on an annual basis. Twenty-two states require our performers and referees to obtain a performer's license, which is an individual license necessary for our performers and referees to perform at our live events and is granted to them on an annual basis. Seven states require that our performers take an annual physical examination. In addition to the annual licenses that certain states require, twelve states require that we obtain a permit for each event that we hold. We are also subject to the regulations of athletic commissions in certain

Canadian provinces. These commissions require that we obtain promoter's licenses and medical approval for our performers. We are in compliance with all applicable state and local athletic commission regulations.

### *Television Programming*

The production and distribution of television programming by independent producers is not directly regulated by the federal or state governments, but the marketplace for television programming in the United States is substantially affected by regulations of the Federal Communications Commission applicable to television stations, television networks and cable television systems and channels. We voluntarily designate the suitability of each of our television shows using standard industry ratings, such as PG (L,V) or TV14.

### *Other*

*The World* complex is governed by New York State and City rules and regulations relating to bars and restaurants including liquor regulations and fire and health codes.

### Item 3. Legal Proceedings

In April 2000, the WWF—World Wide Fund for Nature (the "Fund") instituted legal proceedings against us in the English High Court seeking injunctive relief and unspecified damages for alleged breaches of an agreement between the Fund and us. The Fund alleges that our use of the initials "WWF" in various contexts, including (i) the wwf.com and wwfshopzone.com internet domain names and in the contents of various of the our websites; and (ii) our "scratch" logo violate the agreement between the Fund and us. In January 2001, the Fund filed for summary judgment on its claims. On August 10, 2001 the trial judge granted the Fund's motion for summary judgment, holding we breached the parties' 1994 agreement by using the "wwf" website addresses and scratch logo and that a trial is not warranted on these issues. On October 1, 2001, the judge issued a form of written injunction barring most uses of the initials "WWF", including in connection with the "wwf" website addresses and the use of the scratch logo, by us and our licensees. On February 27, 2002, the Court of Appeal affirmed the trial judge's decision and dismissed our appeal; and on June 10, 2002, the House of Lords declined to hear our appeal. We have five months from the date of the House of Lords' decision to comply with the injunction. We intend to comply with the injunction and to seek modification of the injunction where it is impractical and/or impossible to comply. Prior to the House of Lords' decision, we took steps to change our name to "World Wrestling Entertainment, Inc." and to revise our logo and switch our initials to "WWE". These changes have been incorporated into our television and pay-per-view shows, promotional materials used by us and our various distributors, affiliates and licensees, advertising campaigns as well as our corporate stationery and facilities and statutory filings with federal and state agencies. However, certain other aspects of the injunction as issued may be impracticable or difficult to comply with and, unless modified or clarified, may adversely affect the use or repackaging of our historical video library containing our former logo and verbal references to the "WWF" and our licensing program that uses our former logo on a variety of retail products, including toys and video games. The Fund also has pending before the trial court a damages claim associated with our use of the initials "WWF". No hearings have been scheduled on this aspect of the Fund's claim and to date, no evidence has been submitted by the Fund as to any damages. We have recorded \$2.0 million of expenses, included in selling, general and administrative expenses, through the fourth quarter of fiscal 2002, in connection with compliance with this injunction. We are unable to predict what additional costs or changes to our operations may be required to comply with the injunction, which may have a material adverse effect on us.

In September 1999, we were served with a complaint regarding an action that Nicole Bass, a professional wrestler previously affiliated with us, filed in the United States District Court for the

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Eastern District of New York in which she alleges sexual harassment under New York law, civil assault and intentional infliction of emotional distress. We filed a motion to dismiss the original complaint. During oral argument on our motion to dismiss, Plaintiff requested leave of court to file an amended complaint. The Plaintiff filed a second amended complaint on October 20, 2000. Motions to Dismiss the second amended complaint were filed on December 18, 2000 and granted in part on February 14, 2001. On March 5, 2001, we answered the surviving counts in the second amended complaint and have denied liability. On January 11, 2002, we filed a motion for summary judgment on all plaintiff's remaining claims and on June 17, 2002, the Court granted in part and denied in part our motion. Trial has been set to begin on September 16, 2002.

On November 14, 2000, Stanley Schenker & Associates, Inc. filed a complaint against us in Superior Court, Judicial District of Stamford/Norwalk, Connecticut, relating to the termination of an Agency Agreement between us and Plaintiff. Plaintiff seeks compensatory damages and punitive damages in an unspecified amount, attorneys' fees, an accounting and a declaratory judgment. On December 15, 2000, we filed a motion to strike all the claims against us, with the exception of one count for breach of contract. This motion was granted as to two claims. On March 27, 2001, the Plaintiff filed a substituted complaint reasserting all counts against us. On April 11, 2001, we answered the substitute complaint. On February 27, 2002, we filed amended counterclaims and on June 19, 2002, we filed second amended counterclaims. Discovery in this case is currently ongoing. The Court has scheduled a trial date of March 2003. We believe that we have meritorious defenses and intend to defend the action vigorously. An unfavorable outcome of this suit may have a material adverse effect on our financial condition, results of operations or prospects.

In response to a demand letter from the William Morris Agency, Inc., we filed an action on October 2, 2000 in the United States District Court for the Southern District of New York seeking declaratory, legal and equitable relief relating to Defendant's improper claims for commissions on business opportunities with which it had no involvement. William Morris filed a counterclaim on February 1, 2001 alleging breach of contract and seeking to recover unspecified damages in the form of commissions allegedly owed. William Morris filed a motion to dismiss all non-contract claims against it. We also filed a motion to partially dismiss William Morris's counterclaims. By Order dated June 21, 2001, the court granted William Morris's motion to dismiss only with respect to our claim for fraud and unfair trade practices; William Morris's motion to dismiss was denied with respect to the remaining counts of our complaint. In expert testimony, William Morris submitted an expert report claiming damages in excess of \$40 million. Discovery is closed. On June 14, 2002, William Morris filed a motion for summary judgment on all claims against it. We believe that we have a meritorious defense to William Morris's counterclaim and intend to defend the action vigorously. An unfavorable outcome of this suit may have a material adverse effect on our financial condition, results of operations or prospects.

On October 19, 2001, we were served with a complaint by Marvel Enterprises, Inc. in the Superior Court of Fulton County, Georgia alleging that we breached the terms of a license agreement regarding the rights to manufacture and distribute toy action figures of various wrestling characters that perform under the "World Championship Wrestling" or "WCW" tradenames. The plaintiff seeks damages and a

declaration that the agreement is in force and effect. We filed our Answer on November 19, 2001. We have denied liability and are contesting the claims. We also named as a defendant Universal Wrestling Corp. ("Universal, Inc."), formerly known as World Championship Wrestling, Inc. Due to a conflict between Universal, Inc. and plaintiff's counsel, by agreement of the parties Universal, Inc. was dismissed from the suit. On December 28, 2001, the plaintiff commenced a separate action against Universal, Inc., filed in the same court as a related action to the suit pending against us. We are currently reviewing whether we may have any indemnification obligations to Universal, Inc. in connection with our purchase of certain assets of World Championship Wrestling, Inc. On December 14, 2001, we filed a motion to dismiss all claims against us. That motion was denied on

March 14, 2002. Discovery in the case is ongoing and the parties are in discussions regarding an extension of fact discovery. An unfavorable outcome of this suit may have a material adverse effect on our financial condition, results of operations or prospects.

On December 5, 2001, a purported class action Complaint was filed against us asserting claims for alleged violations of the federal securities laws. Also named as defendants in this suit were Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith, Incorporated, Credit Suisse First Boston Corporation, WIT Capital Corporation, Donaldson, Lufkin & Jenrette Securities Corporation, Chase H&Q (Hambrecht & Quist LLC) (collectively, the "Underwriter Defendants"), Vincent K. McMahon, Linda E. McMahon and August J. Liguori (collectively, the "Individual Defendants"). The Complaint alleges, *inter alia*, (i) claims under Section 11 of the Securities Act against all defendants, (ii) claims under Section 12(2) of the Securities Act against the Underwriter Defendants, (iii) claims under Section 15 of the Securities Act against us and the Individual Defendants, (iv) claims under Section 10(b) of the Exchange Act and Rule 10(b)(5) against all defendants, and (v) claims under Section 20(a) of the Exchange Act against the Individual Defendants. According to the allegations of the Complaint, the Underwriter Defendants allegedly engaged in manipulative practices by, *inter alia*, pre-selling allotments of shares of our stock in return for undisclosed, excessive commissions from the purchasers and/or entering into after-market tie-in arrangements which allegedly artificially inflated our stock price. The plaintiff further alleges that we knew or should have known of such unlawful practices. As relief, the Complaint seeks (i) a ruling that the suit is properly maintainable as a class action, (ii) unspecified class damages and statutory compensation against all defendants, jointly and severally, (iii) an award of attorneys' fees and costs, and (iv) such other relief as the court deems proper. We deny all allegations against us, believe that we have meritorious defenses on plaintiffs' claims, and intend to defend this action vigorously. We understand that nearly 1,000 suits with similar claims and/or allegations have been filed over the past couple of years against companies which have gone public in that general time period. All of these claims have been consolidated before the same judge in the United States District Court for the Southern District of New York. We are a part of a motion to dismiss filed on behalf of all issuers on July 15, 2002. We cannot at this time predict the likely outcome of this litigation.

We are not currently a party to any other material legal proceedings. However, we are involved in several other suits and claims in the ordinary course of business, and we may from time to time become a party to other legal proceedings arising in the ordinary course of doing business.

#### **Item 4. Submission of matters to a vote of Security Holders**

Not applicable.

## **PART II**

#### **Item 5. Market for Registrant's Common Equity and Related Stockholder Matters**

##### **Price Range of Class A Common Stock**

In connection with our corporate name change to World Wrestling Entertainment, Inc., commencing July 1, 2002, the symbol under which our Class A common stock trades was changed to "WWE." Effective October 25, 2000, our Class A common stock began trading on the New York Stock Exchange under the symbol "WWF."

From October 19, 1999 through October 24, 2000, our Class A common stock had been traded on the Nasdaq National Market under the symbol "WWFE."

The following table sets forth the high and the low sale prices for the shares of Class A common stock as reported by the New York Stock Exchange and the Nasdaq National Market for the periods indicated.

Fiscal 2002	Class A common stock	
	High	Low
First Quarter	\$ 15.50	\$ 12.00
Second Quarter	\$ 13.20	\$ 10.33
Third Quarter	\$ 14.25	\$ 10.67
Fourth Quarter	\$ 15.85	\$ 12.85
Fiscal 2001	Class A common stock	
	High	Low
First Quarter	\$ 22.25	\$ 16.06
Second Quarter	\$ 22.50	\$ 14.06
Third Quarter	\$ 20.81	\$ 12.75
Fourth Quarter	\$ 22.00	\$ 11.50

There were 9,895 holders of record of Class A common stock and three holders of record of Class B common stock as of July 8, 2002.

We plan to retain all of our earnings to finance the expansion of our business and for general corporate purposes and do not anticipate paying any cash dividends on our Class A or Class B common stock in the foreseeable future. Any change to this dividend policy will be determined by our board of directors on the basis of various factors, including our results of operations, financial condition, capital requirements and investment opportunities.

## Equity Compensation Plan Information

The following table sets forth certain information with respect to securities authorized for issuance under equity compensation plans as of April 30, 2002.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	6,253,600	\$ 16.40	3,564,450
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	6,253,600	\$ 16.40	3,564,450

## Item 6. Selected Historical Consolidated Financial and Other Data

The following table sets forth our selected historical consolidated financial data for each of the five fiscal years in the period ended April 30, 2002. The selected historical consolidated financial data as of April 30, 2002 and 2001 and for the fiscal years ended April 30, 2002, 2001 and 2000 have been derived from the audited consolidated financial statements included elsewhere in this Form 10-K. The selected historical consolidated financial data as of April 30, 2000, 1999 and 1998 and for the fiscal years ended April 30, 1999 and 1998 have been derived from our audited consolidated financial statements, which have not been included in this Form 10-K. Certain prior year amounts have been reclassified to conform to current year presentation. You should read the selected historical consolidated financial data in conjunction with our historical consolidated financial statements and related notes and the information set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this Form 10-K.

Concurrent with the issuance of shares in our initial public offering in October 1999 (the "Offering"), we terminated our election to be subject to the provisions of Subchapter S and have become subject to the provisions of Subchapter C of the Internal Revenue Code. As a Subchapter C Corporation, we are fully subject to federal, state and foreign income taxes. Prior to the Offering, our taxable income or loss had been included in the federal and certain state income tax returns of our stockholder. The provision for income taxes reflected in our historical

consolidated financial statements through the date of our Offering relates only to foreign and certain state income taxes for those states that did not recognize Subchapter S status. Our stockholder was responsible for federal and certain state income taxes with respect to our operations, which were funded by distributions from our undistributed earnings account.

EBITDA represents income from continuing operations before interest, taxes, depreciation, amortization and stock option and other non-cash charges. EBITDA is presented because management believes that such information is considered by certain investors to be an additional basis for evaluating a company's operating performance, leverage and liquidity. EBITDA should not be considered an alternative to measures of operating performance determined in accordance with generally accepted accounting principles or as a measure of our operating results and cash flows or as a measure of our liquidity. EBITDA, as derived by us, may not be comparable to similarly titled measures reported by other companies.

The following items may affect the comparability between each of the five years then ended: a) the results of operations and estimated shutdown costs for the fiscal years ended April 30, 2002 and 2001 related to our discontinued business, the XFL; b) the settlement of a \$7.0 million outstanding lawsuit during the fiscal year ended April 30, 2001; c) non-cash stock option and other non-cash charges of \$0.8 million and \$15.3 million for the fiscal years ended April 30, 2001 and 2000, respectively; and (d) the impact on our provision for income taxes on continuing operations resulting from our differences in our effective tax rates of 36.9%, 37.1%, 20.3%, 3.4% and 5.2% for the fiscal years ended April 30, 2002, 2001, 2000, 1999 and 1998, respectively, due to our change in status to a Subchapter C Corporation concurrent with our Offering.

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	Fiscal Year Ended April 30,				
	2002	2001	2000	1999	1998
	(dollars in thousands, except per share data)				
<b>Consolidated Statements of Operations Data:</b>					
Net revenues	\$ 425,026	\$ 456,043	\$ 379,310	\$ 251,474	\$ 126,231
Cost of revenues (excluding performer stock option charges of \$760 and \$6,020 for the years ended April 30, 2001 and 2000, respectively)	260,218	259,000	220,980	147,026	87,969
Stock option and other non-cash charges (1)	—	760	15,330	—	—
Selling, general and administrative expenses (2)	109,571	104,122	71,095	45,521	26,117
Depreciation and amortization	13,113	7,180	2,544	1,946	1,676
Interest expense	784	856	2,155	1,125	2,019
Interest and other income, net	18,202	15,916	7,571	2,117	479
Income from continuing operations before income taxes	59,542	100,041	74,777	57,973	8,929
Provision for income taxes	21,947	37,144	15,200	1,943	463
Income from continuing operations (3)	37,595	62,897	59,577	56,030	8,466
<b>Discontinued Operations:</b>					
Loss from XFL operations, net of tax of \$17,679 and \$410 for fiscal 2001 and 2000, respectively and minority interest	—	(31,293)	(669)	—	—
Estimated income (loss) on shutdown of the XFL, net of taxes of \$2,917 and \$5,625 for fiscal 2002 and 2001, respectively and minority interest	4,638	(15,617)	—	—	—
Income (loss) from discontinued operations	4,638	(46,910)	(669)	—	—
Net income	\$ 42,233	\$ 15,987	\$ 58,908	\$ 56,030	\$ 8,466
Earnings from continuing operations per common share: basic and diluted (4)	\$ 0.52	\$ 0.87	\$ 0.95	\$ 0.99	\$ 0.15
<b>Discontinued Operations: (4)</b>					
Loss from XFL operations per common share: basic and diluted	—	(0.43)	(0.01)	—	—
Estimated income (loss) on shutdown of the XFL per common share: basic and diluted	0.06	(0.22)	—	—	—
Income (loss) from discontinued operations per common share: basic and diluted	0.06	(0.65)	(0.01)	—	—
Earnings per common share: basic and diluted (4)	\$ 0.58	\$ 0.22	\$ 0.94	\$ 0.99	\$ 0.15
<b>Unaudited Pro Forma Information:</b>					
Historical income from continuing operations before income taxes			\$ 74,777	\$ 57,973	
Pro forma adjustment other than income taxes (5)			427	2,515	
Pro forma income from continuing operations before income taxes			74,350	55,458	
Pro forma provision for income taxes (6)			29,132	22,227	
Pro forma income from continuing operations			\$ 45,218	\$ 33,231	

Pro forma earnings from continuing operations per common share—basic and diluted  
(4)

\$ 0.72 \$ 0.59

**Consolidated Statements of Cash Flows Data:**

**Operating Activities:**

Net cash provided by continuing operations \$ 72,858 \$ 62,719 \$ 68,689 \$ 57,646 \$ 6,256  
Net cash used in discontinued operations (15,323) (85,460) (1,079) — —

Net cash provided by (used in) operating activities \$ 57,535 \$ (22,741) \$ 67,610 \$ 57,646 \$ 6,256

**Investing Activities:**

Net cash used in continuing operations (7), (8) \$ (24,336) \$ (132,737) \$ (122,032) \$ (14,634) \$ (1,294)  
Net cash provided by (used in) discontinued operations 1,602 (8,734) — — —

Net cash used in investing activities (7), (8) \$ (22,734) \$ (141,471) \$ (122,032) \$ (14,634) \$ (1,294)

**Financing Activities:**

Net cash provided by (used in) continuing operations (9) \$ (1,282) \$ 61,058 \$ 110,474 \$ (6,082) \$ 1,974  
Net cash provided by discontinued operations 8,100 46,415 — — —

Net cash provided by (used in) financing activities (9) \$ 6,818 \$ 107,473 \$ 110,474 \$ (6,082) \$ 1,974

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**As of April 30,**

2002	2001	2000	1999	1998
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(dollars in thousands)

**Consolidated Balance Sheets Data:**

Cash and cash equivalents (9)	\$ 86,659	\$ 45,040	\$ 101,779	\$ 45,727	\$ 8,797
Short-term investments (9)	207,407	194,631	107,213	—	—
Property and equipment-net	91,759	83,521	41,484	28,377	26,177
Total assets	487,441	443,092	337,032	130,188	59,594
Total long-term debt (including current portion)	9,903	10,459	11,417	12,791	12,394
Total stockholders' equity	389,438	347,859	258,537	72,260	22,697

**Fiscal Year Ended April 30,**

2002	2001	2000	1999	1998
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(dollars in thousands)

**Other Financial Data:**

EBITDA (2), (10)	\$ 55,237	\$ 92,921	\$ 87,235	\$ 58,927	\$ 12,145
Capital expenditures	19,280	27,593	15,068	3,756	1,294

**Other Non-Financial Data:**

Number of live events	237	212	206	199	218
Total attendance	2,032,754	2,449,800	2,485,100	2,273,701	1,576,112
Average Weekly Nielson Ratings:					
<i>Raw is War</i> ®—TNN (11)	4.6	5.0	—	—	—
<i>Raw is War</i> ®—USA (11)	—	6.3	6.2	5.0	3.1
<i>SmackDown!</i> ™ (12)	4.0	4.6	4.7	—	—
Domestic pay-per-view buys	7,135,464	8,010,400	6,884,600	5,365,100	2,936,100

(1) Reflects fiscal 2001 and 2000 non-cash stock option charges of approximately \$0.8 million (\$0.5 million, net of taxes) and approximately \$6.0 million (\$3.7 million, net of taxes), respectively, relating to the granting of stock options to certain performers who are independent contractors. In addition, reflects a fiscal 2000 non-cash charge of \$9.3 million (\$5.7 million, net of taxes). In April 2000, we entered into a non-forfeitable agreement with Viacom whereby Viacom acquired approximately 2.3 million newly issued shares of our Class A common stock at \$13 per share.

(2) Included in fiscal 2001 was our payment of the settlement of an outstanding lawsuit for \$7.0 million (\$4.3 million, net of taxes).

(3) In fiscal 2002, income from continuing operations included a cumulative effect adjustment of \$1.5 million, net of taxes, which was not deemed to be material.

(4) Based on a weighted average number of common shares outstanding—basic of 72,861,797; 72,025,222 and 62,806,726 for the fiscal years ended April 30, 2002, 2001 and 2000, respectively, and 56,667,000 for the fiscal years ended April 30, 1999 and 1998, and based on a weighted average number of common shares outstanding—diluted of 72,865,624; 72,216,870 and 62,830,279 for the fiscal years ended April 30, 2002, 2001 and 2000, respectively, and 56,667,000 for the fiscal years ended April 30, 1999 and 1998.

(5) This amount gives pro forma effect to the increase in compensation to Vincent and Linda McMahon pursuant to employment agreements that became effective as of October 1999.

(6) Historically, both executives were paid less compensation because they benefited from Subchapter S distributions to Mr. McMahon.

(7) This amount represents a pro forma estimate of our provision for federal and state income taxes to give effect to the change in our tax status to a Subchapter C Corporation for fiscal 2000 and 1999. Concurrent with the issuance of shares in our initial public offering, we terminated our status as a Subchapter S Corporation.

(8) Includes our purchases of short-term investments consisting primarily of government and corporate obligations and mortgage backed securities of \$13.1 million, \$87.8 million and \$107.0 million for the fiscal years ended April 30, 2002, 2001 and 2000, respectively.

(9) Our property located in Las Vegas, Nevada was sold in December, 2000. Net proceeds from the sale were \$11.3 million. The property was purchased in the second quarter of fiscal 1999 for approximately \$10.9 million.

(10) Reflects the sale of 2.3 million shares of our Class A common stock to each of NBC and Viacom for a total of \$60.0 million during fiscal 2001 and our receipt of the net proceeds from our initial public offering of approximately \$179.3 million, after deducting the underwriting discount and offering expenses during fiscal 2000. In May 2002, we repurchased 2.3 million shares of our Class A common stock from NBC for approximately \$27.7 million.

(11) EBITDA is defined by us as income from continuing operations, before interest, taxes, depreciation, amortization and stock option and other non-cash charges. EBITDA is presented because management believes that such information is considered by certain investors to be an additional basis for evaluating a company's operating performance.

- leverage and liquidity. EBITDA should not be considered an alternative to measures of operating performance determined in accordance with generally accepted accounting principles or as a measure of our operating results and cash flows or as a measure of our liquidity. EBITDA, as derived by us, may not be comparable to similarly titled measures reported by other companies.
- (11) On September 25, 2000, our *Raw* program was moved to TNN. The average weekly rating on TNN was based on 32 programs, and the average weekly rating on USA was based on 21 programs during fiscal 2001.
- (12) *SmackDown!* commenced on August 26, 1999. The average weekly Nielsen rating was based on 36 programs during fiscal 2000.

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## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

*You should read the following discussion in conjunction with the audited consolidated financial statements and related notes included elsewhere in this Form 10-K.*

### Background

We are an integrated media and entertainment company principally engaged in the development, production and marketing of television programming, pay-per-view programming and live events, and the licensing and sale of branded consumer products featuring our highly successful brand.

Over the past year, we believe that the audience for sports entertainment has contracted and/or moved to other forms of entertainment. As a result, a number of competitors within this industry are no longer operating. For fiscal 2002, we experienced a softening in the key drivers of our business: television ratings, average attendance at our live events and pay-per-view buys. Nevertheless we have retained our distinction as consistently being the #1 regularly scheduled program on cable with *Raw* which airs Monday nights on TNN, and we are the highest-rated show on network television on Thursday nights among male teens with our UPN program, *SmackDown!*.

As the industry contracted, we were able to sign additional performers, thus deepening our talent pool. At the same time, we have broadened our story lines. As a result, we created two separate brands under the WWE umbrella: *Raw* and *SmackDown!*. Through our separate branded tours, we now deliver two unique story lines with two distinct groups of talent to our fans around the world. We now have two live event tours and as a result, have increased the number of live events and are playing markets that heretofore we could not visit given the size of our talent pool and logistical constraints on our television shoots.

We plan to further develop our international business. The creation of two brands, each with its own tour, has enabled us to tour more internationally. Since we have a television presence in over 130 countries worldwide, we already have a base from which we can embark on live event touring. In early March 2002, we completed an international live event tour beginning in Tokyo and followed by events in Singapore and Malaysia, all of which events were sold out. To complement our existing international pay-per-views, in May 2002 we had a live event tour in Europe. In addition, in August we will have a live event in Australia and we expect to return to Europe for another tour in October 2002. We believe that the launch of our international tour and the increased awareness in the local marketplace of WWE product will enable us to expand our branded merchandise offerings.

Our operations are organized around two principal activities:

- *Live and televised entertainment, which consists of live events, television programming and pay-per-view programming.* Revenues consist principally of attendance at live events, sale of television advertising time and sponsorships, domestic and international television rights fees and pay-per-view buys.
- *Branded merchandise, which consists of licensing and direct sale of merchandise.* Revenues include the marketing and sale of merchandise, magazines and home videos, consumer products sold through third party licensees and the operations of our entertainment complex located in New York City.

### Recent Developments

In May 2002, we changed our name to World Wrestling Entertainment, Inc. With the name change, we now have a global identity that is distinctive, unencumbered and supports our domestic and international growth plans and our brand extension initiatives.

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In May 2002, we repurchased approximately 2.3 million shares of our Class A common stock from NBC for approximately \$27.7 million.

In July 2002, we prevailed in our defamation lawsuit against the Parents Television Council (the "PTC"), Brent Bozell III, et al. and have reached a settlement. As a result of this settlement, we received \$3.5 million plus a public apology. We will reflect this settlement in our



consolidated financial statements for the first quarter of fiscal 2003.

### **Fiscal Year Ended April 30, 2002 compared to Fiscal Year Ended April 30, 2001**

**Net Revenues.** Net revenues were \$425.0 million for the fiscal year ended April 30, 2002 as compared to \$456.0 million for the fiscal year ended April 30, 2001, a decrease of \$31.0 million, or 7%. Of this decrease, \$12.2 million was from our live and televised entertainment activities and \$18.8 million was from our branded merchandise activities.

**Live and Televised Entertainment.** Net revenues were \$323.5 million for the year ended April 30, 2002 as compared to \$335.7 million for the year ended April 30, 2001, a decrease of \$12.2 million, or 4%. Pay-per-view revenues decreased by \$16.2 million in the year ended April 30, 2002. Pay-per-view buys for the twelve events held in fiscal 2002 decreased by 0.7 million to approximately 6.1 million. Additionally, prior year buys decreased by 0.2 million from 1.2 million in fiscal 2001 to 1.0 million in fiscal 2002. During fiscal 2002, we lost carriage from one of our satellite providers for four months. Revenues from live events decreased by \$7.8 million primarily due to lower average attendance in the fiscal year ended April 30, 2002, partially offset by an increase in the number of events and a higher average ticket price. Revenues from the sale of advertising time and sponsorships decreased by \$6.7 million to \$83.6 million in the fiscal year ended April 30, 2002 as a result of lower sell-thru of inventory within our TNN programming due to a significant contraction in the advertising market and our decreased ratings. These decreases were partially offset by increased revenues from our television rights fees of \$18.1 million, which resulted from the full year impact of our agreement with Viacom which became effective September 2000 and new and renewed international television agreements.

**Branded Merchandise.** Net revenues were \$101.5 million for the fiscal year ended April 30, 2002 as compared to \$120.3 million for the fiscal year ended April 30, 2001, a decrease of \$18.8 million, or 16%. Licensing revenues decreased by \$8.7 million primarily due to lower royalties within the video game and book categories. As a result of lower attendance at our live events, merchandise revenues decreased by \$2.7 million. Revenues from our entertainment complex, *The World*, decreased by \$2.5 million due to the decrease in tourism in New York City. *SmackDown! Records* revenues decreased by \$2.5 million due to the timing of the release of our albums. New media revenues decreased by \$1.2 million due primarily to decreased advertising on our website. Publishing revenues decreased by \$0.8 million due primarily to a decrease in circulation, offset partially by a price increase for *Raw Magazine*. Offsetting the decreases noted above was an increase in home video revenues of \$1.4 million due to an increase in DVD units sold. Effective August 2001, Sony Music Video commenced distribution of our home video units.

**Cost of Revenues.** Cost of revenues was \$260.2 million for the fiscal year ended April 30, 2002 as compared to \$259.0 million for the fiscal year ended April 30, 2001, an increase of \$1.2 million. Of this increase, \$6.5 million was from our live and televised entertainment activities offset by a decrease of \$5.3 million from our branded merchandise activities. Gross profit as a percentage of net revenues was 39% for the fiscal year ended April 30, 2002 as compared to 43% for the fiscal year ended April 30, 2001.

**Live and Televised Entertainment.** The cost of revenues to create and distribute our live and televised entertainment was \$194.2 million for the fiscal year ended April 30, 2002 as compared to \$187.7 million for the fiscal year ended April 30, 2001, an increase of \$6.5 million, or 3%. This increase

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was primarily due to an \$8.0 million increase in television production costs, resulting in part from *Sunday Night Heat* which had been broadcasted live from *The World* from October 2000 through February 10, 2002. Our television costs include, among other things, production costs, staff related expenses and freelance crews. Additionally, travel costs increased by \$2.9 million due primarily to the full year impact of our leased corporate jet and the added number of performers in our live events. These increases were partially offset by a \$1.9 million decrease in participation fees to venues for our live events and a \$2.2 million decrease in participation fees paid to our television partners due primarily to lower advertising revenues. Gross profit as a percentage of net revenues was 40% for the fiscal year ended April 30, 2002 as compared to 44% for the fiscal year ended April 30, 2001. The decreased pay-per-view revenues substantially accounted for the majority of the margin decline in this segment.

**Branded Merchandise.** The cost of revenues of our branded merchandise was \$66.0 million for the fiscal year ended April 30, 2002 as compared to \$71.3 million for the fiscal year ended April 30, 2001, a decrease of \$5.3 million, or 7%. Talent royalties decreased by \$3.6 million, which was directly related to our lower licensing, merchandise, appearance and SmackDown! records revenues. In addition, the decrease was due in part to lower cost of revenues at *The World* of \$1.3 million which was directly related to the decreased revenues in this business. In December 2001, the Company's agreement to sponsor an NHRA racing team lapsed, resulting in a decrease in such costs of \$1.7 million compared to fiscal 2001. These decreases were partially offset by distribution fees related to the sale of our home videos through Sony Music Video. Gross profit as a percentage of net revenues was 35% for the fiscal year ended April 30, 2002 as compared to 41% for the fiscal year ended April 30, 2001. The decrease in gross profit as a percentage of net revenues was due to the mix of product within the segment.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses were \$109.6 million for the fiscal year ended April 30, 2002 as compared to \$104.1 million for the fiscal year ended April 30, 2001, an increase of \$5.5 million, or 5%. Included in selling, general and administrative expenses for the fiscal year ended April 30, 2001 was a \$7.0 million settlement of a lawsuit. Excluding the impact of this settlement, selling, general and administrative expenses increased by \$12.5 million. Of this \$12.5 million increase, \$5.5 million

was due to legal fees, \$4.0 million was due to advertising and promotion expenses, \$3.6 million was due to overhead associated with *The World* and \$2.0 million was due to costs associated with our name change to World Wrestling Entertainment. These increases were slightly offset by a decrease in relocation and recruitment expenses of \$1.9 million. Selling, general and administrative expenses as a percentage of net revenues was 26% for the fiscal year ended April 30, 2002 as compared to 23% for the fiscal year ended April 30, 2001. In November 2001, we recorded a \$2.0 million severance charge related to a reduction in workforce. The Company is reviewing all of its costs with the view towards reducing such costs to support its strategic initiatives.

**Depreciation and Amortization.** Depreciation and amortization expense was \$13.1 million for the fiscal year ended April 30, 2002 as compared to \$7.2 million for the fiscal year ended April 30, 2001, an increase of \$5.9 million. The increase was due primarily to the accelerated write-off of approximately \$2.1 million of architectural costs related to our cancelled project in Las Vegas, as well as higher depreciation and amortization related to increased capital spending in fiscal 2002 and 2001. Over the past three fiscal years, we have invested approximately \$62.0 million in capital expenditures. We expect capital expenditures to be approximately \$16.0 million and depreciation and amortization expense to be approximately \$13.5 million in fiscal 2003.

**Stock Option and Other Non-Cash Charges.** In accordance with the provisions set forth in the Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" and Emerging Issues Task Force Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," we recorded

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a third quarter fiscal 2001 non-cash charge of approximately \$0.8 million (\$0.5 million, net of taxes) relating to the granting of stock options to certain performers who are independent contractors.

**Interest Expense.** Interest expense was \$0.8 million for the fiscal year ended April 30, 2002 as compared to \$0.9 million for the fiscal year ended April 30, 2001, a decrease of \$0.1 million.

**Interest and Other Income, Net.** Interest and other income, net was \$18.2 million for the fiscal year ended April 30, 2002 as compared to \$15.9 million for the fiscal year ended April 30, 2001, an increase of \$2.3 million. During fiscal 2002, we exercised and sold certain warrants resulting in a \$6.8 million gain. In addition, as a result of our adoption of SFAS No. 133 we recorded a \$2.4 million gain from the revaluation of these warrants, and subsequent to our adoption of SFAS No. 133, for the current fiscal year, we recorded an increase of \$1.4 million in the revaluation of the warrants. Offsetting these increases was a \$2.9 million non-cash charge related to the write-down of other stock warrants deemed permanently impaired. In addition, interest income decreased by \$4.7 million as a result of lower average interest rates. Included in fiscal 2001 results was a \$1.2 million gain related to the sale of our property located in Las Vegas.

**Provision for Income Taxes.** The provision for income taxes was \$21.9 million for the fiscal year ended April 30, 2002 as compared to \$37.1 million for the fiscal year ended April 30, 2001. Our effective tax rate was approximately 36.9% for the fiscal year ended April 30, 2002 and 37.1% for the fiscal year ended April 30, 2001.

**Discontinued Operations.** Income from discontinued operations of the XFL, net of minority interest and income taxes, was \$4.6 million for the fiscal year ended April 30, 2002 as compared to a loss from discontinued operations of \$46.9 million for the fiscal year ended April 30, 2001. The results from fiscal 2002 reflected the reversal of shutdown reserves that were no longer required and the recognition of certain tax benefits. Included in the net loss for fiscal 2001 was a loss from operations of \$31.3 million and an estimated loss on the shutdown of \$15.6 million. The estimated shutdown costs consisted primarily of staff, lease and labor obligations, write-offs of certain fixed assets and accounts receivable and inventory write downs.

On June 12, 2000, NBC purchased approximately 2.3 million newly issued shares of our Class A common stock at \$13 per share for a total investment of \$30.0 million. As a result of the stock purchase, we recorded a non-cash charge of \$10.7 million, which was being amortized over 30 months. Amortization of \$3.7 million during fiscal 2001 was reflected in Discontinued Operations. As a result of our decision to discontinue operations of the XFL, we wrote off the remaining unamortized asset of \$7.0 million which was also reflected in Discontinued Operations. In May 2002, we repurchased 2.3 million shares of our Class A common stock from NBC for \$27.7 million.

As of July 10, 2002, we believe that funding for the XFL has essentially been completed. Cumulatively, through July 10, 2002, we funded a total of approximately \$57.6 million (\$32.0 million, net of applicable tax benefits).

### **Fiscal Year Ended April 30, 2001 compared to Fiscal Year Ended April 30, 2000**

**Net Revenues.** Net revenues were \$456.0 million in fiscal 2001 as compared to \$379.3 million in fiscal 2000, an increase of \$76.7 million, or 20%. Of this increase, \$70.2 million was from our live and televised entertainment activities and \$6.5 million was from our branded merchandise activities.

**Live and Televised Entertainment.** Net revenues were \$335.7 million in fiscal 2001 as compared to \$265.5 million in fiscal 2000, an increase of \$70.2 million, or 26%. Revenues from our domestic and international television rights fees increased by \$23.1 million, which

reflected our new agreement with Viacom which commenced in October 2000 and new and renewed agreements in Canada, Japan and various other countries. Pay-per-view revenues increased by \$21.8 million in fiscal 2001, which resulted

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substantially from a 1.1 million increase in domestic pay-per-view buys to approximately 8.0 million for fiscal 2001, from approximately 6.9 million in fiscal 2000. We recorded 1.2 million prior year buys and 0.8 million prior year buys for fiscal 2001 and fiscal 2000, respectively. Revenues from TV advertising time and sponsorships increased by \$12.3 million in fiscal 2001 as a result of the full year impact of *SmackDown!* on UPN. Attendance at our live events was approximately 2.5 million in each of the past two fiscal years. Revenues from our live events increased by \$13.0 million in fiscal 2001 as compared to fiscal 2000 due to an increase in average ticket prices.

**Branded Merchandise.** Net revenues were \$120.3 million in fiscal 2001 as compared to \$113.8 million in fiscal 2000, an increase of \$6.5 million, or 6%. In May 2000, we purchased *The World*, which generated net revenues of \$16.6 million in its first year of operations. Publishing revenues increased by \$2.2 million due to price increases in certain of our magazines and an increase in unit sales of our special edition magazines. Revenues from our new media and merchandise businesses increased by \$1.4 million and \$0.5 million, respectively, due to increased sales of our merchandise through our *WWEShopzone.com* website and from an increase in average sales per capita. Licensing revenues decreased by \$7.6 million primarily due to reduced royalties generated in the toy category. Home video revenues decreased by \$7.8 million. Home video units decreased by approximately 1.1 million from fiscal 2000.

**Cost of Revenues.** Cost of revenues was \$259.0 million in fiscal 2001 as compared to \$221.0 million in fiscal 2000, an increase of \$38.0 million, or 17%. Of this increase, \$30.0 million was from our live and televised entertainment activities and \$8.0 million was from our branded merchandise activities. Gross profit as a percentage of net revenues was 43% in fiscal 2001 as compared to 42% in fiscal 2000.

**Live and Televised Entertainment.** The cost of revenues to create and distribute our live and televised entertainment was \$187.7 million in fiscal 2001 as compared to \$157.7 million in fiscal 2000, an increase of \$30.0 million, or 19%. Of the \$30.0 million increase, \$13.0 million was due to increased television production costs resulting in part from the full year impact of *SmackDown!* and from *Sunday Night Heat*, which began broadcasting live from *The World* in October 2000. Our television costs included, among other things, production costs, staff related expenses and freelance crews. Minimum advertising guarantees increased by \$5.3 million due substantially to our contract with UPN. In addition, \$2.5 million was due to an increase in fees paid to our performers and \$3.5 million was due to increased travel costs due primarily to our leased corporate jet. Additionally, \$1.7 million was due to an increase in arena rental charges which were directly related to our increased event revenues. Gross profit as a percentage of net revenues was 44% for fiscal 2001 as compared to 41% for fiscal 2000. The gross profit percentage increase of 3% was due to our increased rights fees due to our new deal with Viacom, guest performer costs which were incurred only in fiscal 2000 and the additional number of prior year pay-per-view buys for which the associated costs have been substantially absorbed in the prior year, partially offset by higher television costs.

**Branded Merchandise.** The cost of revenues to market and promote our branded merchandise was \$71.3 million in fiscal 2001 as compared to \$63.3 million in fiscal 2000, an increase of \$8.0 million, or 13%. Of this \$8.0 million increase in cost of revenues, \$9.1 million was due to the cost of revenues associated with our first year of operations of *The World*. During fiscal 2001, we continued to build the infrastructure of our new media business and as a result, technical and content staff related expenses accounted for the majority of the \$5.1 million increase in this business. Additionally, talent royalties and paper, printing and engraving costs accounted for a majority of the \$1.6 million increase in merchandise and \$1.3 million increase in publishing, respectively. These increases were offset partially by decreases in the cost of revenues from our licensing and home video businesses of \$7.3 million and \$2.5 million, respectively, due to decreased revenues in both of these businesses. Gross profit as a percentage of net revenues was 41% for fiscal 2001 as compared to 44% in fiscal 2000, due to the change in the overall mix of products.

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**Stock Option and Other Non-Cash Charges.** In accordance with the provisions set forth in the Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" and Emerging Issues Task Force Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," we recorded a third quarter fiscal 2001 non-cash charge of approximately \$0.8 million (\$0.5 million, net of taxes) relating to the granting of stock options to certain performers who are independent contractors. In fiscal 2000, we recorded a non-cash charge of approximately \$6.0 million (\$3.7 million, net of taxes) relating to the granting of stock options to performers who are independent contractors in conjunction with our October 1999 initial public offering. Additionally, in April 2000, we entered into a non-forfeitable agreement with Viacom whereby Viacom acquired approximately 2.3 million newly issued shares of our Class A common stock at \$13 per share, which resulted in a fourth quarter fiscal 2000 non-cash charge of \$9.3 million (\$5.7 million, net of taxes).

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses, excluding a \$7.0 million settlement of an outstanding lawsuit, were \$97.1 million in fiscal 2001 as compared to \$71.1 million in fiscal 2000, an increase of \$26.0 million, or 37%. Fiscal 2001 was our first year of operations for *The World*. SG&A associated with this business was \$7.6 million. In fiscal 2001, we continued to

develop our infrastructure to support our rapid growth and as a result, we increased the number of employees from the year ago period, all of which accounted for a \$7.4 million increase in staff related and travel and entertainment expenses. During fiscal 2001, we instituted a number of new marketing initiatives which accounted for a majority of our increase in consulting fees of \$3.6 million. To further develop our talent we increased the number of developmental camps at an increased cost of \$1.1 million. We incurred increased professional fees of \$1.8 million primarily related to litigation. Selling, general and administrative expenses as a percentage of net revenues was 23% for fiscal 2001 as compared to 19% for fiscal 2000.

**Depreciation and Amortization.** Depreciation and amortization expense was \$7.2 million in fiscal 2001 as compared to \$2.5 million in fiscal 2000. The increase of \$4.7 million reflects the increased spending on capital projects, a write-off of certain fixed assets and depreciation associated with fixed assets of *The World*.

**Interest Expense.** Interest expense was \$0.9 million in fiscal 2001 as compared to \$2.2 million in fiscal 2000. The decrease of \$1.3 million was primarily due to the paydown in full as of April 30, 2000 of a \$32.0 million note that we issued to our former sole stockholder. This note, issued on June 30, 1999, was unsecured and accrued interest at 5%.

**Interest and Other Income, net.** Interest and other income, net was \$15.9 million in fiscal 2001 as compared to \$7.6 million in fiscal 2000. The increase of \$8.3 million was primarily due to increased interest income resulting from significantly higher cash and short-term investment balances in fiscal 2001 and higher average interest rates. Our average cash and short-term investment balance for fiscal 2001 was approximately \$250.0 million as compared to approximately \$180.0 million for fiscal 2000. In addition, \$1.2 million of the increase in interest and other income was due to a gain on the sale of our property in Las Vegas, Nevada.

**Provision for Income Taxes.** The provision for income taxes was \$37.1 million in fiscal 2001 as compared to \$15.2 million in fiscal 2000. Our effective tax rate was approximately 37.1% for fiscal 2001 as compared to an effective tax rate of approximately 20.3% for fiscal 2000, which was based upon the number of days during fiscal 2000 that we were a Subchapter S Corporation and the number of days we were a C Corporation. Concurrent with our initial public offering in October 1999, our tax status was changed from a Subchapter S Corporation to a Subchapter C Corporation. As a Subchapter C Corporation, we are directly responsible for all federal, state and foreign income taxes.

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**Discontinued Operations.** The loss from discontinued operations of the XFL for fiscal 2001 was \$46.9 million, net of minority interest and income taxes, as compared to a loss of \$0.7 million in fiscal 2000. Included in this net loss was a loss from operations of \$31.3 million and an estimated loss on the shutdown of \$15.6 million. The estimated shutdown costs consist primarily of staff, lease and labor obligations, write-offs of certain fixed assets and accounts receivable and inventory write downs. On June 12, 2000, NBC purchased approximately 2.3 million newly issued shares of our Class A common stock at \$13 per share for a total investment of \$30.0 million. As a result of the stock purchase, we recorded a non-cash charge of \$10.7 million, which was being amortized over 30 months. Amortization of \$3.7 million during fiscal 2001 was reflected in Discontinued Operations. As a result of our decision to discontinue operations of the XFL, we wrote off the remaining unamortized asset of \$7.0 million which was also reflected in Discontinued Operations.

## Liquidity and Capital Resources

During fiscal 2002, our cash and cash equivalents and short-term investment balances increased by \$54.4 million to \$294.1 million.

Cash flows from operating activities for the fiscal years ended April 30, 2002, 2001 and 2000 were \$57.5 million, \$(22.7) million and \$67.6 million, respectively. Cash flows provided by operating activities from continuing operations were \$72.9 million in fiscal 2002 as compared to \$62.7 million in fiscal 2001, an increase of \$10.2 million. Working capital, consisting of current assets less current liabilities, was \$287.0 million as of April 30, 2002 and \$255.2 million as of April 30, 2001.

Cash flows used in investing activities for the fiscal years ended April 30, 2002, 2001 and 2000 were \$22.7 million, \$141.5 million and \$122.0 million, respectively. As of April 30, 2002 we had approximately \$207.4 million invested primarily in short-term corporate and government obligations, which consisted primarily of AA or AAA rated instruments and mortgage backed securities, which are Agency rated instruments. The maturities of these instruments are generally for a term of three months or shorter. During fiscal 2002, we purchased property and equipment which related to the construction and fitting of the expansion to our television facility, the marquee constructed at *The World*, modifications to our corporate headquarters and the purchase of computer equipment. Capital expenditures for fiscal 2003 are expected to be approximately \$16.0 million, which includes television equipment, computer equipment and leasehold improvements.

In May 2000, we acquired for approximately \$24.5 million our leased 46,500 square foot entertainment complex located in Times Square. In addition, through April 30, 2002 we spent approximately \$16.0 million on audio/visual equipment for our television studio within the complex, the construction of a marquee which was required by the lease and other leasehold improvements. In March 2001, we acquired certain assets of the WCW brand, including trade names, tape library and other intangible assets from a subsidiary of AOL Time Warner for approximately \$2.5 million. In addition, we incurred certain related costs to acquire these assets of approximately \$6.6 million.

Cash flows provided by financing activities for the fiscal years ended April 30, 2002, 2001 and 2000 were \$6.8 million, \$107.5 million,

and \$110.5 million, respectively. In August 2001 we repurchased 100,000 shares of our Class A common stock at an average price per common share of approximately \$11.39, totaling approximately \$1.1 million.

In May 2002, we repurchased 2.3 million shares of our Class A common stock from NBC for \$27.7 million which we had sold in fiscal 2001 for \$30.0 million. Also during fiscal 2001, we sold 2.3 million shares of our Class A common stock to Viacom for \$30.0 million.

As of July 10, 2002, we believe that funding for the XFL has essentially been completed. Cumulatively, through July 10, 2002, we funded a total of approximately \$57.6 million (\$32.0 million, net of applicable tax benefits).

On December 12, 1997, we entered into a mortgage loan agreement with GMAC Commercial Mortgage Corp., which was subsequently assigned to Citicorp Real Estate, Inc., under which we borrowed \$12.0 million at an annual interest rate of 7.6% to be repaid in monthly installments over 15 years. This term loan is collateralized by our executive offices and television production studio, both of which are located in Stamford, Connecticut. The term loan may not be prepaid in whole or in part prior to and through January 1, 2006. Thereafter, the term loan may be prepaid in whole with the payment of a premium. As of July 10, 2002, the outstanding principal amount of the term loan was \$9.7 million.

On October 26, 2000 we entered into a lease agreement with General Electric for a 1998 Canadair Challenger 604 airplane. The term of this aircraft lease is for twelve years ending on October 30, 2012. The monthly lease payment for this aircraft lease is determined by a floating rate, which is based upon the 30-day US Commercial Paper Rate as stated by the Federal Reserve plus an additional 1.95%. The current monthly payment is approximately \$120,000.

We have entered into various other contracts under which we are required to make guaranteed payments, including:

- Performer contracts providing for future minimum guaranteed payments.
- Television distribution agreements with Viacom affiliates UPN, MTV and TNN that provide for the payment of the greater of a fixed percentage of the revenues from the sale of television advertising time or an annual minimum payment. Our agreement for UPN programming covers two hours of programming every week and expires in September 2003. The balance of our Viacom agreement covers five hours of programming every week and expires in September 2005.
- Advertising commitments with AOL Time Warner over a three year period, commencing July 1, 2001.
- Various operating leases related to our entertainment complex which is for a 17 <sup>1</sup>/<sub>2</sub> year term commencing in May 2000, and for our sales offices and warehouse space.
- Employment contract with Vincent K. McMahon, which is for a seven-year term commencing in October 1999 and in addition, a talent contract which is co-terminous with his employment contract.
- Employment contract with Linda E. McMahon, which is for a four-year term commencing in October 1999.
- Employment contract with an executive of the Company, which is for a three-year term commencing in May 2002.

Our aggregate minimum payment obligations under these contracts as of April 30, 2002 was as follows:

	Payments due by period				
	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
	(\$ in millions)				
Long-term Debt	\$ 0.6	\$ 1.3	\$ 1.6	\$ 6.4	\$ 9.9
Operating Leases	5.2	10.2	9.3	32.0	56.7
Television Programming Agreements	22.6	18.6	2.4	—	43.6
Other Commitments	32.0	35.9	7.4	1.8	77.1
<b>Total</b>	<b>\$ 60.4</b>	<b>\$ 66.0</b>	<b>\$ 20.7</b>	<b>\$ 40.2</b>	<b>\$ 187.3</b>

We believe that cash generated from operations and from existing cash and short-term investments will be sufficient to meet our cash needs over the next twelve months for working capital, capital

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expenditures and strategic investments. However, during such period or thereafter, depending on the size and number of the projects and investments related to our growth strategy, we may require the issuance of debt and/or additional equity securities.

### **Seasonality**

Our operating results are not materially affected by seasonal factors; however, because we operate on a fiscal calendar, the number of pay-per-view events recorded in a given quarter may vary. In addition, revenues from our licensing and direct sale of consumer products, including through our catalogs, monthly magazines and Internet sites, may vary from period to period depending on the volume and extent of licensing agreements and marketing and promotion programs entered into during any particular period of time, as well as the commercial success of the media exposure of our characters and brand. The timing of these events as well as the continued introduction of new product offerings and revenue generating outlets can and will cause fluctuation in quarterly revenues and earnings.

### **Inflation**

During the past three fiscal years, inflation has not had a material effect on our business.

### **Application of Critical Accounting Policies**

Our significant accounting policies are summarized in Note 2 to our Consolidated Financial Statements. We identify here certain policies which require significant judgments or estimates.

#### *Revenue Recognition*

##### Live and Televised Entertainment:

Revenues from live events are recorded when earned, specifically upon the occurrence of the related event. We generally receive settlement reports and the related cash from each venue within one week from the date our live event took place. Revenues from our pay-per-view programming are recorded when the event is aired and are based upon our initial estimate of the number of buys achieved. A substantial amount of the cash proceeds for an event are received from the cable and satellite distributors within 120 days of the airing of the event. Final reconciliation of the pay-per-view buys occurs within one year and any remaining adjustments to the buys are recognized on a cash basis. In period buys for current year events and prior year events are separately disclosed in this Management's Discussion and Analysis. Revenues from the sale of advertising are recorded when the commercial airs within our programming based upon the contractual rates previously established with our advertisers. Reserves are recorded to reflect the difference in intended delivery (as contracted) and actual delivery of audiences.

##### Branded Merchandise:

Licensing revenues are recognized generally upon receipt of notice by the individual licensee as to license fees due. In the event we receive licensing advances, such payments are recognized as income on an as earned basis. Sales of merchandise are recorded upon sale at venues or when shipped to customers. Home video revenues are recorded when shipped by our distributor to wholesalers / retailers, net of an allowance for estimated returns. Publishing newsstand revenues are recorded when shipped by our distributor to wholesalers / retailers, net of an allowance for estimated returns. Consistent with the home video and publishing newsstand industries, we estimate the allowance for returns based upon our review of historical returns rates and expected future performance. Subscription revenues are initially deferred and earned pro-rata over the related subscription periods. Revenues from *The World* entertainment complex are recorded at the time service is performed.

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#### *Accounts Receivable*

Our receivables represent a significant portion of our current assets. We are required to estimate the collectibility of our receivables and to establish allowances for the amount of receivables that we estimate to be uncollectible. We base these allowances on our historical collection experience, the length of time our receivables are outstanding and the financial condition of individual customers.

#### *Inventories*

We value our inventory at the lower of cost or market, with cost determined under the first-in first-out method and market based upon net

realizable value. The valuation of our inventories requires management to make market estimates. Substantially all of our inventory is comprised of finished goods. For these finished goods, we must assess the quantities and the prices at which we believe the inventory can be sold.

## **Initial Adoption of Accounting Policies**

### *Derivative Instruments*

We received warrants from three publicly traded companies with whom we have licensing agreements. We recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. In the first quarter of fiscal 2002, we adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and as a result, recorded an increase to income from continuing operations of \$1.5 million, net of taxes. Subsequent to our adoption of SFAS No. 133, we recorded a \$1.4 million gain based on the revaluation of these derivatives. As of April 30, 2002, the fair value of our remaining warrants was less than \$0.1 million.

### *Goodwill & Other Intangible Assets*

In July 2001, SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets" were released. The related statements address financial accounting and reporting for business combinations and acquired goodwill and other intangible assets. SFAS No. 142 is effective for all fiscal years beginning after December 15, 2001, however early adoption is permitted for entities with fiscal years beginning after March 15, 2001, provided that the first interim financial statements have not yet been issued previously. We elected to early adopt SFAS No. 142 as of May 1, 2001. As required by SFAS No. 142, we performed an impairment test on intangible assets as of the adoption date and on goodwill within six months from the date of adoption. We completed this transitional impairment test and deemed that no impairment loss existed. Any subsequent impairment losses will be reflected in operating income in the Consolidated Statement of Income. With the adoption of SFAS No. 142, we ceased amortization of goodwill and intangible assets with a book value of \$2.5 million and \$4.2 million, respectively as of May 1, 2001. As of April 30, 2002, we had goodwill and intangible assets with a net book value of \$2.5 million and \$9.1 million, respectively. Had amortization of goodwill and intangible assets not been recorded for the year ended April 30, 2001, net income would have increased by \$0.2 million, net of taxes, with no impact on earnings per share. We will continue to perform impairment tests annually and whenever events or circumstances occur indicating that goodwill or other intangible assets might be impaired.

## **Recent Pronouncements**

In August 2001, SFAS No. 143 "Accounting for Asset Retirement Obligations" was released. This statement, effective for fiscal years beginning after June 15, 2002, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. In October 2001, Statement of Financial Accounting Standards No. 144 ("SFAS No. 144") "Accounting for Impairment or Disposal of Long-Lived Assets" was released. This statement, effective for fiscal years beginning after December 15, 2001, addresses financial accounting and

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reporting for the impairment or disposal of long-lived assets. SFAS No. 143 and SFAS No. 144 are currently not expected to have a material impact on our results of operations or financial position.

## **Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995**

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain statements that are forward-looking and are not based on historical facts. When used in this Annual Report, the words "may," "will," "could," "anticipate," "plan," "continue," "project," "intend", "estimate", "believe", "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These statements relate to our future plans, objectives, expectations and intentions and are not historical facts and accordingly involve known and unknown risks and uncertainties and other factors that may cause the actual results or the performance by us to be materially different from future results or performance expressed or implied by such forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report, in press releases and in oral statements made by our authorized officers: (i) our failure to continue to develop creative and entertaining programs and events would likely lead to a decline in the popularity of our brand of entertainment; (ii) our failure to retain or continue to recruit key performers could lead to a decline in the appeal of our story lines and the popularity of our brand of entertainment; (iii) the loss of the creative services of Vincent McMahon could adversely affect our ability to create popular characters and story lines; (iv) our failure to maintain or renew key agreements could adversely affect our ability to distribute our television and pay-per-view programming, and in this regard our primary distribution agreement with Viacom runs until Fall 2003 for its UPN network and Fall 2005 for its MTV and TNN networks; (v) we may not be able to compete effectively with companies providing other forms of entertainment and programming, and many of these competitors have greater financial resources than we; (vi) we may not be able to protect our intellectual property rights which could negatively impact our ability to compete in the sports entertainment market; (vii) general economic conditions or a change in the popularity of our brand of sports entertainment could adversely impact our business; (viii) risks associated with producing live events, both domestically and internationally, including without limitation risks that our insurance may not cover liabilities resulting from accidents or injuries and that we

may be prohibited from promoting and conducting live events if we do not comply with applicable regulations; (ix) uncertainties associated with international markets; (x) we could incur substantial liabilities, or be required to conduct certain aspects of our business differently, if pending or future material litigation is resolved unfavorably; (xi) any new or complementary businesses into which we may expand in the future could adversely affect our existing businesses; (xii) through his beneficial ownership of a substantial majority of our Class B common stock, our controlling stockholder can exercise significant influence over our affairs, and his interests could conflict with the holders of our Class A common stock; and (xiii) a substantial number of shares will be eligible for future sale by our current majority stockholder, and the sale of those shares could lower our stock price. The forward-looking statements speak only as of the date of this Annual Report and undue reliance should not be placed on these statements.

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

No information with respect to market risk has been included as it has not been material to our financial condition or results of operations.

#### **Item 8. Consolidated Financial Statements and Schedule**

The information required by this item is set forth in the Consolidated Financial Statements filed with this report.

#### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

Not Applicable.

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### **PART III**

The information required by Part III (Items 10-13) is incorporated herein by reference to the captions "Election of Directors", "Executive Compensation" and "Security Ownership of Certain Beneficial Owners and Management" in our definitive proxy statement for our 2002 Annual Meeting of Stockholders.

### **PART IV**

#### **Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K**

(a) The following documents are filed as a part of this report:

1. Financial Statements and Schedule: See index to Financial Statements on page F-1 of this Report.
2. Exhibits:

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
3.1	Amended and Restated Certificate of Incorporation of World Wrestling Federation Entertainment, Inc. (Incorporated by reference to Exhibit 3.2 to our Registration Statement on Form S-1 (No. 333-84327)).
3.1A	Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 4.1(a) to our Registration Statement on Form S-8, filed July 15, 2002).
3.2	Amended and Restated By-laws of World Wrestling Federation Entertainment, Inc. (Incorporated by reference to Exhibit 3.4 to our Registration Statement on Form S-1 (No. 333-84327)).
3.2A	Amendment to Amended and Restated By-Laws (incorporated by reference to Exhibit 4.2(a) to our Registration Statement on Form S-8, filed July 15, 2002).
10.1	Form of 1999 Long-Term Incentive Plan (Incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S-1 (No. 333-84327)).*
10.2	10.3 Employment Agreement with Vincent K. McMahon dated October 14, 1999 (Incorporated by reference to Exhibit 10.2 to our Registration Statement on Form S-1 (No. 333-84327)).*
10.2A	Amendment dated as of May 1, 2002, to Employment Agreement with Vincent K. McMahon (filed herewith).*
10.3	Booking Contract with Vincent K. McMahon, dated February 15, 2000 (Incorporated by reference to Exhibit 10.3 to our Annual Report on Form 10-K for the fiscal year ended April 30,



- 2000).\*
- 10.3A Amendment dated July 3, 2001 to Booking Contract with Vincent K. McMahon (incorporated by reference to Exhibit 10.3A to our Annual Report on Form 10-K for the fiscal year ended April 30, 2001).\*
- 10.4 Employment Agreement with Linda E. McMahon dated October 14, 1999 (Incorporated by reference to Exhibit 10.3 to our Registration Statement on Form S-1 (No. 333-84327)).\*
- 10.5 Booking Contract with Linda E. McMahon, dated February 15, 2000 (Incorporated by reference to Exhibit 10.5 to our Annual Report on Form 10-K for the fiscal year ended April 30, 2000).\*
- 10.6 World Wrestling Entertainment Employee Stock Purchase Plan (filed herewith).\*

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- 10.7 License Agreement with inDemand, formerly known as Viewer's Choice L.L.C., dated as of January 20, 1999 (Incorporated by reference to Exhibit 10.7 to our Registration Statement on Form S-1 (No. 333-84327)). (1)
- 10.8 License Agreement with United Paramount Network, dated as of August 26, 1999 (Incorporated by reference to Exhibit 10.8 to our Registration Statement on Form S-1 (No. 333-84327)). (2)
- 10.9 Registration Rights Agreement, dated July 28, 2000, by and between Viacom Inc. and the Registrant (Incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K for the fiscal year ended April 30, 2000).
- 10.10 Registration Rights Agreement, dated August 30, 2001, by and between Invemed Catalyst Fund, L.P. and World Wrestling Entertainment, Inc. (filed herewith).
- 10.11 Open End Mortgage Deed, Assignment of Rents and Security Agreement between TSI Realty Company and GMAC Commercial Mortgage Corp. (assigned to Citicorp Real Estate, Inc.), dated as of December 12, 1997 (Incorporated by reference to Exhibit 10.11 to our Registration Statement on Form S-1 (No. 333-84327)).
- 10.12 Promissory Note issued by TSI Realty Company to GMAC Commercial Mortgage Corp. (assigned to Citicorp Real Estate, Inc.), dated as of December 12, 1997 (Incorporated by reference to Exhibit 10.12 to our Registration Statement on Form S-1 (No. 333-84327)).
- 10.13 Environmental Indemnity Agreement among TSI Realty Company, Titan Sports Inc. and GMAC Commercial Mortgage Corp. (assigned to Citicorp Real Estate, Inc.), dated as of December 12, 1997 (Incorporated by reference to Exhibit 10.13 to our Registration Statement on Form S-1 (No. 333-84327)).
- 10.14 Assignment of Leases and Rents between TSI Realty Company and GMAC Commercial Mortgage Corp. (assigned to Citicorp Real Estate, Inc.), dated as of December 12, 1997 (Incorporated by reference to Exhibit 10.14 to our Registration Statement on Form S-1 (No. 333-84327)).
- 10.15 Form of Tax Indemnification Agreement among World Wrestling Federation Entertainment, Inc., Stephanie Music Publishing, Inc., Vincent K. McMahon and the Vincent K. McMahon Irrevocable Deed of Trust, dated as of June 30, 1999 (Incorporated by reference to Exhibit 10.15 to our Registration Statement on Form S-1 (No. 333-84327)).
- 10.16 Agreement between WWF-World Wide Fund for Nature and Titan Sports, Inc. dated January 20, 1994 (Incorporated by reference to Exhibit 10.16 to our Registration Statement on Form S-1 (No. 333-84327)).
- 21.1 List of Significant Subsidiaries ((Incorporated by reference to Exhibit 21.1 to our Registration Statement on Form S-1 (No.333-84327)).
- 23.1 Consent of Deloitte & Touche LLP (filed herewith).
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\* Indicates management contract or compensatory plan or arrangement.

- (1) Certain portions of this exhibit have been omitted based upon a request for confidential treatment filed by the Company with the Secretary of the Commission on August 25, 1999, as amended on October 8, 1999. The omitted portion of this exhibit has been separately filed with the Commission.
- (2) Certain portions of this exhibit have been omitted based upon a request for confidential treatment filed by the Company with the Secretary of the Commission on September 14, 1999 as amended on October 8, 1999. The Omitted portion of this exhibit has been separately filed with Commission.

**(b) Reports on Form 8-K:**

None.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

WORLD WRESTLING ENTERTAINMENT, INC.  
(Registrant)

Dated: July 26, 2002

By:           /s/ AUGUST J. LIGUORI

August J. Liguori  
*Executive Vice President,  
Chief Financial Officer and Treasurer*

Dated: July 26, 2002

By:           /s/ FRANK G. SERPE

Frank G. Serpe  
*Senior Vice President, Finance and Chief  
Accounting Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title or Capacity</u>	<u>Date</u>
<u>/s/ VINCENT K. MCMAHON</u> Vincent K. McMahon	Chairman of the Board of Directors	July 26, 2002
<u>/s/ LINDA E. MCMAHON</u> Linda E. McMahon	Chief Executive Officer and Director	July 26, 2002
<u>/s/ LOWELL P. WEICKER JR.</u> Lowell P. Weicker Jr.	Director	July 26, 2002
<u>/s/ DAVID KENIN</u> David Kenin	Director	July 26, 2002
<u>/s/ JOSEPH PERKINS</u> Joseph Perkins	Director	July 26, 2002
<u>/s/ MICHAEL B. SOLOMON</u> Michael B. Solomon	Director	July 26, 2002
<u>/s/ AUGUST J. LIGUORI</u> August J. Liguori	Executive Vice President, Chief Financial Officer, Treasurer and Director	July 26, 2002

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of World Wrestling Entertainment, Inc.:

We have audited the accompanying consolidated balance sheets of World Wrestling Entertainment, Inc. (the "Company") as of April 30, 2002 and 2001 and the related consolidated statements of income, stockholders' equity and comprehensive income and cash flows for each of the three years in the period ended April 30, 2002. Our audits also included the financial statement schedule listed in the index at Item 14(a)1. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of April 30, 2002 and 2001 and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended April 30, 2002 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte and Touche LLP  
Stamford, Connecticut  
June 19, 2002  
(July 2, 2002 as to Note 20)

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### World Wrestling Entertainment, Inc.

#### CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	As of April 30,	
	2002	2001
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 86,659	\$ 45,040
Short-term investments	207,407	194,631
Accounts receivable (less allowance for doubtful accounts of \$2,890 and \$1,868 as		

of April 30, 2002 and 2001, respectively)	63,835	72,337
Inventory, net	1,851	4,918
Prepaid expenses and other current assets	15,935	23,581
	<hr/>	<hr/>
Total current assets	375,687	340,507
PROPERTY AND EQUIPMENT—NET	91,759	83,521
GOODWILL AND OTHER INTANGIBLE ASSETS, NET	11,588	6,688
OTHER ASSETS	8,407	12,376
	<hr/>	<hr/>
TOTAL ASSETS	\$ 487,441	\$ 443,092
	<hr/>	<hr/>

#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### CURRENT LIABILITIES:

Current portion of long-term debt	\$ 601	\$ 556
Accounts payable	21,565	19,490
Accrued expenses and other liabilities	42,511	38,944
Deferred income	23,414	14,506
Net liabilities of discontinued operations	610	11,834
	<hr/>	<hr/>

Total current liabilities

88,701 85,330

##### LONG-TERM DEBT

9,302 9,903

##### COMMITMENTS AND CONTINGENCIES (Note 12)

##### STOCKHOLDERS' EQUITY:

Class A common stock: (\$.01 par value; 180,000,000 shares authorized; 18,184,177 and 16,265,384 shares issued as of April 30, 2002 and 2001, respectively)	181	162
Class B common stock: (\$.01 par value; 60,000,000 shares authorized; 54,780,207 and 56,667,000 shares issued as of April 30, 2002 and 2001, respectively)	548	567
Treasury stock (100,000 shares)	(1,139)	—
Additional paid-in capital	296,938	296,525
Accumulated other comprehensive loss	(525)	(597)
Retained earnings	93,435	51,202
	<hr/>	<hr/>

Total stockholders' equity

389,438 347,859

##### TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 487,441 \$ 443,092

See Notes to Consolidated Financial Statements.

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### World Wrestling Entertainment, Inc.

#### CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share data)

	Fiscal year ended April 30,		
	2002	2001	2000
	<hr/>	<hr/>	<hr/>
Net revenues	\$ 425,026	\$ 456,043	\$ 379,310
Cost of revenues (excluding performer stock option charges of \$760 and \$6,020 for fiscal 2001 and 2000, respectively)	260,218	259,000	220,980
Stock option and other non-cash charges	—	760	15,330
Selling, general and administrative expenses	109,571	104,122	71,095
Depreciation and amortization	13,113	7,180	2,544
	<hr/>	<hr/>	<hr/>
Operating income	42,124	84,981	69,361
Interest expense	784	856	2,155

Interest and other income, net	18,202	15,916	7,571
Income from continuing operations before income taxes	59,542	100,041	74,777
Provision for income taxes	21,947	37,144	15,200
Income from continuing operations	37,595	62,897	59,577
Discontinued Operations:			
Loss from XFL operations, net of taxes of \$17,679 and \$410 for fiscal 2001 and 2000, respectively and minority interest	—	(31,293)	(669)
Estimated income (loss) on shutdown of the XFL, net of taxes of \$2,917 and \$5,265 for fiscal 2002 and 2001, respectively and minority interest	4,638	(15,617)	—
Income (loss) from discontinued operations	4,638	(46,910)	(669)
Net income	\$ 42,233	\$ 15,987	\$ 58,908
Earnings from continuing operations per common share: basic and diluted	\$ 0.52	\$ 0.87	\$ 0.95
Discontinued Operations — basic and diluted:			
Loss from XFL operations per common share	—	(0.43)	(0.01)
Estimated income (loss) on shutdown per common share	0.06	(0.22)	—
Income (loss) from discontinued operations per common share	0.06	(0.65)	(0.01)
Earnings per common share: basic and diluted	\$ 0.58	\$ 0.22	\$ 0.94
Unaudited Pro Forma Information:			
Historical income from continuing operations before income taxes			\$ 74,777
Pro forma adjustment other than income taxes			427
Pro forma income from continuing operations before income taxes			74,350
Pro forma provision for income taxes			29,132
Pro forma income from continuing operations			\$ 45,218
Pro forma earnings from continuing operations per common share: basic and diluted			\$ 0.72

See Notes to Consolidated Financial Statements

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**World Wrestling Entertainment, Inc.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME**

(dollars and shares in thousands)

	Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total
	Shares	Amount					
Balance, May 1, 1999	56,667	\$ 567	\$ —	\$ 1	\$ (87)	\$ 71,779	\$ 72,260
Comprehensive Income:							
Net income		—	—	—	—	58,908	58,908
Translation adjustment		—	—	—	(2)	—	(2)

Unrealized holding gain, net of tax	—	—	—	194	—	194
Total comprehensive income						59,100
Net proceeds from initial public offering	11,500	115	—	181,700	—	181,815
Stock issuance costs	—	—	—	(2,492)	—	(2,492)
Stock option and other non-cash charges	—	—	—	15,330	—	15,330
S Corporation earnings retained	—	—	—	27,996	—	(27,996)
S Corporation distributions	—	—	—	—	—	(67,476)
Balance, April 30, 2000	68,167	682	—	222,535	105	35,215
Comprehensive income:						
Net income	—	—	—	—	—	15,987
Translation adjustment	—	—	—	—	(175)	—
Unrealized holding loss, net of tax	—	—	—	—	(527)	—
Total comprehensive income						15,285
Issuance of common stock	4,615	46	—	59,954	—	—
Stock issuance costs	—	—	—	(534)	—	—
Non-cash stock issuance charge	—	—	—	10,673	—	—
Stock option charges	—	—	—	1,092	—	—
Exercise of stock options	150	1	—	2,549	—	—
Tax benefit from exercise of stock options	—	—	—	256	—	—
Balance, April 30, 2001	72,932	729	—	296,525	(597)	51,202
Comprehensive income:						
Net income	—	—	—	—	—	42,233
Translation adjustment	—	—	—	—	37	—
Unrealized holding gain, net of tax	—	—	—	—	35	—
Total comprehensive income						42,305
Purchase of treasury stock	(100)	—	(1,139)	—	—	—
Exercise of stock options	32	—	—	413	—	—
Balance, April 30, 2002	72,864	\$ 729	\$ (1,139)	\$ 296,938	\$ (525)	\$ 93,435

See Notes to Consolidated Financial Statements

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**World Wrestling Entertainment, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in thousands)

	Year Ended April 30,		
	2002	2001	2000
OPERATING ACTIVITIES:			
Net income	\$ 42,233	\$ 15,987	\$ 58,908
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
(Income) loss from discontinued operations	(4,638)	46,910	669
Gain on sale of property in Las Vegas	—	(1,249)	—
Gain on sale of stock	(6,757)	—	—
Cumulative effect of change in accounting principle, net of tax	(1,487)	—	—
Revaluation of warrants, net	1,470	—	—

Depreciation and amortization	13,113	7,180	2,544
Amortization of deferred income	(1,270)	(407)	—
Provision for doubtful accounts	1,057	1,239	113
Provision for inventory obsolescence	3,886	803	1,174
Stock option and other non-cash charges	—	760	15,330
Provision for deferred income taxes	(1,893)	2,235	(6,892)
Changes in assets and liabilities (net of acquisitions)			
Accounts receivable	7,374	(13,128)	(23,027)
Inventory	(818)	(2,484)	(987)
Prepaid expenses and other assets	5,646	(3,109)	(1,553)
Accounts payable	2,076	1,086	4,744
Accrued expenses and other liabilities	2,687	7,350	16,538
Deferred income	10,179	(454)	1,128
Net cash provided by continuing operations	72,858	62,719	68,689
Net cash used in discontinued operations	(15,323)	(85,460)	(1,079)
Net cash provided by (used in) operating activities	57,535	(22,741)	67,610
INVESTING ACTIVITIES:			
Purchases of property and equipment	(19,280)	(27,593)	(15,068)
Acquisitions, net of cash acquired	(4,900)	(28,655)	—
Purchase of short-term investments, net	(13,070)	(87,794)	(106,964)
Net proceeds from exercise and sale of warrants	12,914	—	—
Net proceeds from the sale of property in Las Vegas	—	11,305	—
Net cash used in continuing operations	(24,336)	(132,737)	(122,032)
Net cash provided by (used in) discontinued operations	1,602	(8,734)	—
Net cash used in investing operations	(22,734)	(141,471)	(122,032)
FINANCING ACTIVITIES:			
Repayments of long-term debt	(556)	(959)	(1,373)
S Corporation distributions	—	—	(67,476)
Net proceeds from initial public offering	—	—	181,815
Proceeds from issuance of Class A common stock	—	60,000	—
Repurchase of Class A common stock	(1,139)	—	—
Proceeds from exercise of stock options	413	2,551	—
Stock issuance costs	—	(534)	(2,492)
Net cash (used in) provided by continuing operations	(1,282)	61,058	110,474
Net cash provided by discontinued operations	8,100	46,415	—
Net cash provided by financing activities	6,818	107,473	110,474
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41,619	(56,739)	56,052
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	45,040	101,779	45,727
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 86,659	\$ 45,040	\$ 101,779
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the period for income taxes, net of refunds	\$ 7,741	\$ 33,646	\$ 19,697
Cash paid during the period for interest	\$ 783	\$ 855	\$ 2,153
SUPPLEMENTAL NON-CASH INFORMATION:			
Receipt of warrants (Note 17)	\$ —	\$ 2,884	\$ 7

See Notes to Consolidated Financial Statements

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**World Wrestling Entertainment, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(dollars in thousands, except share and per share data)

**1. Basis of Presentation and Business Description**

The accompanying consolidated financial statements include the accounts of World Wrestling Entertainment, Inc., (formerly known as World Wrestling Federation Entertainment, Inc.) and its wholly owned subsidiaries, TSI Realty Company, LLC, World Wrestling Entertainment Canada, Inc. (formerly known as World Wrestling Federation Entertainment Canada, Inc.), World Wrestling Entertainment (International) Limited, Stephanie Music Publishing, Inc., WCW, Inc., Event Services, Inc., The World Entertainment, Inc. (formerly known as WWF New York Inc.), WWF Hotel & Casino Ventures, LLC, and WWFE Sports, Inc. and the Company's majority-owned subsidiary Titan/Shane Partnership (collectively the "Company"). WWFE Sports, Inc. owns 50% and has operating control of XFL, LLC, a professional football league, which was a venture with National Broadcasting Company ("NBC"). In early May 2001, the Company formalized its decision to discontinue operations of the XFL and accordingly, reported XFL operating results and estimated shutdown costs as Discontinued Operations as of April 30, 2002, 2001 and 2000.

All significant intercompany balances have been eliminated. Certain prior year amounts have been reclassified to conform with the current year presentation.

The Company is an integrated media and entertainment company, principally engaged in the development, production and marketing of television programming, pay-per-view programming and live events, and the licensing and sale of branded consumer products featuring its World Wrestling Entertainment brand of entertainment. The Company's continuing operations are organized around two principal activities:

- *Live and televised entertainment, which consists of live events, television programming and pay-per-view programming.* Revenues consist principally of attendance at live events, sale of television advertising time and sponsorships, domestic and international television rights fees and pay-per-view buys.
- *Branded merchandise, which consists of licensing and direct sale of merchandise.* Revenues include sales of consumer products through third party licensees and direct marketing and sales of merchandise, magazines and home videos. Revenues also include those generated from The World entertainment complex located in New York City.

The Company's discontinued operations consisted of revenues from the XFL, including attendance at live events, sale of television advertising time and sales of consumer products.

**2. Summary of Significant Accounting Policies**

*Cash and Cash Equivalents*—Cash and cash equivalents include cash on deposit in overnight deposit accounts, certificates of deposit with original maturities of three months or less and investments in money market accounts.

*Short-term Investments*—The Company classifies all of its short-term investments as available-for-sale securities. Such short-term investments consist primarily of the United States government and federal agencies securities, corporate commercial paper, corporate bonds and mortgage backed securities which are stated at market value, with unrealized gains and losses on such securities reflected, net of tax, as other comprehensive income (loss) in stockholders' equity. Realized gains and losses on short-term investments are included in earnings and are derived using the specific

identification method for determining the cost of securities. As of April 30, 2002 and 2001, the fair value of the Company's short-term investments were approximately \$518 and \$217, respectively, lower than cost. The Company recorded unrealized losses of \$163, net of taxes and \$134, net of taxes for the fiscal years ended April 30, 2002 and 2001, respectively, which was included in accumulated other comprehensive loss. It is the Company's intent to maintain a liquid portfolio to take advantage of investment opportunities; therefore, all securities are considered to be available-for-sale and are classified as current assets.

*Accounts Receivable*—Accounts receivable relate principally to amounts due the Company from pay-per-view providers and television networks for pay-per-view presentations and television programming, respectively and balances due from the sale of television advertising, videotapes and DVD's and magazines. The Company's receivables represent a significant portion of its current assets. The Company is required to estimate the collectibility of its receivables and to establish allowances for the amount of receivables that it estimates to be uncollectible. The



Company bases these allowances on its historical collection experience, the length of time its receivables are outstanding and the financial condition of individual customers.

*Inventory*—Inventory consists of merchandise sold on a direct sales basis, and videotapes and DVD's, which are sold through wholesale distributors and retailers. Inventory is stated at the lower of cost (first-in, first-out basis) or market. The valuation of the Company's inventories requires management to make market estimates. Substantially all of its inventory is comprised of finished goods. For these finished goods, the Company must assess the quantities and the prices at which it believes the inventory can be sold.

*Property and Equipment*—Property and equipment are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets or, when applicable, the life of the lease, whichever is shorter. Vehicles and equipment are depreciated based on estimated useful lives varying from three to five years. Buildings and related improvements are amortized over the lesser of the remaining useful life of the buildings or the anticipated life of improvements.

*Income Taxes*—The Company accounts for income taxes in accordance with the provisions of SFAS 109, "Accounting For Income Taxes." Concurrent with the closing of the initial public offering on October 19, 1999 (the "Offering"), the Company terminated its S Corporation election and thereafter has been subject to federal, state and foreign income taxes. See Note 3 regarding pro forma income taxes assuming that the Company had been a C Corporation for the period prior to the Offering. Other than World Wrestling Entertainment Canada, Inc., prior to the termination of its S Corporation status, federal taxable income attributable to the operations of the Company was included in the federal taxable income of the individual stockholder. The deferred state and foreign tax provision was determined under the asset and liability method. Under this method, deferred assets and liabilities are recognized based on differences between financial statement and income tax basis of assets and liabilities using presently enacted tax rates. Concurrent with the termination of the Company's S Corporation election, all deferred taxes were revalued using a combined federal and state tax rate.

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### *Revenue Recognition*

#### Live and Televised Entertainment:

Revenues from live events are recorded when earned, specifically upon the occurrence of the related event. The Company generally receives settlement reports and the related cash from each venue within one week from the date its live events took place. Revenues from the Company's pay-per-view programming are recorded when the event is aired and are based upon its initial estimate of the number of buys achieved. A substantial amount of the cash proceeds for an event are received from the cable and satellite distributors within 120 days of the airing of the event. Final reconciliation of the pay-per-view buys occurs within one year and any remaining adjustments to the buys are recognized on a cash basis. Revenues from the sale of advertising are recorded when the commercial airs within its programming based upon the contractual rates previously established with its advertisers. Reserves are recorded to reflect the difference in intended delivery (as contracted) and actual delivery of audiences.

#### Branded Merchandise:

Licensing revenues are recognized generally upon receipt of notice by the individual licensee as to license fees due. In the event the Company receives licensing advances, such payments are recognized as income on an as earned basis. Sales of merchandise are recorded upon sale at venues or when shipped to customers. Home video revenues are recorded when shipped by its distributor to wholesalers / retailers, net of an allowance for estimated returns. Publishing newsstand revenues are recorded when shipped by its distributor to wholesalers / retailers, net of an allowance for estimated returns. Consistent with the home video and publishing newsstand industries, the Company estimates the allowance for returns based upon its review of historical returns rates and expected future performance. Subscription revenues are initially deferred and earned pro-rata over the related subscription periods. Revenues from *The World* entertainment complex are recorded at the time service is performed.

*Advertising Expense*—Advertising costs are expensed as incurred, except for costs related to the development of a major commercial or media campaign which are expensed in the period in which the commercial or campaign is first presented.

*Foreign Currency Translation*—For translation of the financial statements of its Canadian and United Kingdom subsidiaries, the Company has determined that the Canadian Dollar and the U.K. Pound are the functional currencies. Assets and liabilities are translated at the year-end exchange rate, and income statement accounts are translated at average exchange rates for the year. The resulting translation adjustments are recorded in accumulated other comprehensive loss, a component of stockholders' equity. Foreign currency transactions are recorded at the exchange rate prevailing at the transaction date.

*Use of Estimates*—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual

results could differ from those estimates.

*Valuation of Long-Lived Assets* —The Company periodically evaluates the carrying value of long-lived assets when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when indicators of impairment are present and undiscounted

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cash flows estimated to be generated by the asset are less than the asset's carrying amount. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

*Stock-Based Compensation* —The Company follows the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 encourages, but does not require, companies to adopt a fair value based method for determining expense related to stock-based compensation. (See Note 13). The Company continues to account for stock-based compensation using the intrinsic value method as prescribed under Accounting Principles Board Opinion ("APB") No 25, "Accounting for Stock Issued to Employees," and related Interpretations.

*Derivative Instruments* —The Company recognizes all derivatives as either assets or liabilities in the balance sheet and measures those instruments at fair value. In the first quarter of fiscal 2002, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and as a result, recorded an increase to income from continuing operations of \$1,487, net of taxes, the amount of which the Company believes to be not material. Subsequent to its initial adoption of SFAS No. 133, the Company recorded a \$1,414 increase to income from continuing operations based on the revaluation of these derivatives.

*Goodwill & Other Intangible Assets* —In July 2001, SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets" were released. The related statements address financial accounting and reporting for business combinations and acquired goodwill and other intangible assets. SFAS No. 142 is effective for all fiscal years beginning after December 15, 2001, however early adoption is permitted for entities with fiscal years beginning after March 15, 2001, provided that the first interim financial statements have not yet been issued previously. The Company elected to early adopt SFAS No. 142 as of May 1, 2001. As required by SFAS No. 142, the Company performed an impairment test on intangible assets as of the adoption date and on goodwill within six months from the date of adoption. The Company completed this transitional impairment test and deemed that no impairment loss existed. Any subsequent impairment losses will be reflected in operating income in the consolidated statement of income. With the adoption of SFAS No. 142, the Company ceased amortization of goodwill and intangible assets with a book value of \$2,533 and \$4,155, respectively as of May 1, 2001. As of April 30, 2002, the Company had goodwill and intangible assets with a net book value of \$2,533 and \$9,055, respectively. Had amortization of goodwill and intangible assets not been recorded for the year ended April 30, 2001, net income would have increased by \$231, net of taxes, with no impact on earnings per share. The Company will continue to perform impairment tests annually and whenever events or circumstances occur indicating that goodwill or other intangible assets might be impaired.

*Recent Accounting Pronouncements* —In August 2001, SFAS No. 143 "Accounting for Asset Retirement Obligations" was released. This statement, effective for fiscal years beginning after June 15, 2002, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. In October 2001, SFAS No. 144 "Accounting for Impairment or Disposal of Long-Lived Assets" was released. This statement, effective for fiscal years beginning after December 15, 2001, addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 143 and SFAS No. 144 are currently not expected to have a material impact on the Company's results of operations or financial position.

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### 3. Unaudited Pro Forma Information

The unaudited pro forma consolidated statements of income information presents the pro forma effects on the historical consolidated statements of income from continuing operations for the fiscal year ended April 30, 2000 of \$427 for additional compensation to the chairman of the board of directors and to the chief executive officer pursuant to employment agreements that became effective July 1, 1999. Additionally, it presents income taxes of \$29,132 for the fiscal year ended April 30, 2000 to give pro forma effect due to the change in the Company's tax status from a Subchapter S Corporation to a Subchapter C Corporation, representing an overall effective tax rate of 39.2% for fiscal 2000.

### 4. Earnings Per Share

For the year ended April 30, 2002, for the purpose of calculating earnings per share—basic, the weighted average number of common shares outstanding was 72,861,797 and for the purpose of calculating earnings per share—diluted, the weighted average number of common

shares outstanding, including dilutive securities, was 72,865,624 which includes 3,827 shares representing the dilutive effect of outstanding options.

For the year ended April 30, 2001, for the purpose of calculating earnings per share—basic, the weighted average number of common shares outstanding was 72,025,222 and for the purpose of calculating earnings per share—diluted, the weighted average number of common shares outstanding, including dilutive securities, was 72,216,870 which includes 191,648 shares representing the dilutive effect of outstanding options.

For the year ended April 30, 2000, for the purpose of calculating earnings per share—basic, the weighted average number of common shares outstanding was 62,806,726 and for the purpose of calculating earnings per share—diluted, the weighted average number of common shares outstanding, including dilutive securities, was 62,830,279 which includes 23,553 shares representing the dilutive effect of outstanding options.

Excluded from the calculation of weighted average shares outstanding for dilutive earnings per share purposes were outstanding options of 5,306,750; 5,454,500 and 5,340,250 for the fiscal years ended April 30, 2002, 2001 and 2000, respectively, because the impact would have been anti-dilutive.

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## 5. Investments

Short-term investments consisted of the following as of April 30, 2002 and 2001:

	April 30, 2002		
	Cost	Unrealized Holding Loss	Fair Value
Government obligations	\$ 26,725	\$ —	\$ 26,725
Corporate obligations and other	129,763	(518)	129,245
Mortgage backed securities	51,437	—	51,437
<b>Total</b>	<b>\$ 207,925</b>	<b>\$ (518)</b>	<b>\$ 207,407</b>
	April 30, 2001		
	Cost	Unrealized Holding Loss	Fair Value
Government obligations	\$ 30,350	\$ —	\$ 30,350
Corporate obligations and other	129,552	(217)	129,335
Mortgage backed securities	34,946	—	34,946
<b>Total</b>	<b>\$ 194,848</b>	<b>\$ (217)</b>	<b>\$ 194,631</b>

In addition to the short-term investments included above, the Company received warrants from four publicly traded companies with whom it has either licensing or television agreements. The estimated fair value of the warrants relating to these contracts on the date of receipt aggregated approximately \$5,237. In connection with the adoption of SFAS 133, in fiscal 2002, the Company recorded a cumulative effect adjustment of \$1,487, net of taxes. Subsequent to the adoption, the Company recorded a \$1,414 increase to income from continuing operations based on the revaluation of these warrants. These warrants were then exercised and the related stock was sold, generating a net gain of \$6,757. Additionally, the Company wrote-down the carrying value of certain of its other warrants deemed permanently impaired to zero, resulting in a charge of \$2,883. Each of the charges noted above were recorded in Interest and other income, net for the fiscal year ended April 30, 2002. The carrying amount of the outstanding warrants was \$7 and \$4,834 and was included in other assets in the Consolidated Balance Sheets as of April 30, 2002 and 2001, respectively.

## 6. Assets Held for Sale

The Company sold its property located in Las Vegas, Nevada on December 22, 2000. As a result of the sale, the Company received net proceeds of \$11,305 and recognized a gain of \$1,249, which was included in Interest and other income, net for the fiscal year ended April 30, 2001.

## 7. Acquisitions

On May 3, 2000, the Company acquired for \$24,500 its leased 46,500 square foot entertainment complex located in Times Square. The Company accounted for this transaction as a purchase. The allocation of the purchase price included approximately \$21,200 in fixed assets, \$1,300 in current assets and \$900 in liabilities. Goodwill arising as a result of this transaction amounted to approximately \$2,900 and is included in other assets in the Consolidated Balance Sheet. In accordance with SFAS No. 142,

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the Company ceased amortization of goodwill as of May 1, 2002. Included in depreciation and amortization expense for the fiscal year ended April 30, 2001 was \$372 of goodwill amortization.

In March 2001, the Company acquired substantially all of the intellectual properties and certain other assets of World Championship Wrestling (the "WCW"), including trade names, tape library and other intangible assets from a subsidiary of AOL Time Warner for \$2,500. In addition, the Company incurred certain related costs to acquire these assets of approximately \$6,600. The Company has classified these costs as non-current assets in its Consolidated Balance Sheet.

## 8. Property and Equipment

Property and equipment consisted of the following as of:

	April 30,	
	2002	2001
Land, buildings and improvements	\$ 83,047	\$ 68,973
Equipment	43,747	45,655
Vehicles	769	673
	<u>127,563</u>	<u>115,301</u>
Less accumulated depreciation and amortization	35,804	31,780
	<u>91,759</u>	<u>83,521</u>
Total	\$ 91,759	\$ 83,521

Depreciation and amortization expense included in continuing operations was \$11,043, \$6,808 and \$2,544 for the fiscal years ended April 30, 2002, 2001 and 2000, respectively. Additionally, included in discontinued operations was depreciation expense related to the XFL of \$7,334 for the fiscal year ended April 30, 2001, which included the write-off of certain fixed assets of \$6,201.

## 9. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following as of:

	April 30,	
	2002	2001
Accrued pay-per-view event costs	\$ 6,047	\$ 7,802
Accrued talent royalties	2,094	718
Accrued payroll related costs	2,116	7,666
Accrued television costs	13,076	12,619
Accrued other	19,178	10,139
	<u>42,511</u>	<u>38,944</u>
Total	\$ 42,511	\$ 38,944

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## 10. Debt

Debt as of April 30, 2002 and 2001 consisted of the following:

	2002	2001
GMAC Commercial Mortgage Corporation	\$ 9,903	\$ 10,459
Less current portion	601	556
Long-term debt	\$ 9,302	\$ 9,903

During December 1997, the Company entered into a mortgage loan agreement with GMAC Commercial Mortgage Corporation, assigned to Citicorp Real Estate, Inc., under the terms of which the Company borrowed \$12,000 at an annual interest rate of 7.6%. Principal and interest are to be paid in 180 monthly installments of approximately \$112, which commenced on January 1, 1998. The loan is collateralized by the Company's executive offices and television studio in Stamford, Connecticut.

Interest expense was \$784, \$856 and \$2,155 for the years ended April 30, 2002, 2001 and 2000, respectively. Included in interest expense for the fiscal year ended April 30, 2000 was interest of \$1,127 incurred in connection with the \$32,000 note payable to the Company's then sole stockholder, which was paid in full as of April 30, 2000 (see Note 15).

As of April 30, 2002, the scheduled principal repayments under the mortgage loan agreement described above were as follows:

Year Ending April 30,	
2003	\$ 601
2004	647
2005	701
2006	756
2007	816
Thereafter	6,382
Total	\$ 9,903

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## 11. Income Taxes

Concurrent with the Company's initial public offering in October 1999, its tax status was changed from a Subchapter S Corporation to a Subchapter C Corporation. As a Subchapter C Corporation, the Company is directly responsible for all federal, state and foreign income taxes. As a result of the change in its tax status, for the fiscal years ended April 30, 2002 and 2001, the Company was taxed on its income from continuing operations at an effective tax rate of 36.9% and 37.1%, respectively. For the fiscal year ended April 30, 2000, the Company was taxed on its income from continuing operations at an effective rate of approximately 20.3% based upon the number of days during the fiscal year that it was a Subchapter S Corporation and the number of days it was a Subchapter C Corporation. The Company's income tax provision related to its income from continuing operations for fiscal 2002, 2001 and 2000 was \$21,947, \$37,144 and \$15,200 respectively, and included federal, state and foreign taxes. Including its loss from discontinued operations of the XFL, the Company's provision for income taxes was \$19,030, \$14,200 and \$14,790 for the fiscal years ended April 30, 2002, 2001 and 2000, respectively. See Note 3 regarding pro forma income taxes assuming the Company had not been an S Corporation.

The Company accounts for income taxes in accordance with the provisions of SFAS 109, "Accounting For Income Taxes." The components of the Company's tax provision from continuing operations for each of the three years in the period ended April 30, 2002 were as follows:

	April 30,		
	2002	2001	2000
Current:			
Federal	\$ 19,111	\$ 31,526	\$ 17,036
State and local	2,928	2,983	4,783
Foreign	1,801	400	273
Deferred:			
Federal	(1,648)	1,961	(5,726)
State and local	(261)	271	(1,150)
Foreign	16	3	(16)

Total	\$ 21,947	\$ 37,144	\$ 15,200
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The Company's provision for income taxes from continuing operations and discontinued operations was as follows for the fiscal years ended April 30, 2002, 2001 and 2000:

	2002	2001	2000
Provision for income taxes from continuing operations	\$ 21,947	\$ 37,144	\$ 15,200
Provision for income taxes from discontinued operations	(2,917)	(22,944)	(410)
Provision for income taxes	\$ 19,030	\$ 14,200	\$ 14,790

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The following sets forth the difference between the provision for income taxes from continuing operations computed at the U.S. federal statutory income tax rate of 35% and that reported for financial statement purposes:

	April 30,		
	2001	2000	2002
Statutory U.S. federal tax at 35%	\$ 20,839	\$ 35,014	\$ 26,172
State and local taxes, net of federal benefit	1,734	3,034	3,236
Deferred tax benefit due to change in tax status	—	—	(2,660)
Federal benefit of S Corp	—	—	(11,976)
Foreign	136	140	93
Other	(762)	(1,044)	335
Provision for income taxes	\$ 21,947	\$ 37,144	\$ 15,200

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities consisted of the following as of April 30, 2002 and 2001:

	2002	2001
Deferred tax assets:		
Accounts receivable	\$ 1,036	\$ 693
Inventories	1,123	995
Prepaid royalties	3,217	529
Stock options	4,993	5,409
Investments	2,625	1,096
Intangible assets	1,212	3,036
Accrued liabilities and reserves	3,069	5,940
Capital loss carry forward	—	3,580
Other	74	710
Foreign	65	83
	17,414	22,071
Valuation allowance	(412)	(3,580)
	17,002	18,491
Deferred tax liabilities:		
Fixed assets and depreciation	1,307	3,234
Prepaid royalties	490	980
	1,797	4,214

Total, net	\$ 15,205	\$ 14,277
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The temporary differences described above represent differences between the tax basis of assets or liabilities and their reported amounts in the consolidated financial statements that will result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. As of April 30, 2002 and 2001, \$9,648 and \$10,208, respectively, of the net deferred tax assets are included in prepaid expenses and other current assets and the remaining \$5,557 and \$4,069, respectively, are included in other non-current assets in the Consolidated Balance Sheets.

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As of April 30, 2002, the Company had a valuation allowance of \$412 to reduce its deferred tax assets to an amount more likely than not to be recovered. The valuation allowance primarily relates to the deferred tax assets arising from the write-down of investments which are capital in nature and therefore may not be deductible for tax purposes. The change in the valuation allowance during fiscal 2002 is a result of the Company's determination that it is more likely than not that the underlying losses generated in the prior year will be fully utilized.

U.S. Federal income taxes have not been provided on unremitted earnings of the Company's foreign subsidiary, because the Company's intent is to keep such earnings indefinitely reinvested in the foreign subsidiary's operations.

## 12. Commitments and Contingencies

The Company has certain commitments, including various non-cancelable operating leases, including the lease for *The World*, performance contracts with various performers, employment agreements with certain executive officers, advertising commitments with AOL Time Warner and agreements with Viacom and United Paramount Network ("UPN") which guarantee a minimum payment for advertising during their terms. In addition, the Company has a lease agreement with General Electric for a 1998 Canadair Challenger 604 airplane. The term of this aircraft lease is for twelve years ending on October 30, 2012. The monthly lease payment for this aircraft lease is determined by a floating rate, which is based upon the 30-day US Commercial Paper Rate as stated by the Federal Reserve plus an additional 1.95%.

Future minimum payments as of April 30, 2002 under the agreements described above were as follows:

Year Ending April 30,	Operating Lease Commitments	Other Commitments	Total
2003	\$ 5,199	\$ 54,631	\$ 59,830
2004	5,147	37,043	42,190
2005	4,996	17,500	22,496
2006	4,933	7,428	12,361
2007	4,364	2,324	6,688
Thereafter	32,046	1,769	33,815
Total	\$ 56,685	\$ 120,695	\$ 177,380

Rent expense under operating leases was approximately \$5,792, \$4,142 and \$643 for the fiscal years ended April 30, 2002, 2001 and 2000, respectively.

### Legal Proceedings

In April 2000, the WWF—World Wide Fund for Nature (the "Fund") instituted legal proceedings against the Company in the English High Court seeking injunctive relief and unspecified damages for alleged breaches of an agreement between the Fund and the Company. The Fund alleges that the Company's use of the initials "WWF" in various contexts, including (i) the wwf.com and wwfshopzone.com internet domain names and in the contents of various of its websites; and (ii) the Company's "scratch" logo violate the agreement between the Fund and the Company. In January 2001,

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the Fund filed for summary judgment on its claims. On August 10, 2001 the trial judge granted the Fund's motion for summary judgment, holding the Company breached the parties' 1994 agreement by using the "wwf" website addresses and scratch logo and that a trial is not

warranted on these issues. On October 1, 2001, the judge issued a form of written injunction barring most uses of the initials "WWF", including in connection with the "wwf" website addresses and the use of the scratch logo by the Company and its licensees. On February 27, 2002, the Court of Appeal affirmed the trial judge's decision and dismissed the Company's appeal; and on June 10, 2002, the House of Lords declined to hear the Company's appeal. The Company has five months from the date of the House of Lords' decision to comply with the injunction. The Company intends to comply with the injunction and to seek modification of the injunction where it is impractical and/or impossible to comply. Prior to the House of Lords' decision, the Company took steps to change its name to "World Wrestling Entertainment, Inc." and to revise its logo and switch its initials to "WWE". These changes have been incorporated into the Company's television and pay-per-view shows, promotional materials used by it and its various distributors, affiliates and licensees, advertising campaigns as well as its corporate stationery and facilities and statutory filings with federal and state agencies. However, certain other aspects of the injunction as issued may be impracticable or difficult to comply with and, unless modified or clarified, may adversely affect the use or repackaging of the Company's historical video library containing its former logo and verbal references to the "WWF" and the Company's licensing program that use its former logo on a variety of retail products, including toys and video games. The Fund also has pending before the trial court a damages claim associated with the Company's use of the initials "WWF". No hearings have been scheduled on this aspect of the Fund's claim, and to date no evidence has been submitted by the Fund as to any damages. The Company has recorded \$2,000 of expenses, included in selling, general and administrative expenses, through the fourth quarter of fiscal 2002, in connection with compliance with this injunction. The Company is unable to predict what additional costs or changes to its operations may be required to comply with the injunction, which may have a material adverse effect on the Company.

In September 1999, the Company was served with a complaint regarding an action that Nicole Bass, a professional wrestler previously affiliated with the Company, filed in the United States District Court for the Eastern District of New York in which she alleges sexual harassment under New York law, civil assault and intentional infliction of emotional distress. The Company filed a motion to dismiss the original complaint. During oral argument on its motion to dismiss, Plaintiff requested leave of court to file an amended complaint. The Plaintiff filed a second amended complaint on October 20, 2000. Motions to Dismiss the second amended complaint were filed on December 18, 2000 and granted in part on February 14, 2001. On March 5, 2001, the Company answered the surviving counts in the second amended complaint and have denied liability. On January 11, 2002, the Company filed a motion for summary judgment on all plaintiff's remaining claims and on June 17, 2002, the Court granted in part and denied in part our motion. Trial has been set to begin on September 16, 2002.

On November 14, 2000, Stanley Schenker & Associates, Inc. filed a complaint against the Company in Superior Court, Judicial District of Stamford/Norwalk, Connecticut, relating to the termination of an Agency Agreement between the Company and Plaintiff. Plaintiff seeks compensatory damages and punitive damages in an unspecified amount, attorneys' fees, an accounting and a declaratory judgment. On December 15, 2000, the Company filed a motion to strike all the claims against it, with the exception of one count for breach of contract. This motion was granted as to two claims. On March 27, 2001, the Plaintiff filed a substituted complaint reasserting all counts against the Company. On April 11, 2001, the Company answered the substitute complaint. On February 27, 2002,

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the Company filed amended counterclaims and on June 19, 2002, the Company filed second amended counterclaims. Discovery in this case is currently ongoing. The Court has scheduled a trial date of March 2003. The Company believes that it has meritorious defenses and intends to defend the action vigorously. An unfavorable outcome of this suit may have a material adverse effect on its financial condition, results of operations or prospects.

In response to a demand letter from the William Morris Agency, Inc., the Company filed an action on October 2, 2000 in the United States District Court for the Southern District of New York seeking declaratory, legal and equitable relief relating to Defendant's improper claims for commissions on business opportunities with which it had no involvement. William Morris filed a counterclaim on February 1, 2001 alleging breach of contract and seeking to recover unspecified damages in the form of commissions allegedly owed. William Morris filed a motion to dismiss all non-contract claims against it. The Company also filed a motion to partially dismiss William Morris's counterclaims. By Order dated June 21, 2001, the court granted William Morris's motion to dismiss only with respect to the Company's claim for fraud and unfair trade practices; William Morris's motion to dismiss was denied with respect to the remaining counts of the Company's complaint. In expert testimony, William Morris submitted an expert report claiming damages in excess of \$40,000. Discovery is closed. On June 14, 2002, William Morris filed a motion for summary judgment on all claims against it. The Company believes that it has a meritorious defense to William Morris's counterclaim and intends to defend the action vigorously. An unfavorable outcome of this suit may have a material adverse effect on its financial condition, results of operations or prospects.

On October 19, 2001, the Company was served with a complaint by Marvel Enterprises, Inc. in the Superior Court of Fulton County, Georgia alleging that the Company breached the terms of a license agreement regarding the rights to manufacture and distribute toy action figures of various wrestling characters that perform under the "World Championship Wrestling" or "WCW" tradenames. The plaintiff seeks damages and a declaration that the agreement is in force and effect. The Company filed its Answer on November 19, 2001. The Company has denied liability and is contesting the claims. The Complaint also named as a defendant Universal Wrestling Corp. ("Universal, Inc."), formerly known as World Championship Wrestling, Inc. Due to a conflict between Universal, Inc. and plaintiff's counsel, by agreement of the parties Universal, Inc. was dismissed from the suit. On December 28, 2001, the plaintiff commenced a separate action against Universal, Inc., filed in the same court as a related action to the suit pending against the Company. The Company is currently reviewing whether it may have any indemnification obligations to Universal, Inc. in connection with the Company's purchase of certain assets of World Championship Wrestling, Inc. On December 14, 2001, the Company filed a motion to dismiss all claims against it. That motion was denied on March 14, 2002. Discovery in the case is ongoing and the parties are in discussions regarding an extension of fact discovery. An unfavorable outcome of



this suit may have a material adverse effect on the Company's financial condition, results of operations or prospects.

On December 5, 2001, a purported class action Complaint was filed against the Company asserting claims for alleged violations of the federal securities laws. Also named as defendants in this suit were Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith, Incorporated, Credit Suisse First Boston Corporation, WIT Capital Corporation, Donaldson, Lufkin & Jenrette Securities Corporation, Chase H&Q (Hambrecht & Quist LLC) (collectively, the "Underwriter Defendants"), Vincent K. McMahon, Linda E. McMahon and August J. Liguori (collectively, the "Individual Defendants"). The Complaint alleges, *inter alia*, (i) claims under Section 11 of the Securities Act against all defendants, (ii) claims under Section 12(2) of the Securities Act against the Underwriter Defendants, (iii) claims

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under Section 15 of the Securities Act against the Company and the Individual Defendants, (iv) claims under Section 10(b) of the Exchange Act and Rule 10(b)(5) against all defendants, and (v) claims under Section 20(a) of the Exchange Act against the Individual Defendants. According to the allegations of the Complaint, the Underwriter Defendants allegedly engaged in manipulative practices by, *inter alia*, pre-selling allotments of shares of the Company's stock in return for undisclosed, excessive commissions from the purchasers and/or entering into after-market tie-in arrangements which allegedly artificially inflated the Company's stock price. The plaintiff further alleges that the Company knew or should have known of such unlawful practices. As relief, the Complaint seeks (i) a ruling that the suit is properly maintainable as a class action, (ii) unspecified class damages and statutory compensation against all defendants, jointly and severally, (iii) an award of attorneys' fees and costs, and (iv) such other relief as the court deems proper. The Company denies all allegations against it, believes that it has meritorious defenses on plaintiffs' claims, and intends to defend this action vigorously. The Company understands that nearly 1,000 suits with similar claims and/or allegations have been filed over the past couple of years against companies which have gone public in that general time period. All of these claims have been consolidated before the same judge in the United States District Court for the Southern District of New York. The Company is a part of a motion to dismiss filed on behalf of all issuers on July 15, 2002. The Company cannot at this time predict the likely outcome of this litigation.

The Company is not currently a party to any other material legal proceedings. However, the Company is involved in several other suits and claims in the ordinary course of business, and the Company may from time to time become a party to other legal proceedings arising in the ordinary course of doing business.

### 13. Stockholders' Equity

On October 15, 1999, the Company filed an amended and restated certificate of incorporation which, among other things, authorized 60,000,000 shares of new Class B common stock, par value \$.01 per share, reclassified each outstanding share of World Wrestling Entertainment, Inc. common stock into 566,670 shares of Class B common stock, authorized 180,000,000 shares of new Class A common stock, par value \$.01 per share, and authorized 20,000,000 shares of preferred stock, par value \$.01 per share. In October 1999, the Company sold 11,500,000 shares of its Class A common stock to the public at an initial offering price of \$17.00 per share. The net proceeds to the Company generated from the offering were approximately \$179,323 after deducting commissions, fees and expenses. Class B common stock is fully convertible into Class A common stock, on a one for one basis, at any time at the option of the holder. The two classes are entitled to equal per share dividends and distributions and vote together as a class with each share of Class B entitled to ten votes and each share of Class A entitled to one vote, except when separate class voting is required by applicable law. If, at any time, any shares of Class B common stock are beneficially owned by any person other than Vincent McMahon, Linda McMahon, any descendant of either of them, any entity which is wholly owned and is controlled by any combination of such persons or any trust, all the beneficiaries of which are any combination of such persons, each of those shares will automatically convert into shares of Class A common stock.

On June 12, 2000, NBC purchased approximately 2.3 million newly issued shares of the Company's Class A common stock at \$13 per share for a total investment of \$30,000. As a result of the stock purchase, the Company recorded a non-cash charge of \$10,673 which was being amortized over 30 months. Amortization of \$3,699 during fiscal 2001 was reflected in Discontinued Operations. As a result of the Company's decision to discontinue operations of the XFL, the Company wrote-off the

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remaining unamortized asset of \$6,974 which was also reflected in Discontinued Operations. In May 2002, the Company repurchased these shares from NBC for \$27,692. The Company will classify these shares as Treasury Stock in its Consolidated Balance Sheet.

On July 28, 2000, Viacom Inc. ("Viacom") purchased approximately 2.3 million newly issued shares of the Company's Class A common stock at \$13 per share for a total investment of \$30,000. In conjunction with the agreement to sell the stock, the Company recorded a fiscal 2000 non-cash charge of \$9,310 (\$5,660, net of taxes.)

In August 2001, the Company repurchased 100,000 shares of its Class A common stock at an average price per common share of approximately \$11.39, totaling approximately \$1,139.

In August 2001, Invemed Catalyst Fund, L.P. purchased 1,886,793 shares of Class A common stock from Vincent K. McMahon, Chairman of the Company, in a private transaction. As part of the transaction, the Board of Directors of the Company appointed Michael B. Solomon, Managing Principal of Gladwyne Partners, LLC, a general partner of the Invemed Catalyst Fund, to serve on the Board of the Company.

On April 30, 2002 and 2001, the Company had 54,780,207 and 56,667,000 shares, respectively, of Class B common stock and 18,084,177 and 16,265,384 shares, respectively, of Class A common stock outstanding.

In July 1999, the Company adopted the 1999 Long-Term Incentive Plan ("LTIP"), which became effective with the Offering. The LTIP provides for grants of options as incentives and rewards to encourage employees, directors, consultants and performers in the long-term success of the Company. The LTIP provides for grants of options to purchase shares at a purchase price equal to the fair market value on the date of the grant. The options expire 10 years after the date of the grant and are generally exercisable in installments beginning one year from the date of the grant. The LTIP also provides for the grant of other forms of equity based incentive awards as determined by the Compensation Committee of the Board of Directors. The total number of shares reserved for issuance under the LTIP are 10,000,050, of which 6,253,600 stock options were outstanding under the LTIP as of April 30, 2002. Of these options, 1,172,000 were granted to independent contractors consisting primarily of the Company's performers. With respect to the options granted to independent contractors, the Company accounted for the equity instrument grants in accordance with SFAS No. 123, "Accounting for Stock Based Compensation" and with Emerging Issues Task Force Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees For Acquiring, or in Conjunction with Selling, Goods or Services" and as a result recorded a charge of \$1,092 (of which, \$332 was included in Discontinued Operations) and \$6,020 for the fiscal years ended April 30, 2001 and 2000, respectively. The options granted to employees have been accounted for in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

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Presented below is a summary of the LTIP's activity for the period commencing with the date of the Offering through the fiscal year ended April 30, 2002.

	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Options granted at Offering	5,400,500	\$ 17.00
Options granted subsequent to the Offering	45,000	\$ 17.00
Options canceled	(97,000)	\$ 17.00
	<hr/>	<hr/>
Options outstanding at April 30, 2000	5,348,500	\$ 17.00
Options granted	1,666,200	\$ 14.42
Options canceled	(194,000)	\$ 17.00
Options exercised	(150,000)	\$ 17.00
	<hr/>	<hr/>
Options outstanding at April 30, 2001	6,670,700	\$ 16.36
Options granted	5,000	\$ 13.82
Options canceled	(390,100)	\$ 16.20
Options exercised	(32,000)	\$ 12.94
	<hr/>	<hr/>
Options outstanding at April 30, 2002	6,253,600	\$ 16.40
	<hr/>	
Options available for future grants at April 30, 2002	3,564,450	

The number of options exercisable as of April 30, 2002, 2001 and 2000 were 3,618,735, 1,832,743 and 621,100, respectively. The following table summarizes information for options outstanding and exercisable as of April 30, 2002:

<u>Range of Exercise Prices</u>	<u>Number of Options Outstanding</u>	<u>Weighted Average Remaining Life</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Options Exercisable</u>	<u>Weighted Average Exercise Price</u>
\$ 12.94-\$21.25	6,253,600	7.8 years	\$ 16.40	3,618,735	\$ 16.86

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## Pro Forma Fair Value Disclosures

The fair value of options granted to employees, which is amortized to expense over the option vesting period in determining the pro forma impact, is estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

	April 30,		
	2002	2001	2000
Expected life of option	3 years	3 years	3 years
Risk-free interest rate	3.4%	4.5%	5.5%
Expected volatility of the Company's common stock	67%	71%	44%
	2002	2001	2000
Weighted average fair value per share of each option granted to employees	\$ 6.48	\$ 7.21	\$ 6.04
Total number of options granted to employees	5,000	1,481,200	4,458,500
Total fair value of all options granted to employees	\$ 32	\$ 10,677	\$ 26,929

Had compensation expense for the Company's stock options been recognized based on the fair value on the grant date under the methodology prescribed by SFAS No.123, the Company's income from continuing operations and basic and diluted earnings from continuing operations per common share for the fiscal years ended April 30, 2002, 2001 and 2000 would have been impacted as shown in the following table:

	2002	2001	2000
Reported income from continuing operations	\$ 37,595	\$ 62,897	\$ 59,577
Pro forma income from continuing operations	\$ 32,202	\$ 54,809	\$ 53,708
Reported basic and diluted earnings from continuing operations per common share	\$ 0.52	\$ 0.87	\$ 0.95
Pro forma basic and diluted earnings from continuing operations per common share	\$ 0.44	\$ 0.76	\$ 0.85

In accordance with SFAS No.123, the weighted average fair value of stock options granted to employees was based on a theoretical statistical model using assumptions. In actuality, because the Company's stock options are not traded on any exchange, employees can receive no value nor derive any benefit from holding stock options under these plans without an increase in market price of the World Wrestling Entertainment, Inc. common stock. Such an increase in stock price would benefit all stockholders commensurately.

## 14. Employee Benefit Plans

The Company sponsors a 401(k) defined contribution plan covering substantially all employees. Under this plan, participants are allowed to make contributions based on a percentage of their salaries, subject to a statutorily prescribed annual limit. The Company makes matching contributions of 50 percent of each participant's contributions, up to 6 percent of eligible compensation (maximum 3% matching contribution). The Company may also make additional discretionary contributions to the

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401(k) plan. The Company's expense for matching contributions and additional discretionary contributions to the 401(k) plan was \$705, \$635 and \$1,082 during fiscal 2002, 2001 and 2000, respectively.

During fiscal 1999 the Company created its Money Purchase Plan. Under this plan, the Company made a contribution to each participant's account based upon a formula as prescribed by the plan document. The Company's expense under the Money Purchase Plan was \$1,434 during fiscal 2000. The Money Purchase plan was terminated during fiscal 2001 and assets associated with the Money Purchase Plan were transferred into the Company's 401(k) plan.

## 15. Related Party Transactions

The Company expensed \$2 in fiscal 2000 in travel related costs and management fees paid to a travel agency, which is owned by the chief

executive officer of the Company. There were no such transactions in fiscal 2002 and 2001.

A management fee was paid in return for the travel agency's overall management of the Company's travel planning requirements. The amount receivable from the travel agency at April 30, 2001 was \$332 which arose from transactions conducted in the normal course of business. This receivable was paid in full in fiscal 2002.

In August 2001, Invemed Catalyst Fund, L.P. ("Invemed") purchased 1,886,793 shares of Class A common stock from Vincent K. McMahon, Chairman of the Company, in a private transaction. As part of the transaction, the Board of Directors of the Company appointed Michael B. Solomon, Managing Principal of Gladwyne Partners, LLC, a general partner of the Invemed Catalyst Fund, to serve on the Board of the Company. In addition, the Company entered into a Registration Rights Agreement pursuant to which it registered shares of Class A common stock owned by Invemed with the Securities and Exchange Commission and agreed to indemnify Invemed against certain liabilities, including liabilities under the Securities Act of 1933.

A member of the Company's board of directors also was an independent contractor engaged by the Company during fiscal 2002, 2001 and 2000. In fiscal 2002 and 2001 this director received \$60 for his services as an independent contractor. For the period commencing May 1, 1999 to the date of the Offering, this director received \$63 for his services and for the period subsequent to the Offering through April 30, 2000, this director received \$38.

The Company had a receivable from Shane Distribution Co. in the amount of \$307 at April 30, 2001. This receivable was paid in full in fiscal 2002. Shane Distribution Co. is a movie distribution company owned by the chairman of the Company.

For the fiscal year ended April 30, 2000, the Company made S Corporation distributions to its sole stockholder of \$67,476. Of the \$67,476 distributed in fiscal 2000, \$40,412 related to the payment of taxes by its then sole stockholder for S Corporation earnings of the Company.

On April 10, 2000, in connection with the payment of the outstanding balance of a note payable to its then sole stockholder, the Company paid \$1,127 of interest on a \$32,000 note payable to its then sole stockholder.

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## 16. Segment Information

The Company's continuing operations are currently conducted within two reportable segments, live and televised entertainment and branded merchandise. The live and televised entertainment segment consists of live events, television programming and pay per view programming. The branded merchandise segment includes consumer products sold through third party licensees and the marketing and sale of merchandise, magazines and home videos, and the operations from the Company's entertainment complex. The results of operations for the XFL are not included in the segment reporting as they are classified separately as discontinued operations in the consolidated financial statements (See Note 19). The Company does not allocate corporate overhead to each of the segments and as a result, corporate overhead is a reconciling item in the table below. Included in the Corporate operating loss for the fiscal years ended April 30, 2001 and 2000 was stock option and other non-cash charges of \$760 and \$15,330, respectively. There are no intersegment revenues. Revenues derived from sales outside of North America were approximately \$31,400, \$22,100 and \$9,000 for the fiscal years ended April 30, 2002, 2001 and 2000, respectively. The table presents information about the financial results of each segment for the fiscal years ended April 30, 2002, 2001 and 2000 and assets as of April 30, 2002 and 2001. Unallocated assets consist primarily of cash, short-term investments, real property and other investments.

	April 30,		
	2002	2001	2000
<b>Net revenues:</b>			
Live and televised entertainment	\$ 323,458	\$ 335,668	\$ 265,485
Branded merchandise	101,568	120,375	113,825
Total net revenues	<u>\$ 425,026</u>	<u>\$ 456,043</u>	<u>\$ 379,310</u>
<b>Depreciation and Amortization:</b>			
Live and televised entertainment	\$ 3,205	\$ 2,839	\$ 1,333
Branded merchandise	2,939	2,444	—
Corporate	6,969	1,897	1,211
Total depreciation and amortization	<u>\$ 13,113</u>	<u>\$ 7,180</u>	<u>\$ 2,544</u>

**Operating Income (Loss):**

Live and televised entertainment	\$ 113,924	\$ 131,385	\$ 94,672
Branded merchandise	12,920	26,442	41,340
Corporate (including fiscal 2001 and 2000 stock option and other non-cash charges of \$760 and \$15,330, respectively)	(84,720)	(72,846)	(66,651)
	<u>          </u>	<u>          </u>	<u>          </u>
Total operating income	\$ 42,124	\$ 84,981	\$ 69,361
	<u>          </u>	<u>          </u>	<u>          </u>

**Assets:**

Live and televised entertainment	\$ 78,799	\$ 86,700
Branded merchandise	51,540	49,596
Unallocated	357,102	306,796
	<u>          </u>	<u>          </u>
Total assets	\$ 487,441	\$ 443,092
	<u>          </u>	<u>          </u>

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**17. Financial Instruments and Off-Balance Sheet Risk**

*Concentration of Credit Risk* —Financial instruments, which potentially subject the Company to concentrations of credit risk, are principally bank deposits, short-term investments and accounts receivable. Cash and cash equivalents are deposited with high credit quality financial institutions. Short-term investments principally consist of AAA or AA rated instruments. Mortgage-backed securities consist of agency rated instruments. Except for receivables from cable companies related to pay-per-view events, concentrations of credit risk with respect to trade receivables are limited due to the large number of customers. A significant portion of trade receivables for pay-per-view events is received from the Company's pay-per-view administrator, who collects and remits payments to the Company from individual cable system operators. The Company performs ongoing evaluations of its customers' financial condition, including its pay-per-view administrator, and monitors its exposure for credit losses and maintains allowances for anticipated losses.

*Fair Value of Financial Instruments* —The carrying amounts of cash, cash equivalents, short-term investments, accounts receivable and accounts payable approximate fair value because of the short-term nature, and maturity of such instruments. The carrying amount of the Company's long-term debt approximates fair value as the interest rates on the debt approximate market rates. In addition, the Company has received warrants from four publicly traded companies with whom it has either licensing or television agreements. The fair value of these warrants at the date of receipt is being recognized as revenues over the respective license or television periods. The estimated fair value of such warrants was \$7 and \$7,259 at April 30, 2002 and 2001, respectively (see Note 5).

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**18. Quarterly Financial Summaries (unaudited)**

	<u>1<sup>st</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>4<sup>th</sup> Quarter</u>
<b>2002</b>				
Net revenues	\$ 90,669	\$ 98,208	\$ 100,232	\$ 135,917
Gross profit	\$ 32,403	\$ 35,373	\$ 37,484	\$ 59,548
Income from continuing operations	\$ 11,992	\$ 4,841	\$ 4,792	\$ 15,970
Income from discontinued operations(1)	\$ —	\$ —	\$ 4,638	\$ —
Net income	\$ 11,992	\$ 4,841	\$ 9,430	\$ 15,970
Earnings per common share: basic and diluted				
Continuing Operations	\$ 0.16	\$ 0.07	\$ 0.07	\$ 0.22
Discontinued Operations	\$ —	\$ —	\$ 0.06	\$ —
Net income	\$ 0.16	\$ 0.07	\$ 0.13	\$ 0.22
<b>2001</b>				
Net revenues	\$ 101,861	\$ 111,880	\$ 111,194	\$ 131,108
Gross profit	\$ 45,799	\$ 49,338	\$ 46,172	\$ 55,734

Income from continuing operations	\$	16,256	\$	12,375	\$	17,230	\$	17,036
Loss from discontinued operations(2)	\$	(1,017)	\$	(2,902)	\$	(5,547)	\$	(37,444)
Net income (loss)	\$	15,239	\$	9,473	\$	11,683	\$	(20,408)
Earnings (loss) per common share: basic and diluted								
Continuing Operations	\$	0.23	\$	0.17	\$	0.24	\$	0.23
Discontinued Operations	\$	(0.01)	\$	(0.04)	\$	(0.08)	\$	(0.51)
Net income (loss)	\$	0.22	\$	0.13	\$	0.16	\$	(0.28)

- (1) —For the third quarter fiscal 2002, the Company's discontinued operations reflect the reversal of shutdown reserves that were no longer required and the recognition of certain tax benefits.
- (2) —Fiscal 2001 reflects the Company's share, net of applicable tax benefits, of the start-up costs, results of operations and estimated shutdown costs of its discontinued professional football league, the XFL.

## 19. Discontinued Operations

During fiscal 2002, as a result of the reversal of shutdown reserves that were no longer required and the recognition of certain tax benefits, the Company recorded income from discontinued operations of \$4,638, net of minority interest and taxes. The remaining shutdown liabilities consist primarily of contractual labor of \$88, workers compensation and severance costs of \$4,180 and medical and other shutdown costs of \$860.

In early May 2001, the Company formalized its decision to discontinue operations of the XFL and, accordingly, reported XFL operating results and estimated shutdown costs as Discontinued Operations in the Consolidated Statements of Income. This decision was a culmination of management's analysis of the financial viability of the venture which commenced during the fourth quarter of fiscal 2001. Estimated shutdown costs consisted primarily of fixed asset and other asset impairment charges of \$9,600, contractual labor costs of \$8,400, lease costs of \$1,700, workers compensation and severance

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costs of \$5,400 and other shutdown costs of \$2,600. Of the charges noted above, \$18,362 was accrued as of April 30, 2001.

On June 12, 2000, NBC purchased approximately 2.3 million newly issued shares of the Company's Class A common stock at \$13 per share for a total investment of \$30,000. As a result of the stock purchase, the Company recorded a non-cash charge of \$10,673 which was being amortized over 30 months. Amortization of \$3,699 during fiscal 2001 was reflected in Discontinued Operations. As a result of the Company's decision to discontinue operations of the XFL, the Company wrote-off the remaining unamortized asset of \$6,974 which was also reflected in Discontinued Operations. In May 2002, the Company repurchased these shares from NBC for \$27,692 and will classify these shares as Treasury Stock in its Consolidated Balance Sheet as of the end of its first fiscal quarter of 2003.

The results of the XFL business, which has been classified separately as Discontinued Operations in the accompanying consolidated financial statements, are summarized as follows:

	Fiscal year ended April 30,		
	2002	2001	2000
Discontinued Operations:			
Loss from XFL operations, net of minority interest of \$42,940 for fiscal 2001 and applicable income tax benefits of \$17,679 and \$410 for fiscal 2001 and 2000, respectively	\$ —	\$ (31,293)	\$ (669)
Estimated income (loss) on shutdown of the XFL, net of minority interest of \$1,721 and \$13,907 and applicable income tax benefits of \$2,917 and \$5,265 for fiscal 2002 and 2001, respectively	4,638	(15,617)	—
Income (loss) from discontinued operations	\$ 4,638	\$ (46,910)	\$ (669)
	As of April 30,		
	2002	2001	

Assets:

Cash	\$ 3,907	\$ 2,007
Accounts receivable	—	19,456
Prepaid expenses	—	50
Inventory	—	150
Equipment	—	1,400
	<u>          </u>	<u>          </u>
Total Assets	\$ 3,907	\$ 23,063
	<u>          </u>	<u>          </u>
Liabilities:		
Accounts payable	39	9,103
Accrued expenses	5,089	36,225
Minority interest	(611)	(10,431)
	<u>          </u>	<u>          </u>
Total Liabilities	\$ 4,517	\$ 34,897
	<u>          </u>	<u>          </u>
Net Liabilities	\$ (610)	\$ (11,834)
	<u>          </u>	<u>          </u>

Assets of the discontinued operations are stated at their estimated net realizable value. Net revenues of the XFL, LLC were \$49,327 for the fiscal year ended April 30, 2001.

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## 20. Subsequent Event

On July 2, 2002, the Company prevailed in its defamation lawsuit against the Parents Television Council (the "PTC"), Brent Bozell III, et al. and has reached a settlement. As a result of this settlement, the Company will receive \$3,500 plus a public apology. The Company will reflect this settlement in its Consolidated Financial Statements for the first quarter of fiscal 2003.

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## SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS (Dollars In Thousands)

Description	Balance At Beginning of Period	Additions Charged to Costs and Expenses	Deductions(1)	Balance at End of Period
<b>For the Year Ended April 30, 2002</b>				
Allowance for doubtful accounts	\$ 1,868	\$ 1,057	\$ (35)	\$ 2,890
Inventory obsolescence reserve	457	3,886	(1,962)	2,381
<b>For the Year Ended April 30, 2001</b>				
Allowance for doubtful accounts	\$ 1,085	\$ 1,239	\$ (456)	\$ 1,868
Inventory obsolescence reserve	2,071	803	(2,417)	457
<b>For the Year Ended April 30, 2000</b>				
Allowance for doubtful accounts	\$ 972	\$ 355	\$ (242)	\$ 1,085
Inventory obsolescence reserve	1,530	1,174	(633)	2,071

(1) Deductions are comprised primarily of disposals of obsolete inventory, write-offs of specific bad debts and other adjustments.

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SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS (Dollars In Thousands)

**Exhibit 10.2(a)**

**AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT  
DATED OCTOBER 14, 1999**

This Amendment, dated as of May 1, 2002, to the Employment Agreement dated October 14, 1999, between World Wrestling Federation Entertainment, Inc. and Vincent K. McMahon (the "Agreement"), is hereby amended as follows:

1. Section 3 is hereby amended by deleting the number "\$1,000,000.00" and inserting in lieu thereof the number "\$1,085,000.00".
2. Section 4(b) is amended by removing the second sentence thereof.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date written above.

**WORLD WRESTLING FEDERATION  
ENTERTAINMENT, INC.**

By: /s/ AUGUST J. LIGUORI  
-----

Name: AUGUST J. LIGUORI  
-----

Title: CFO  
-----

/s/ VINCENT K. MCMAHON  
-----

Vincent K. McMahon

- and -

By: /s/ LOWELL P. WEICKER, JR.  
-----

Lowell P. Weicker, Jr.  
Chairman, Compensation Committee



**Exhibit 10-6**

**WORLD WRESTLING ENTERTAINMENT, INC.  
EMPLOYEE STOCK PURCHASE PLAN**

1. **PURPOSE.** The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries an opportunity to purchase Class A Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. **DEFINITIONS.**

a. "Board" shall mean the Board of Directors of the Company.

b. "Code" shall mean the Internal Revenue Code of 1986, as amended.

c. "Committee" shall mean the Compensation Committee of the Board, or any successor thereto, or if no such committee exists, the Board.

d. "Common Stock" shall mean the Class A common stock, par value \$.01 per share, of the Company.

e. "Company" shall mean World Wrestling Entertainment, Inc., a Delaware corporation, and any Designated Subsidiary of the Company.

f. "Compensation" shall mean all base straight time gross earnings, exclusive of payments for overtime, shift premium, commissions, incentive compensation, incentive payments, bonuses and other compensation.

g. "Designated Subsidiary" shall mean any Subsidiary which has been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

h. "Employee" shall mean any individual who is an employee of the Company or a Designated Subsidiary subject to payroll tax withholding and whose customary employment with the Company or Designated Subsidiary is at least twenty (20) hours per week and more than five (5) months in any calendar year. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company. Where the period of leave exceeds 90 days and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

i. "Enrollment Date" shall mean the first day of each Offering Period.

j. "Exercise Date" shall mean the last day of each Offering Period.

k. "Fair Market Value" shall mean, as of any date, the value of Common Stock determined as follows:

(1) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the NASDAQ National Market or The NASDAQ SmallCap Market of The NASDAQ Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day on the date of such determination, as reported in The Wall Street Journal or such other source as the Board deems reliable, or;

(2) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for the Common Stock on the date of such determination, as reported in The Wall Street Journal or such other source as the Board deems reliable, or;

(3) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

l. "Offering Period" shall mean successive periods of approximately six (6) months during which an option granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after each January 15 and July 15 and terminating on the last Trading Day in the period ending the following July 14 and January 14, respectively. The duration of Offering Periods may be changed pursuant to Section 4 of this Plan.

m. "Plan" shall mean this Employee Stock Purchase Plan, as it may be amended from time to time.

n. "Purchase Price" shall mean an amount equal to 85% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; PROVIDED, HOWEVER, that the Purchase Price may be adjusted by the Board pursuant to Section 19.

o. "Reserves" shall mean the number of shares of Common Stock covered by each option under the Plan which have not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but not yet placed under option.

p. "Subsidiary" shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

q. "Trading Day" shall mean a day on which national stock exchanges and the NASDAQ System are open for trading.

### 3. ELIGIBILITY.

- a. Any Employee who shall be employed by the Company or a Designated Subsidiary on the first Enrollment Date or any Employee hired after the first Enrollment Date who has at least six months service to the Company or Designated Subsidiary on a given Enrollment Date shall be eligible to participate in the Plan.
- b. Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan to the extent that, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Subsidiary.

4. OFFERING PERIODS. The Plan shall be implemented by consecutive Offering Periods. The Board shall have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without stockholder approval if such change is announced at least five (5) days prior to the scheduled beginning of the first Offering Period to be affected thereafter.

### 5. PARTICIPATION.

- a. An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in a form provided by the Company and filing it with the Company's Human Resources Department at least ten business days prior to the applicable Enrollment Date.
- b. Payroll deductions for a participant shall commence on the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 10 hereof.

### 6. PAYROLL DEDUCTIONS.

- a. Subject to the limitations of Section 7, at the time a participant files his or her subscription agreement, he or she shall elect to have specified dollar (in increments of \$5.00) payroll deductions made on each payday during the Offering Period in an amount not exceeding ten percent (10%) of the participant's Compensation received on each pay day during the Offering Period.
- b. All payroll deductions made for a participant shall be credited to his or her account under the Plan. A participant may not make any additional payments into such account. No interest shall accrue on the payroll deductions of a participant in the Plan.
- c. A participant may discontinue his or her participation in the Plan as provided in Section 10, or may increase or decrease the rate of his or her payroll deductions at the end of any Offering Period by completing or filing with the Company a new subscription agreement authorizing a change in payroll deduction rate at least ten

business days prior to the Enrollment Date on which the change will take effect. The change in rate shall be effective with the new Enrollment Period. A participant's subscription agreement shall remain in effect for successive Offering Periods unless changed pursuant to this Section 6 (c) or terminated as provided in Section 10.

d. Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 7 of the Plan, a participant's payroll deductions may be decreased to zero percent (0%) at any time during an Offering Period. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Offering Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10.

e. At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the participant's Compensation or other pay the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Employee.

7. GRANT OF OPTION. On the Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on the Exercise Date of such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such Employee's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's account as of the Exercise Date by the applicable Purchase Price; PROVIDED, HOWEVER, that (i) no Employee shall be granted an option permitting his or her rights to purchase Common Stock under all employee stock purchase plans of the Company and its Subsidiaries to accrue at a rate which exceeds twenty-five thousand dollars (\$25,000) of the Fair Market Value of the Common Stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time; and (ii) that any purchase of Common Stock under the Plan shall be subject to the limitations set forth in Section 3(b). Exercise of the option shall occur as provided in Section 8, unless the participant has withdrawn from participation in the Plan pursuant to Section 10. The Option shall expire on the last day of the Offering Period.

8. EXERCISE OF OPTION. Unless a participant withdraws from the Plan as provided in Section 10, his or her option for the purchase of shares shall be exercised automatically on the Exercise Date, and the maximum number of full shares subject to such option shall be purchased for that participant at the applicable Purchase Price with the accumulated payroll deductions in his or her account. No fractional shares shall be purchased; any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full share shall be retained in the participant's account for the subsequent Offering Period, subject to earlier withdrawal by the participant as provided in Section 10. Any other monies left over in a participant's account after the Exercise Date shall be

returned to the participant. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

9. DELIVERY. As promptly as practicable after each Exercise Date on which a purchase of shares occurs, the Company shall arrange the delivery to each participant, as appropriate, the shares purchased upon exercise of his or her option. Shares to be delivered to a participant under the Plan shall be registered in the name of the broker appointed by the Committee from time to time (the "Broker") to administer the Plan for the beneficial ownership of the participant or the participant and his or her spouse. The Company may utilize electronic or automated methods of share transfer. The Company may require that shares be retained with such broker or agent for a designated period of time and/or may establish other procedures to permit tracking of disqualifying dispositions of such shares and to permit orderly disposition of shares by more than one participant. No participant shall have any voting, dividend, or other stockholder rights with respect to shares subject to any option granted under the Plan until the shares subject to the option have been purchased and delivered to the participant as provided in this Section 9.

#### 10. WITHDRAWAL.

a. A participant may withdraw all but not less than all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in a form provided by the Company. All of the participant's payroll deductions credited to his or her account shall be paid to such participant as soon as administratively practicable after receipt of notice of withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. If a participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement at least ten business days before the beginning of such succeeding Offering Period.

b. A participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

11. TERMINATION OF EMPLOYMENT. Upon a participant's ceasing to be an Employee for any reason, he or she shall be deemed to have elected to withdraw from the Plan and the payroll deductions credited to such participant's account during the Offering Period but not yet used to exercise the option shall be returned to such participant or, in the case of his or her death, to the person or persons entitled thereto under Section 15, and such participant's option shall be automatically terminated.

12. STOCK. Subject to adjustment upon changes in capitalization of the Company as provided in Section 19, the maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be two million (2,000,000) shares. If, on a given Exercise Date, the number of shares with respect to

which options are to be exercised exceeds the number of shares then available under the Plan, the Company shall make a pro rata allocation of the shares remaining available for purchase in as uniform a manner as shall be practicable and as it shall determine to be equitable.

13. **ADMINISTRATION.** The Plan shall be administered by the Committee. The Committee shall have full power, discretion and authority to promulgate any rules and regulations which it deems necessary for the proper administration of the Plan, to interpret the provisions and supervise the administration of the Plan, to make factual determinations relevant to Plan entitlements, to take all action in connection with administration of the Plan as it deems necessary or advisable and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Committee shall, to the full extent permitted by law, be final and binding upon all parties.

14. **DESIGNATION OF BENEFICIARY.**

a. A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to exercise of the option.

b. Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

15. **TRANSFERABILITY.** Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 14) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10.

16. **USE OF FUNDS.** All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

17. REPORTS. Individual accounts shall be maintained for each participant in the Plan. Statements of account shall be given to participating Employees at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

18. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, DISSOLUTION, LIQUIDATION, MERGER OR ASSET SALE.

a. If after the grant of an option, but prior to the purchase of Common Stock under the option, there is any increase or decrease in the number of outstanding shares of Common Stock because of a stock split, stock dividend, combination or recapitalization of shares subject to options or any other similar change in the Company's capitalization, the number of shares to be purchased pursuant to an option, the price per share of Common Stock covered by an option and the maximum number of shares specified in Section 12 shall be appropriately adjusted by the Board, and the Board shall take any further actions which, in the exercise of its discretion, may be necessary or appropriate under the circumstances. The Board's determinations under this Section 18 shall be conclusive and binding on all parties.

b. In the event of stockholder approval of a liquidation or dissolution of the Company, the current Offering Period will terminate immediately, unless otherwise provided by the Board in its sole discretion, and all outstanding options shall automatically terminate and the amounts of all payroll deductions will be refunded without interest to the Participants.

c. In the event of a sale of all or substantially all of the assets of the Company or the merger or consolidation of the Company with or into another corporation, then, in the sole discretion of the Board, (1) each option shall be assumed or an equivalent option shall be substituted by the successor corporation or parent or subsidiary of such successor corporation, (2) a date established by the Board on or before the date of consummation of such merger, consolidation or sale shall be treated as a Purchase Date, and all outstanding options shall be exercised on such date, or (3) all outstanding options shall terminate and the accumulated payroll deductions will be refunded without interest to the Participants.

19. AMENDMENT OR TERMINATION.

a. The Board of Directors of the Company may at any time and for any reason terminate or amend the Plan. Except as provided in Section 18, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Board of Directors on any Exercise Date if the Board determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its stockholders. Except as provided in Section 18 and Section 19, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Section 423 of the Code (or any other applicable law, regulation or stock exchange rule), the Company shall obtain stockholder approval of any amendment or termination of the Plan in such a manner and to such a degree as required.

b. Without stockholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Board (or the Committee) shall be entitled to change the Offering Periods, establish the exchange ratio applicable to amounts withheld in a currency other than U. S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board (or the Committee) determines in its sole discretion advisable which are consistent with the Plan.

c. In the event the Board determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board may, in its discretion and to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

- (1) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;
- (2) shortening any Offering Period so that the Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Board action; and
- (3) allocating shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan participants.

20. NOTICES. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

#### 21. CONDITIONS UPON ISSUANCE OF SHARES.

a. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto complies with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

b. As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention



to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

22. TERM OF PLAN. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the stockholders of the Company. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 19.

**Exhibit 10.10**

**REGISTRATION RIGHTS AGREEMENT**

by and between

**INVEMED CATALYST FUND, L.P.**

and

**WORLD WRESTLING FEDERATION ENTERTAINMENT, INC.**

**Dated August 30, 2001**

REGISTRATION RIGHTS AGREEMENT (the "AGREEMENT") dated August 30, 2001 by and between Invemed Catalyst Fund, L.P., a Delaware limited partnership ("ICF") and World Wrestling Federation Entertainment, Inc., a Delaware corporation (the "COMPANY").

**WITNESSETH:**

WHEREAS, ICF and Vincent K. McMahon in his capacity as trustee on behalf of the Vincent K. McMahon Irrevocable Trust (the "SELLER") has entered into a Stock Purchase Agreement, dated as of the date hereof (such Stock Purchase Agreement, as amended or otherwise modified from time to time, the "PURCHASE AGREEMENT"), pursuant to which the Seller has sold, and ICF has purchased 1,886,793 shares of Class A Common Stock, par value \$0.01 per share, of the Company (the "COMMON SHARES").

WHEREAS, in order to induce ICF to enter into the Stock Purchase Agreement, the board of directors of the Company has authorized and approved the grant by the Company of certain registration rights in respect of the Registrable Securities (as defined below) on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

**ARTICLE I  
DEFINITIONS**

As used in this Agreement, the following terms shall have the following meanings:

"AFFILIATE" shall mean (i) with respect to any Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person, which shall be deemed to include for ICF, any general or limited partner or member of ICF, and (ii) with respect to any individual, shall also mean

the spouse, sibling, child, stepchild, grandchild, niece, nephew or parent of such Person, or the spouse thereof.

"BLACKOUT NOTICE" shall have the meaning set forth in Section 2.6.

"BLACKOUT PERIOD" shall have the meaning set forth in Section 2.6.

"COMMON SHARES" shall have the meaning set forth in the recitals hereto.

"COMPANY" shall have the meaning set forth in the preamble.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations thereunder, or any successor statute.

"HOLDERS" shall mean the Initial Holder and any of its Affiliates (for so long as any such Person remains an Affiliate), for so long as they own any Registrable Securities and such of its respective successors and permitted assigns (including any permitted transferees of Registrable Securities) who acquire or are otherwise the transferee of Registrable Securities, directly or indirectly, from such Initial Holder (or any subsequent Holder), for so long as such successors and permitted assigns own any Registrable Securities.

"HOLDERS' COUNSEL" shall mean legal counsel representing the Holders of Registrable Securities participating in such registration.

"INCIDENTAL REGISTRATION" shall mean a registration required to be effected by the Company pursuant to Section 2.1.

"INCIDENTAL REGISTRATION STATEMENT" shall mean a registration statement of the Company which covers the Registrable Securities requested to be included therein pursuant to the provisions of Section 2.1 and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference (or deemed to be incorporated by reference) therein.

"INITIAL HOLDER" shall mean ICF.

"INSPECTORS" shall have the meaning set forth in Section 4.1(g).

"MAJORITY HOLDERS" shall mean one or more Holders of Registrable Securities who would hold a majority of the Registrable Securities then outstanding.

"MAJORITY HOLDERS OF THE REGISTRATION" shall mean, with respect to a particular registration, one or more Holders of Registrable Securities who would hold a majority of the Registrable Securities to be included in such registration.

"NASD" shall mean the National Association of Securities Dealers, Inc.

"PERSON" shall mean any individual, firm, partnership, corporation, trust, joint venture, association, joint stock company, limited liability company, unincorporated organization or any other entity or organization, including a government or agency or political subdivision thereof, and shall include any successor (by merger or otherwise) of such entity.

"PROSPECTUS" shall mean the prospectus included in a Registration statement (including, without limitation, any preliminary prospectus and any prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), and any such Prospectus as amended or supplemented by any prospectus supplement, and all other amendments and supplements to such Prospectus, including post-effective amendments, and in each case including all material incorporated by reference (or deemed to be incorporated by reference) therein.

"RECORDS" shall have the meaning set forth in Section 4.1(g).

"REGISTRABLE SECURITIES" shall mean (i) the Common Shares sold pursuant to the Purchase Agreement and (ii) any other securities of the Company (or any successor or assign of the Company, whether by merger, consolidation, sale of assets or otherwise) which may be issued or issuable with respect to, in exchange for, or in substitution of, the Registrable Securities referenced in clause (i) above by reason of any dividend or stock split, combination of shares, merger, consolidation, recapitalization, reclassification, reorganization, sale of assets or similar transaction and (iii) any other Common Shares now owned. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (A) a registration statement with respect to the sale of such securities shall have been declared effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (B) such securities have been otherwise transferred, a new certificate or other evidence of ownership for them not bearing the legend restricting further transfer shall have been delivered by the Company and subsequent public distribution of them shall not require registration under the Securities Act, (C) such securities shall have ceased to be outstanding, or (D) such securities become eligible for sale under Rule 144(k) without any volume, manner of sale or other restrictions.

"REGISTRATION EXPENSES" shall mean any and all expenses incident to performance of or compliance with this Agreement by the Company and its subsidiaries, including, without limitation, (i) all SEC, stock exchange, NASD and other registration, listing and filing fees, (ii) all fees and expenses incurred in connection with compliance with state securities or blue sky laws and compliance with the rules of any stock exchange (including fees and disbursements of counsel in connection with such compliance and the preparation of a blue sky memorandum and legal investment survey), (iii) all expenses of any Persons retained by the Company in preparing or assisting in preparing, word processing, printing, distributing, mailing and delivering any Registration Statement, any Prospectus, any underwriting agreements, transmittal letters, securities sales agreements, securities certificates and other documents relating to the

performance of or compliance with this Agreement, (iv) the fees and disbursements of counsel for the Company, (v) the fees and disbursements of all independent public accountants (including the expenses of any audit and/or "cold comfort" letters) and the fees and expenses of other Persons, including experts, retained by the Company, (vi) the expenses incurred in connection with making road show presentations and holding meetings with potential investors to facilitate the distribution and sale of Registrable Securities which are customarily borne by the issuer, (vii) any fees and disbursements of underwriters customarily paid by issuers, and (viii) premiums and other costs of policies of insurance purchased by the Company as designated by the Board of Directors of the Company against liabilities arising out of the public offering of the Registrable Securities being registered; provided, however, Registration Expenses shall not include discounts and commissions payable to underwriters, selling brokers, dealer managers or other similar Persons engaged in the distribution of any of the Registrable Securities or the fees and disbursements of Holders' Counsel; and provided, further, that in any case where Registration Expenses are not to be borne by the Company, such expenses shall not include salaries of Company personnel or general overhead expenses of the Company, auditing fees, premiums or other expenses relating to liability insurance required by underwriters of the Company or other expenses for the preparation of financial statements or other data normally prepared by the Company in the ordinary course of its business or which the Company would have incurred in any event.

"REGISTRATION STATEMENT" shall mean any registration statement of the Company which covers any Registrable Securities and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference (or deemed to be incorporated by reference) therein.

"SEC" shall mean the Securities and Exchange Commission, or any successor agency having jurisdiction to enforce the Securities Act.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended from time to time, and the rules and regulations thereunder, or any successor statute.

"SHELF REGISTRATION" shall have the meaning set forth in Section 2.1(a).

"SHELF REGISTRATION PERIOD" shall have the meaning set forth in Section 2.2(b).

"SHELF REGISTRATION STATEMENT" shall have the meaning set forth in Section 2.2(a).

"UNDERWRITERS" shall mean the underwriters, if any, of the offering being registered under the Securities Act.

"UNDERWRITTEN OFFERING" shall mean a sale of securities of the Company to an Underwriter or Underwriters for reoffering to the public.

**ARTICLE II**  
**REGISTRATION UNDER THE SECURITIES ACT**

**2.1 INCIDENTAL REGISTRATION.**

(a) **RIGHT TO INCLUDE REGISTRABLE SECURITIES.** Commencing on the date of this Agreement, if the Company, at any time or from time to time, proposes to register any of its equity securities under the Securities Act (other than in a registration on Form S-4 or S-8 or any successor form to such forms and other than pursuant to Section 2.1 or 2.3) whether or not pursuant to registration rights granted to other holders of its securities and whether or not for sale for its own account solely in connection with an Underwritten Offering the Company shall deliver prompt written notice (which notice shall be given at least 15 days prior to such proposed registration) to all Holders of Registrable Securities of its intention to undertake such registration, describing in reasonable detail the proposed registration and distribution (including the anticipated range of the proposed offering price, the class and number of securities proposed to be registered and the distribution arrangements) and of such Holders' possible right to participate in such registration under this Section 2.1 as hereinafter provided. Subject to the other provisions of this paragraph (a) and Section 2.1(b), upon the written request of any Holder made within 10 days after the receipt of such written notice (which request shall specify the amount of Registrable Securities to be registered), the Company shall effect the registration under the Securities Act of all Registrable Securities requested by Holders to be so registered (an "Incidental Registration"), to the extent requisite to permit the disposition of the Registrable Securities so to be registered, by inclusion of such Registrable Securities in the Registration Statement which covers the securities which the Company proposes to register and shall cause such Registration Statement to become and remain effective with respect to such Registrable Securities in accordance with the registration procedures set forth in Section 4. Immediately upon notification to the Company from the Underwriter of the price at which such securities are to be sold, the Company shall so advise each participating Holder. The Holders requesting inclusion in an Incidental Registration may, at any time prior to the effective date of the Incidental Registration Statement (and for any reason), revoke such request by delivering written notice to the Company revoking such requested inclusion.

If at any time after giving written notice of its intention to register any securities and prior to the effective date of the Incidental Registration Statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to each Holder of Registrable Securities and, thereupon, (A) in the case of a determination not to register, the Company shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses incurred in connection therewith), and (B) in the case of a determination to delay such registration, the Company shall be permitted to delay the registration of such Registrable Securities for the same period as the delay in registering such other securities; provided, however, that if such delay shall extend beyond 120 days from the date the Company received a request to include Registrable Securities in such Incidental Registration, then the

Company shall again give all Holders the opportunity to participate therein and shall follow the notification procedures set forth in the preceding paragraph. There is no limitation on the number of such Incidental Registrations pursuant to this Section 2.1 which the Company is obligated to effect.

The registration rights granted pursuant to the provisions of this Section 2.1 shall be in addition to the registration rights granted pursuant to the other provisions of Section 2 hereof.

(b) **PRIORITY IN INCIDENTAL REGISTRATION.** If the sole or the lead managing Underwriter, as the case may be, of such Underwritten Offering shall advise the Company in writing (with a copy to each Holder requesting registration) on or before the date five days prior to the date then scheduled for such offering that, in its opinion, the amount of securities (including Registrable Securities) requested to be included in such registration exceeds the amount which can be sold in such offering without materially interfering with the successful marketing of the securities being offered (such writing to state the basis of such opinion and the approximate number of such securities which may be included in such offering without such effect), the Company shall include in such registration, to the extent of the number which the Company is so advised may be included in such offering without such effect, (A) first, the securities that the Company proposes to register for its own account (except as set forth in the Registration Rights Agreements referenced in SCHEDULE A), (B) second, any securities that the Company is required to register for Viacom or NBC or their assignees, under the registration rights agreements referenced in Schedule A, (C) third, any securities to be sold by Vincent K. McMahon, Linda McMahon, and any Affiliate of the Initial Class B Stockholders (as defined in the Company's Amended and Restated Certificate of Incorporation), (D) fourth, the Registrable Securities requested to be included in such registration by the Holders, allocated pro rata in proportion to the number of Registrable Securities requested to be included in such registration by each of them, and (E) fifth, other securities of the Company to be registered on behalf of any other Person; provided, however, that in the event the Company will not, by virtue of this Section 2.1(b), include in any such registration all of the Registrable Securities of any Holder requested to be included in such registration, such Holder may, upon written notice to the Company given within three days of the time such Holder first is notified of such matter, reduce the amount of Registrable Securities it desires to have included in such registration, whereupon only the Registrable Securities, if any, it desires to have included will be so included and the Holders not so reducing shall be entitled to a corresponding increase in the amount of Registrable Securities to be included in such registration.

## 2.2 SHELF REGISTRATION STATEMENT.

(a) The Company: (A) shall cause to be filed with the SEC, on or before October 31, 2001, a shelf registration statement (the "SHELF REGISTRATION STATEMENT") on an appropriate form under the Securities Act, relating solely to the offer and sale of all the Registrable Securities by the Holders thereof from time to time in accordance with the methods of distribution specified by the Initial Holder as set forth in the Registration Statement and Rule 415 under the Securities Act; and (B) shall use its

best efforts to have such Shelf Registration declared effective by the SEC as soon as practicable thereafter, but in no event later than January 31, 2002; provided, however, that no Holder (other than the Initial Holder) shall be entitled to have the Registrable Securities held by it covered by such Registration Statement unless such Holder agrees in writing to be bound by all the provisions of this Agreement applicable to such Holder.

(b) The Company shall use its best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended in order to permit the Prospectus included therein to be lawfully delivered by the Holders of the Registrable Securities through the date on which all of the Registrable Securities covered by such Shelf Registration may be sold pursuant to Rule 144(k) under the Securities Act (or any successor provision having similar effect) without any volume, manner of sale or other restrictions, or such shorter period that will terminate on the date on which all of the Registrable Securities have been sold pursuant to an effective registration statement (in any such case, such period being called the "SHELF REGISTRATION PERIOD"); provided, however, that prior to the termination of such Shelf Registration Period, the Company shall first furnish to each Holder of Registrable Securities participating in such Shelf Registration (i) an opinion, in form and substance satisfactory to the Majority Holders of the Registration, of counsel for the Company satisfactory to the Majority Holders stating that such Registrable Securities are freely saleable pursuant to Rule 144(k) under the Securities Act (or any successor provision having similar effect) without any volume, manner of sale or other restrictions or (ii) a "No-Action Letter" from the staff of the SEC stating that the SEC would not recommend enforcement action if the Registrable Securities were sold in a public sale other than pursuant to an effective registration statement. The Company shall be deemed not to have used its best efforts to keep the Registration Statement effective during the Shelf Registration Period if it voluntarily takes any action that would result in Holders of the Registrable Securities covered thereby not being able to offer and sell such Registrable Securities during the Shelf Registration Period, unless such action is required by applicable law.

(c) If at any time the Majority Holders request in writing that all or any part of the Registrable Securities covered by the Shelf Registration Statement be offered by means of a firm commitment Underwritten Offering, the Company shall cause to be filed with the SEC as soon as practicable any necessary or appropriate supplement to the Shelf Registration Statement in order to effect such Underwritten Offering. In such case, the sole or managing Underwriters and any additional investment bankers and managers to be used in connection with such registration shall be selected by the Company, subject to the approval of such Majority Holders (such approval not to be unreasonably withheld).

2.3 EXPENSES. Except as provided in the immediately succeeding sentence, the Company shall pay all Registration Expenses in connection with any Incidental Registration, or Shelf Registration, whether or not such registration shall become effective and whether or not all Registrable Securities originally requested to be included in such registration are withdrawn or otherwise ultimately not included in such registration. Each Holder shall pay (x) all discounts and commissions payable to underwriters, selling brokers, managers or other similar Persons engaged in the



distribution of such Holder's Registrable Securities pursuant to any registration pursuant to this Section 2 (y) all other of its expenses and costs (such as fees and expenses of Holder's Counsel) relating to the registration and/or offering other than registration expenses and (z) in connection solely with an Underwritten Offering requested by the Majority Holders pursuant to Section 2.2(c), all Registration Expenses incurred in connection with making such Shelf Registration Statement an Underwritten Offering.

#### 2.4 UNDERWRITTEN OFFERINGS.

(a) **UNDERWRITTEN OFFERINGS.** If requested by the sole or lead managing Underwriter for any Underwritten Offering effected pursuant to an Incidental Registration or the Shelf Registration Statement, the Company shall enter into a customary underwriting agreement with the Underwriters for such offering, such agreement to be reasonably satisfactory in substance and form to the Company, and to contain such representations and warranties by the Company and such other terms as are customary in agreements of that type, including, without limitation, indemnification and contribution to the effect and to the extent provided in Section 5.

(b) **HOLDERS OF REGISTRABLE SECURITIES TO BE PARTIES TO UNDERWRITING AGREEMENT.** The holders of securities to be distributed by Underwriters in an Underwritten Offering contemplated by Section 2.2(a) shall be parties to the underwriting agreement between the Company and such Underwriters and may, at such holders' option, require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such Underwriters shall also be made to and for the benefit of such holders of securities and that any or all of the conditions precedent to the obligations of such Underwriters under such underwriting agreement be conditions precedent to the obligations of such holders; provided, however, that the Company shall not be required to make any representations or warranties with respect to written information specifically provided by a selling holder for inclusion in the Registration Statement. No holder shall be required to make any representations or warranties to, or agreements with, the Company or the Underwriters other than representations, warranties or agreements regarding such holder and such holder's securities.

(c) **PARTICIPATION IN UNDERWRITTEN REGISTRATION.** Notwithstanding anything herein to the contrary, no Person may participate in any underwritten registration hereunder unless such Person (i) agrees to sell its securities on the same terms and conditions provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangement and (ii) accurately completes and executes in a timely manner all questionnaires, powers of attorney, indemnities, custody agreements, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

(d) **LIMITATIONS ON UNDERWRITTEN OFFERINGS.** In no event shall the Company be required to effect more than one (1) Underwritten Offering pursuant to Section 2.2(c) of this Agreement, provided, however, that the Holders shall be entitled to

participate in any number of Underwritten Offerings effected pursuant to an Incidental Registration.

**2.5 POSTPONEMENTS.** The Company shall be entitled to require the Holders of Registrable Securities to discontinue the disposition of their securities covered by a Shelf Registration during any Blackout Period (as defined below)

(i) if the board of directors of the Company determines in good faith that effecting such a registration or continuing such disposition at such time would have an adverse effect upon a proposed sale of all (or substantially all) of the assets of the Company or a merger, reorganization, recapitalization or similar current transaction materially affecting the capital, structure or equity ownership of the Company, or (ii) if the Company is in possession of material information which the board of directors of the Company determines in good faith is not in the best interests of the Company to disclose in a registration statement at such time or (iii) if the Company gives notice of the occurrence of an Underwritten Offering for which the Holders are offered incidental registration rights pursuant to Section 2.1 (whether or not they are precluded from selling as a result of Section 2.1(b)), provided, however, that the Company may require the Holders of Registrable Securities to discontinue the disposition of their securities covered by a Shelf Registration only for a reasonable period of time not to exceed 90 days (or such earlier time as such transaction is consummated or no longer proposed or the material information has been made public or 90 days from the completion of the Underwritten Offering) (the "Blackout Period"). There shall not be more than one Blackout Period in any 12 month period (other than as a result of Section 2.5(iii), any number of which could occur in any 12 month period).

The Company shall promptly notify the Holders in writing (a "BLACKOUT NOTICE") of any decision to discontinue sales of Registrable Securities covered by a Shelf Registration pursuant to this Section 2.5 and shall include an undertaking by the Company to promptly notify the Holders as soon as a sales of Registrable Securities covered by a Shelf Registration may resume. In making any such determination to initiate or terminate a Blackout Period, the Company shall not be required to consult with or obtain the consent of any Holder, and any such determination shall be the Company's sole responsibility. Each Holder shall treat all notices received from the Company pursuant to this Section 2.5 in the strictest confidence and shall not disseminate such information.

### **ARTICLE III RESTRICTIONS ON SALE**

**3.1 RESTRICTIONS ON SALE BY THE COMPANY AND OTHERS.** The Company agrees that

(i) if timely requested in writing by the sole or lead managing Underwriter in an Underwritten Offering of any Registrable Securities, it will not make any short sale of, loan, grant any option for the purchase of or effect any public sale or distribution of any of the Company's equity securities (or any security convertible into or exchangeable or exercisable for any of the Company's equity securities) during the nine business days (as such term is used in Rule 10b-6 under the Exchange Act) prior to, and during the time period reasonably requested by the sole or lead managing Underwriter not to exceed 90 days, beginning on the effective date of the applicable Registration Statement (except as

part of such underwritten registration or pursuant to registrations on Forms S-4 or S-8 or any successor form to such forms), and (ii) it will cause each officer and director of the Company and each Affiliate that holds 5% or more of equity securities (or any security convertible into or exchangeable or exercisable for any of its equity securities) of the Company purchased from the Company at any time after the date of this Agreement (other than in a registered public offering) to so agree.

3.2 NOTICE BY ICF. ICF agrees to give the Company prior written notice at least three (3) business days prior to its intention to sell any of its Common Shares purchased pursuant to the Purchase Agreement, other than sales, and series of related sales, of 100,000 or less Common Shares in the open market.

#### **ARTICLE IV REGISTRATION PROCEDURES**

4.1 OBLIGATIONS OF THE COMPANY. Subject to Section 2.6, whenever the Company is required to effect the registration of Registrable Securities under the Securities Act pursuant to Section 2 of this Agreement, the Company shall, as expeditiously as possible:

(a) prepare and file with the SEC the requisite Registration Statement to effect such registration, which Registration Statement shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the SEC to be filed therewith, and the Company shall use its best efforts to cause such Registration Statement to become effective (provided, that the Company may discontinue any registration of its securities that are not Registrable Securities, and, under the circumstances specified in Section 2.2, its securities that are Registrable Securities); provided, however, that before filing a Registration Statement or Prospectus or any amendments or supplements thereto, or comparable statements under securities or blue sky laws of any jurisdiction, the Company shall (i) provide Holders' Counsel and any other Inspector (as defined in Section 4.1(g)) with an adequate and appropriate opportunity to participate in the preparation of such Registration Statement and each Prospectus included therein (and each amendment or supplement thereto or comparable statement) to be filed with the SEC, which documents shall be subject to the review and comment of Holders' Counsel, and (ii) not file any such Registration Statement or Prospectus (including any amendment or supplement thereto or comparable statement but excluding any filing made under the Exchange Act that is incorporated by reference therein) with the SEC to which Holder's Counsel, any selling Holder or any other Inspector shall have reasonably objected on the grounds that such filing does not comply in all material respects with the requirements of the Securities Act or of the rules or regulations thereunder;

(b) prepare and file with the SEC such amendments and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary (i) to keep such Registration Statement effective, and (ii) to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such Registration Statement, in each case until such

time as all of such Registrable Securities have been disposed of (but not before the expiration of the 90 day period referred to in Section 4(3) of the Securities Act and Rule 174 thereunder, if applicable);

(c) furnish, without charge, to each selling Holder of such Registrable Securities and each Underwriter, if any, of the securities covered by such Registration Statement, such number of copies of such Registration Statement, each amendment and supplement thereto (in each case including all exhibits), and the Prospectus included in such Registration Statement (including each preliminary Prospectus) in conformity with the requirements of the Securities Act, and other documents, as such selling Holder and the Underwriter may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities owned by such selling Holder (the Company hereby consenting to the use in accordance with applicable law of each such Registration Statement or amendment or post-effective amendment thereto) and each such Prospectus (or preliminary prospectus or supplement thereto) by each such selling Holder of Registrable Securities and the underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by such Registration Statement or Prospectus);

(d) prior to any public offering of Registrable Securities, use its best efforts to register or qualify all Registrable Securities and other securities covered by such Registration Statement under such other securities or blue sky laws of such jurisdictions as any selling Holder of Registrable Securities covered by such Registration Statement or the sole or lead managing Underwriter, if any, may reasonably request to enable such selling Holder to consummate the disposition in such jurisdictions of the Registrable Securities owned by such selling Holder and to continue such registration or qualification in effect in each such jurisdiction for as long as such Registration Statement remains in effect (including through new filings or amendments or renewals), and do any and all other acts and things which may be necessary or advisable to enable any such selling Holder to consummate the disposition in such jurisdictions of the Registrable Securities owned by such selling Holder; provided, however, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 4.1(d), (ii) subject itself to taxation in any such jurisdiction, or (iii) consent to general service of process in any such jurisdiction;

(e) use its best efforts to obtain all other approvals, consents, exemptions or authorizations from such governmental agencies or authorities as may be necessary to enable the selling Holders of such Registrable Securities to consummate the disposition of such Registrable Securities;

(f) promptly notify Holders' Counsel, each Holder of Registrable Securities covered by such Registration Statement and the sole or lead managing Underwriter, if any: (i) when the Registration Statement, any pre-effective amendment, the Prospectus or any prospectus supplement related thereto or post-effective amendment to the Registration Statement has been filed and, with respect to the Registration Statement or any post-effective amendment, when the same has become

effective, (ii) of any request by the SEC or any state securities or blue sky authority for amendments or supplements to the Registration Statement or the Prospectus related thereto or for additional information, (iii) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or the initiation or threat of any proceedings for that purpose, (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or blue sky laws of any jurisdiction or the initiation of any proceeding for such purpose, (v) of the existence of any fact of which the Company becomes aware or the happening of any event which results in (A) the Registration Statement containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statements therein not misleading, or (B) the Prospectus included in such Registration Statement containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statements therein, in the light of the circumstances under which they were made, not misleading, (vi) if at any time the representations and warranties contemplated by Section 2.5(b) cease to be true and correct in all material respects, and (vii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate or that there exists circumstances not yet disclosed to the public which make further sales under such Registration Statement inadvisable pending such disclosure and post-effective amendment; and, if the notification relates to an event described in any of the clauses (ii) through (vii) of this Section 4.1, the Company shall promptly prepare a supplement or post-effective amendment to such Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that (1) such Registration Statement shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (2) as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances under which they were made not misleading (and shall furnish to each such Holder and each Underwriter, if any, a reasonable number of copies of such Prospectus so supplemented or amended); and if the notification relates to an event described in clause (iii) of this Section 4.1(f), the Company shall take all reasonable action required to prevent the entry of such stop order or to remove it if entered;

(g) make available for inspection by any selling Holder of Registrable Securities any sole or lead managing Underwriter participating in any disposition pursuant to such Registration Statement, Holders' Counsel and any attorney, accountant or other agent retained by any such seller or any Underwriter (each, an "INSPECTOR" and, collectively, the "INSPECTORS"), all financial and other records, pertinent corporate documents and properties of the Company and any subsidiaries thereof as may be in existence at such time (collectively, the "RECORDS") as shall be necessary, in the opinion of such Holders' and such Underwriters' respective counsel, to enable them to exercise their due diligence responsibility and to conduct a reasonable investigation within the meaning of the Securities Act, and cause the Company's and any subsidiaries' officers, directors and employees, and the independent public accountants of the

Company, to supply all information reasonably requested by any such Inspectors in connection with such Registration Statement;

(h) obtain an opinion from the Company's counsel and a "cold comfort" letter from the Company's independent public accountants who have certified the Company's financial statements included or incorporated by reference in such Registration Statement, in each case dated the effective date of such Registration Statement (and if such registration involves an Underwritten Offering, dated the date of the closing under the underwriting agreement), in customary form and covering such matters as are customarily covered by such opinions and "cold comfort" letters delivered to underwriters in underwritten public offerings, which opinion and letter shall be reasonably satisfactory to the sole or lead managing Underwriter, if any, and to the Majority Holders, and furnish to each Holder participating in the offering and to each Underwriter, if any, a copy of such opinion and letter addressed to such Holder (in the case of the opinion) and Underwriter (in the case of the opinion and the "cold comfort" letter);

(i) provide and cause to be maintained a transfer agent and registrar for all such Registrable Securities covered by such Registration Statement not later than the effectiveness of such Registration Statement;

(j) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC and any other governmental agency or authority having jurisdiction over the offering, and make available to its security holders, as soon as reasonably practicable but no later than 90 days after the end of any 12-month period, an earnings statement (i) commencing at the end of any month in which Registrable Securities are sold to Underwriters in an Underwritten Offering and (ii) commencing with the first day of the Company's calendar month next succeeding each sale of Registrable Securities after the effective date of a Registration Statement, which statement shall cover such 12-month periods, in a manner which satisfies the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(k) if so requested by the Majority Holders of the Registration, use its best efforts to cause all such Registrable Securities to be listed (i) on each national securities exchange on which the Company's securities are then listed or, (ii) if securities of the Company are not at the time listed on any national securities exchange (or, if the listing of Registrable Securities is not permitted under the rules of each national securities exchange on which the Company's securities are then listed), on a national securities exchange or The Nasdaq Stock Market's National Market, as designated by the Majority Holders;

(l) keep each selling Holder of Registrable Securities advised in writing as to the initiation and progress of any registration under Section 2 hereunder;

(m) enter into and perform customary agreements (including, if applicable, an underwriting agreement in customary form) and provide officers' certificates and other customary closing documents;

(n) cooperate with each selling Holder of Registrable Securities and each Underwriter participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the NASD and make reasonably available its employees and personnel and otherwise provide reasonable assistance to the Underwriters (taking into account the needs of the Company's businesses and the requirements of the marketing process) in the marketing of Registrable Securities in any Underwritten Offering;

(o) furnish to each Holder participating in the offering and the sole or lead managing Underwriter, if any, without charge, at least one manually-signed copy of the Registration Statement and any post-effective amendments thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those deemed to be incorporated by reference);

(p) cooperate with the selling Holders of Registrable Securities and the sole or lead managing Underwriter, if any, to facilitate the timely preparation and delivery of certificates not bearing any restrictive legends representing the Registrable Securities to be sold and cause such Registrable Securities to be issued in such denominations and registered in such names in accordance with the underwriting agreement prior to any sale of Registrable Securities to the Underwriters or, if not an Underwritten Offering, in accordance with the instructions of the selling Holders of Registrable Securities at least three business days prior to any sale of Registrable Securities;

(q) if requested by the sole or lead managing Underwriter or any selling Holder of Registrable Securities, immediately incorporate in a prospectus supplement or post-effective amendment such information concerning such Holder of Registrable Securities, or the Underwriters or the intended method of distribution as the sole or lead managing Underwriter or the selling Holder of Registrable Securities reasonably requests to be included therein and as is appropriate in the reasonable judgment of the Company, including, without limitation, information with respect to the number of shares of the Registrable Securities being sold to the Underwriters, the purchase price being paid therefor by such Underwriters and with respect to any other terms of the Underwritten Offering of the Registrable Securities to be sold in such offering; make all required filings of such Prospectus supplement or post-effective amendment as soon as notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment; and supplement or make amendments to any Registration Statement if requested by the sole or lead managing Underwriter of such Registrable Securities; and

(r) use its best efforts to take all other steps necessary to expedite or facilitate the registration and disposition of the Registrable Securities contemplated hereby.

**4.2 SELLER INFORMATION.** The Company may require each selling Holder of Registrable Securities as to which any registration is being effected to furnish to the Company such information regarding such Holder, such Holder's Registrable Securities

and such Holder's intended method of disposition as the Company may from time to time reasonably request in writing; provided that such information shall be used only in connection with such registration.

If any Registration Statement or comparable statement under "blue sky" laws refers to any Holder by name or otherwise as the Holder of any securities of the Company, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance satisfactory to such Holder and the Company, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the Company's securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Company, and (ii) in the event that such reference to such Holder by name or otherwise is not in the judgment of the Company, as advised by counsel, required by the Securities Act or any similar federal statute or any state "blue sky" or securities law then in force, the deletion of the reference to such Holder.

4.3 NOTICE TO DISCONTINUE. Each Holder of Registrable Securities agrees by acquisition of such Registrable Securities that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4.1(f)(ii) through (vii), such Holder shall forthwith discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 4.1(f) and, if so directed by the Company, such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectus covering such Registrable Securities which is current at the time of receipt of such notice.

## **ARTICLE V INDEMNIFICATION; CONTRIBUTION**

5.1 INDEMNIFICATION BY THE COMPANY. The Company agrees to indemnify and hold harmless, to the fullest extent permitted by law, each Holder of Registrable Securities, its officers, directors, partners, members, shareholders, employees, Affiliates and agents (collectively, "AGENTS") and each Person who controls such Holder (within the meaning of the Securities Act) and its Agents with respect to each registration which has been effected pursuant to this Agreement, against any and all losses, claims, damages or liabilities, joint or several, actions or proceedings (whether commenced or threatened) in respect thereof, and expenses (as incurred or suffered and including, but not limited to, any and all expenses incurred in investigating, preparing or defending any litigation or proceeding, whether commenced or threatened, and the reasonable fees, disbursements and other charges of legal counsel) in respect thereof (collectively, "CLAIMS"), insofar as such Claims arise out of or are based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus (including any preliminary, final or summary prospectus and any amendment or supplement thereto) related to any such registration or any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements



therein not misleading, or any violation by the Company of the Securities Act or any rule or regulation thereunder applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, or any qualification or compliance incident thereto; provided, however, that the Company will not be liable in any such case to the extent that any such Claims arise out of or are based upon any untrue statement or alleged untrue statement of a material fact or omission or alleged omission of a material fact so made in reliance upon and in conformity with written information furnished to the Company in an instrument duly executed by such Holder specifically stating that it was expressly for use therein. The Company shall also indemnify any Underwriters of the Registrable Securities, their Agents and each Person who controls any such Underwriter (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the Holders of Registrable Securities. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of any Person who may be entitled to indemnification pursuant to this Section 5 and shall survive the transfer of securities by such Holder or Underwriter.

**5.2 INDEMNIFICATION BY HOLDERS.** Each Holder, if Registrable Securities held by it are included in the securities as to which a registration is being effected, agrees to, severally and not jointly, indemnify and hold harmless, to the fullest extent permitted by law, the Company, its directors and officers, each other Person who participates as an Underwriter in the offering or sale of such securities and its Agents and each Person who controls the Company or any such Underwriter (within the meaning of the Securities Act) and its Agents against any and all Claims, insofar as such Claims arise out of or are based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus (including any preliminary, final or summary prospectus and any amendment or supplement thereto) related to such registration, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company in an instrument duly executed by such Holder specifically stating that it was expressly for use therein; provided, however, that the aggregate amount which any such Holder shall be required to pay pursuant to this Section 5.2 shall in no event be greater than the amount of the net proceeds received by such Holder upon the sale of the Registrable Securities pursuant to the Registration Statement giving rise to such Claims less all amounts previously paid by such Holder with respect to any such Claims. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified party and shall survive the transfer of such securities by such Holder or Underwriter.

**5.3 CONDUCT OF INDEMNIFICATION PROCEEDINGS.** Promptly after receipt by an indemnified party of notice of any Claim or the commencement of any action or proceeding involving a Claim under this Section 5, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party pursuant to Section 5, (i) notify the indemnifying party in writing of the Claim or the commencement of such action or proceeding; provided, that the failure of any indemnified party to

provide such notice shall not relieve the indemnifying party of its obligations under this Section 5, except to the extent the indemnifying party is materially and actually prejudiced thereby and shall not relieve the indemnifying party from any liability which it may have to any indemnified party otherwise than under this Section 5, and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided, however, that any indemnified party shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (A) the indemnifying party has agreed in writing to pay such fees and expenses, (B) the indemnifying party shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such indemnified party within 10 days after receiving notice from such indemnified party that the indemnified party believes it has failed to do so, (C) in the reasonable judgment of any such indemnified party, based upon advice of counsel, a conflict of interest may exist between such indemnified party and the indemnifying party with respect to such claims (in which case, if the indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such indemnified party) or (D) such indemnified party is a defendant in an action or proceeding which is also brought against the indemnifying party and reasonably shall have concluded that there may be one or more legal defenses available to such indemnified party which are not available to the indemnifying party. No indemnifying party shall be liable for any settlement of any such claim or action effected without its written consent, which consent shall not be unreasonably withheld. In addition, without the consent of the indemnified party (which consent shall not be unreasonably withheld), no indemnifying party shall be permitted to consent to entry of any judgment with respect to, or to effect the settlement or compromise of any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim), unless such settlement, compromise or judgment (1) includes an unconditional release of the indemnified party from all liability arising out of such action or claim, (2) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party, and (3) does not provide for any action on the part of any party other than the payment of money damages which is to be paid in full by the indemnifying party.

**5.4 CONTRIBUTION.** If the indemnification provided for in Section 5.1 or 5.2 from the indemnifying party for any reason is unavailable to (other than by reason of exceptions provided therein), or is insufficient to hold harmless, an indemnified party hereunder in respect of any Claim, then the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Claim in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other hand, in connection with the actions which resulted in such Claim, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to

information supplied by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. If, however, the foregoing allocation is not permitted by applicable law, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative faults but also the relative benefits of the indemnifying party and the indemnified party as well as any other relevant equitable considerations.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5.4 were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by a party as a result of any Claim referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth in Section 5.3, any legal or other fees, costs or expenses reasonably incurred by such party in connection with any investigation or proceeding. Notwithstanding anything in this Section 5.4 to the contrary, no indemnifying party (other than the Company) shall be required pursuant to this

Section 5.4 to contribute any amount in excess of the net proceeds received by such indemnifying party from the sale of the Registrable Securities pursuant to the Registration Statement giving rise to such Claims, less all amounts previously paid by such indemnifying party with respect to such Claims. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(a) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

**5.5 OTHER INDEMNIFICATION.** Indemnification similar to that specified in the preceding Sections 5.1 and 5.2 (with appropriate modifications) shall be given by the Company and each selling Holder of Registrable Securities with respect to any required registration or other qualification of securities under any Federal or state law or regulation of any governmental authority, other than the Securities Act. The indemnity agreements contained herein shall be in addition to any other rights to indemnification or contribution which any indemnified party may have pursuant to law or contract.

**5.6 INDEMNIFICATION PAYMENTS.** The indemnification and contribution required by this Section 5 shall be made by periodic payments of the amount thereof during the course of any investigation or defense, as and when bills are received or any expense, loss, damage or liability is incurred.

## **ARTICLE VI GENERAL**

**6.1 ADJUSTMENTS AFFECTING REGISTRABLE SECURITIES.** The Company agrees that it shall not effect or permit to occur any combination or subdivision of shares which would materially adversely affect the ability of the Holder of any Registrable Securities to include such Registrable Securities in any registration contemplated by this Agreement or the marketability of such Registrable Securities in any such registration.

6.2 REGISTRATION RIGHTS TO OTHERS. Other than as set forth on Schedule A attached hereto, the Company is not party to any agreement with respect to its securities granting any registration rights to any Person. If the Company shall at any time hereafter provide to any holder of any securities of the Company rights with respect to the registration of such securities under the Securities Act, such rights shall not be in conflict with or adversely affect any of the rights provided in this Agreement to the Holders.

6.3 AVAILABILITY OF INFORMATION. The Company covenants that it shall timely file any reports required to be filed by it under the Securities Act or the Exchange Act (including, but not limited to, the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c) of Rule 144 under the Securities Act), and that it shall take such further action as any Holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such rule may be amended from time to time, or (ii) any other rule or regulation now existing or hereafter adopted by the SEC. Upon the request of any Holder of Registrable Securities, the Company shall deliver to such Holder a written statement as to whether it has complied with such requirements.

6.4 AMENDMENTS AND WAIVERS. The provisions of this Agreement may not be amended, modified, supplemented or terminated, and waivers or consents to departures from the provisions hereof may not be given, without the written consent of the Company and the Holders holding more than 50% of the Registrable Securities then outstanding; provided, however, that no such amendment, modification, supplement, waiver or consent to departure shall reduce the aforesaid percentage of Registrable Securities without the written consent of all of the Holders of Registrable Securities; and provided, further, that nothing herein shall prohibit any amendment, modification, supplement, termination, waiver or consent to departure the effect of which is limited only to those Holders who have agreed to such amendment, modification, supplement, termination, waiver or consent to departure.

6.5 NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, telecopier, any courier guaranteeing overnight delivery or first class registered or certified mail, return receipt requested, postage prepaid, addressed to the applicable party at the address set forth below or such other address as may hereafter be designated in writing by such party to the other parties in accordance with the provisions of this Section:

**If to the Company, to:**

World Wrestling Federation Entertainment, Inc.  
1241 East Main Street  
P.O. Box 3857  
Stamford, CT 06902  
Attn: Edward L. Kaufman  
Telecopy: 203-353-0236  
Telephone: 203-352-8786

With a copy to:

Kirkpatrick & Lockhart LLP Henry W. Oliver Building 535 Smithfield Street Pittsburgh, PA 15222-2312 Attn: Michael C. McLean Telecopy: 412-355-6501 Telephone: 412-355-6720

**If to the Initial Holder, to:**

Invemed Catalyst Fund, L.P.  
375 Park Avenue  
New York, NY 10152  
Attn: Suzanne Present  
Telecopy: 212-421-2523  
Telephone: 212-421-2500

With a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison  
1285 Avenue of the Americas  
New York, New York 10019-6064  
Attn: Douglas A. Cifu, Esq.  
Telecopy: 212-492-0436  
Telephone: 212-373-3436

If to any subsequent Holder, to the address of such Person set forth in the records of the Company.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; when receipt is acknowledged, if telecopied; on the next business day, if timely delivered to a courier guaranteeing overnight delivery; and five days after being deposited in the mail, if sent first class or certified mail, return receipt requested, postage prepaid.

6.6 SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the parties hereto and other Holders.

6.7 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which, when so executed and delivered, shall be deemed to be an original, but all of which counterparts, taken together, shall constitute one and the same instrument.

6.8 DESCRIPTIVE HEADINGS, ETC. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein. Unless the context of this Agreement otherwise requires: (1) words of any gender shall be deemed to include each other gender; (2) words using the singular or plural number shall also include the plural or singular number, respectively; (3) the words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and paragraph references are to the Sections and paragraphs of this Agreement unless otherwise specified; (4) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless otherwise specified; (5) "or" is not exclusive; and (6) provisions apply to successive events and transactions.

6.9 SEVERABILITY. In the event that any one or more of the provisions, paragraphs, words, clauses, phrases or sentences contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision, paragraph, word, clause, phrase or sentence in every other respect and of the other remaining provisions, paragraphs, words, clauses, phrases or sentences hereof shall not be in any way impaired, it being intended that all rights, powers and privileges of the parties hereto shall be enforceable to the fullest extent permitted by law.

6.10 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to the conflict of laws principles thereof).

6.11 REMEDIES; SPECIFIC PERFORMANCE. The parties hereto acknowledge that money damages would not be an adequate remedy at law if any party fails to perform in any material respect any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to seek to compel specific performance of the obligations of any other party under this Agreement, without the posting of any bond, in accordance with the terms and conditions of this Agreement in any court of the United States or any State thereof having jurisdiction, and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law. Except as otherwise provided by law, a delay or omission by a party hereto in exercising any right or remedy accruing upon any such breach shall not impair the right or remedy or constitute a waiver of or acquiescence in any such breach. No remedy shall be exclusive of any other remedy. All available remedies shall be cumulative.

6.12 ENTIRE AGREEMENT. This Agreement and the Purchase Agreement are intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings relating to such subject matter, other than those set forth or referred to herein or in the Purchase Agreement. This

Agreement and the Purchase Agreement supersede all prior agreements and understandings between the Company and the other parties to this Agreement with respect to such subject matter.

**6.13 NOMINEES FOR BENEFICIAL OWNERS.** In the event that any Registrable Securities are held by a nominee for the beneficial owner thereof, the beneficial owner thereof may, at its election in writing delivered to the Company, be treated as the holder of such Registrable Securities for purposes of any request or other action by any holder or holders of Registrable Securities pursuant to this Agreement or any determination of any number or percentage of shares of Registrable Securities held by any holder or holders of Registrable Securities contemplated by this Agreement. If the beneficial owner of any Registrable Securities so elects, the Company may require assurances reasonably satisfactory to it of such owner's beneficial ownership of such Registrable Securities.

**6.14 CONSENT TO JURISDICTION; WAIVER OF JURY.** Each party to this Agreement hereby irrevocably and unconditionally agrees that any legal action, suit or proceeding arising out of or relating to this Agreement or any agreements or transactions contemplated hereby may be brought in any federal court of the Southern District of New York or any state court located in New York County, State of New York, and hereby irrevocably and unconditionally expressly submits to the personal jurisdiction and venue of such courts for the purposes thereof and hereby irrevocably and unconditionally waives any claim (by way of motion, as a defense or otherwise) of improper venue, that it is not subject personally to the jurisdiction of such court, that such courts are an inconvenient forum or that this Agreement or the subject matter may not be enforced in or by such court. Each party hereby irrevocably and unconditionally consents to the service of process of any of the aforementioned courts in any such action, suit or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the address set forth or provided for in Section 6.5 of this Agreement, such service to become effective 10 days after such mailing. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by law or commence legal proceedings or otherwise proceed against any other party in any other jurisdiction to enforce judgments obtained in any action, suit or proceeding brought pursuant to this Section. Each of the parties hereby irrevocably waives trial by jury in any action, suit or proceeding, whether at law or equity, brought by any of them in connection with this Agreement or the transactions contemplated hereby.

**6.15 FURTHER ASSURANCES.** Each party hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

**6.16 NO INCONSISTENT AGREEMENTS.** The Company will not hereafter enter into any agreement which is inconsistent with the rights granted to the Holders in this Agreement.

6.17 CONSTRUCTION. The Company and the Holders acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement with its legal counsel and that this Agreement shall be construed as if jointly drafted by the Company and the Holders.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

**INVEMED CATALYST FUND, L.P.**

By: Invemed Catalyst GenPar, LLC,  
its general partner

By: Gladwyne Catalyst GenPar, LLC,  
its managing member

---

Name: Suzanne Present Title: Member

**WORLD WRESTLING FEDERATION ENTERTAINMENT, INC.**

By:

Name:

Title:



**Schedule A**

**Other Registration Rights Granted by the Company**

**NBC-WWFE HOLDING, INC.**

**VIACOM, INC.**

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### INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements on Form S-8 (No. 333-92041 and No. 333-92376) and on Form S-3 (No. 333-49930 and No. 333-72536) of World Wrestling Entertainment, Inc. of our report dated June 19, 2002 (July 2, 2002 as to Note 20), appearing in this Annual Report on Form 10-K of World Wrestling Entertainment, Inc. for the year ended April 30, 2002.

*/s/ Deloitte and Touche LLP*

*Stamford, Connecticut*

*July 26, 2002*

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