

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2017

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: 1-36900



**THE
MADISON SQUARE GARDEN
COMPANY**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

47-3373056

(I.R.S. Employer
Identification No.)

Two Penn Plaza
New York, NY 10121
(212) 465-6000

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

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Number of shares of common stock outstanding as of January 31, 2018 :

Class A Common Stock par value \$0.01 per share	—	19,025,439
Class B Common Stock par value \$0.01 per share	—	4,529,517

THE MADISON SQUARE GARDEN COMPANY
INDEX TO FORM 10-Q

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
Consolidated Balance Sheets as of December 31, 2017 (unaudited) and June 30, 2017	1
Consolidated Statements of Operations for the three and six months ended December 31, 2017 and 2016 (unaudited)	2
Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended December 31, 2017 and 2016 (unaudited)	3
Consolidated Statements of Cash Flows for the six months ended December 31, 2017 and 2016 (unaudited)	4
Consolidated Statements of Equity and Redeemable Noncontrolling Interests for the six months ended December 31, 2017 and 2016 (unaudited)	5
Notes to Consolidated Financial Statements (unaudited)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	32
Item 3. Quantitative and Qualitative Disclosures About Market Risk	56
Item 4. Controls and Procedures	56
<u>PART II. OTHER INFORMATION</u>	
Item 1. Legal Proceedings	57
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	58
Item 6. Exhibits	59

[Table of Contents](#)
PART I – FINANCIAL INFORMATION
Item 1. Financial Statements
**THE MADISON SQUARE GARDEN COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)**

	December 31, 2017	June 30, 2017
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,125,647	\$ 1,238,114
Restricted cash	23,332	34,000
Accounts receivable, net	119,158	102,085
Net related party receivables	1,524	2,714
Prepaid expenses	44,132	23,358
Other current assets	41,475	49,458
Total current assets	1,355,268	1,449,729
Investments and loans to nonconsolidated affiliates	247,586	242,287
Property and equipment, net	1,235,133	1,159,271
Amortizable intangible assets, net	256,892	256,975
Indefinite-lived intangible assets	174,850	166,850
Goodwill	392,621	380,087
Other assets	51,921	57,554
Total assets	\$ 3,714,271	\$ 3,712,753
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 38,416	\$ 24,084
Net related party payables	21,197	17,576
Current portion of long-term debt, net of deferred financing costs	436	—
Accrued liabilities:		
Employee related costs	69,651	138,858
Other accrued liabilities	184,131	191,344
Deferred revenue	390,056	390,180
Total current liabilities	703,887	762,042
Long-term debt, net of deferred financing costs	105,464	105,433
Defined benefit and other postretirement obligations	44,919	52,997
Other employee related costs	27,894	29,399
Deferred tax liabilities, net	80,324	196,436
Other liabilities	72,287	65,955
Total liabilities	1,034,775	1,212,262
Commitments and contingencies (see Note 9)		
Redeemable noncontrolling interests	77,819	80,630
The Madison Square Garden Company Stockholders' Equity:		
Class A Common stock, par value \$0.01, 120,000 shares authorized; 19,025 and 19,014 shares outstanding as of December 31, 2017 and June 30, 2017, respectively	204	204
Class B Common stock, par value \$0.01, 30,000 shares authorized; 4,530 shares outstanding as of December 31, 2017 and June 30, 2017	45	45
Preferred stock, par value \$0.01, 15,000 shares authorized; none outstanding as of December 31, 2017 and June 30, 2017	—	—
Additional paid-in capital	2,838,120	2,832,516
Treasury stock, at cost, 1,422 and 1,433 shares as of December 31, 2017 and June 30, 2017, respectively	(242,495)	(242,077)
Retained earnings (accumulated deficit)	27,693	(148,410)
Accumulated other comprehensive loss	(39,449)	(34,115)
Total The Madison Square Garden Company stockholders' equity	2,584,118	2,408,163
Nonredeemable noncontrolling interests	17,559	11,698
Total equity	2,601,677	2,419,861
Total liabilities, redeemable noncontrolling interests and equity	\$ 3,714,271	\$ 3,712,753

THE MADISON SQUARE GARDEN COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Revenues ^(a)	\$ 536,302	\$ 445,150	\$ 781,517	\$ 626,845
Operating expenses:				
Direct operating expenses ^(b)	311,881	266,673	435,617	378,080
Selling, general and administrative expenses ^(c)	121,440	94,260	227,878	171,281
Depreciation and amortization	30,544	25,966	61,090	52,076
Operating income	72,437	58,251	56,932	25,408
Other income (expense):				
Earnings (loss) in equity method investments	(2,608)	(1,188)	2,117	(2,182)
Interest income ^(d)	5,378	2,692	9,764	5,091
Interest expense	(3,798)	(491)	(7,509)	(901)
Miscellaneous income (expense)	(250)	1,405	(250)	1,405
	(1,278)	2,418	4,122	3,413
Income from operations before income taxes	71,159	60,669	61,054	28,821
Income tax benefit (expense)	116,832	(3,248)	116,070	(314)
Net income	187,991	57,421	177,124	28,507
Less: Net income (loss) attributable to redeemable noncontrolling interests	(767)	—	133	—
Less: Net loss attributable to nonredeemable noncontrolling interests	(855)	(305)	(1,515)	(593)
Net income attributable to The Madison Square Garden Company's stockholders	\$ 189,613	\$ 57,726	\$ 178,506	\$ 29,100
Basic earnings per common share attributable to The Madison Square Garden Company's stockholders	\$ 8.03	\$ 2.41	\$ 7.57	\$ 1.21
Diluted earnings per common share attributable to The Madison Square Garden Company's stockholders	\$ 7.96	\$ 2.39	\$ 7.48	\$ 1.20
Weighted-average number of common shares outstanding:				
Basic	23,621	23,971	23,594	24,013
Diluted	23,813	24,143	23,861	24,192

^(a) Include revenues from related parties of \$41,131 and \$39,040 for the three months ended December 31, 2017 and 2016, respectively, and \$77,041 and \$72,881 for the six months ended December 31, 2017 and 2016, respectively.

^(b) Include net charges from related parties of \$425 and \$475 for the three months ended December 31, 2017 and 2016, respectively, and \$571 and \$689 for the six months ended December 31, 2017 and 2016, respectively.

^(c) Include net charges to related parties of \$(1,186) and \$(1,616) for the three months ended December 31, 2017 and 2016, respectively, and \$(2,624) and \$(3,204) for the six months ended December 31, 2017 and 2016, respectively.

^(d) Includes interest income from nonconsolidated affiliates of \$2,154 and \$1,114 for the three months ended December 31, 2017 and 2016, respectively, and \$3,317 and \$1,979 for the six months ended December 31, 2017 and 2016, respectively.

See accompanying notes to consolidated financial statements.

THE MADISON SQUARE GARDEN COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in thousands)

	Three Months Ended December 31,				Six Months Ended December 31,			
	2017		2016		2017		2016	
Net income	\$ 187,991		\$ 57,421		\$ 177,124		\$ 28,507	
Other comprehensive income (loss), before income taxes:								
Pension plans and postretirement plan:								
Amounts reclassified from accumulated other comprehensive loss:								
Amortization of actuarial loss included in net periodic benefit cost	\$ 280		\$ 344		\$ 620		\$ 688	
Amortization of prior service credit included in net periodic benefit cost	(6) 274		(13) 331		(18) 602		(25) 663	
Cumulative translation adjustments	2,277		—		2,277		—	
Net changes related to available-for-sale securities	(7,443)		3,433		(8,213)		10,175	
Other comprehensive income (loss), before income taxes	(4,892)		3,764		(5,334)		10,838	
Reversal of income tax expense related to items of other comprehensive income	—		3,126		—		—	
Other comprehensive income (loss), net of income taxes	(4,892)		6,890		(5,334)		10,838	
Comprehensive income	183,099		64,311		171,790		39,345	
Less: Comprehensive income (loss) attributable to redeemable noncontrolling interests	(767)		—		133		—	
Less: Comprehensive loss attributable to nonredeemable noncontrolling interests	(855)		(305)		(1,515)		(593)	
Comprehensive income attributable to The Madison Square Garden Company's stockholders	\$ 184,721		\$ 64,616		\$ 173,172		\$ 39,938	

See accompanying notes to consolidated financial statements.

THE MADISON SQUARE GARDEN COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended	
	December 31,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 177,124	\$ 28,507
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,090	52,076
Provision for (benefit from) deferred income taxes	(116,112)	314
Share-based compensation expense	26,816	20,098
Loss (earnings) in equity method investments	(2,117)	2,182
Purchase accounting adjustments associated with rent-related intangibles and deferred rent	2,280	—
Other non-cash expense	1,133	90
Change in assets and liabilities, net of acquisitions:		
Accounts receivable, net	(16,896)	(14,792)
Net related party receivables	1,190	2,397
Prepaid expenses and other assets	(2,637)	(1,602)
Accounts payable	14,544	12,549
Net related party payables	3,621	996
Accrued and other liabilities	(85,407)	(31,930)
Deferred revenue	(1,362)	39,047
Net cash provided by operating activities	63,267	109,932
Cash flows from investing activities:		
Capital expenditures, net of acquisitions	(127,684)	(21,766)
Payments for acquisition of assets	(6,000)	(1,000)
Payments to acquire available-for-sale securities	—	(23,222)
Payments for acquisition of businesses, net of cash acquired	(8,288)	(13,468)
Investments and loans to nonconsolidated affiliates	(3,000)	(3,235)
Loan payments received	2,600	—
Cash paid for notes receivable	(1,500)	—
Net cash used in investing activities	(143,872)	(62,691)
Cash flows from financing activities:		
Repurchases of common stock	(11,830)	(72,277)
Proceeds from stock option exercises	—	7
Taxes paid in lieu of shares issued for equity-based compensation	(12,232)	(7,034)
Distributions to noncontrolling interest holders	(3,750)	—
Payment of contingent consideration	(4,000)	—
Payments for financing costs	(62)	(1,909)
Net cash used in financing activities	(31,874)	(81,213)
Effect of exchange rates on cash and cash equivalents	12	—
Net decrease in cash and cash equivalents	(112,467)	(33,972)
Cash and cash equivalents at beginning of period	1,238,114	1,444,317
Cash and cash equivalents at end of period	\$ 1,125,647	\$ 1,410,345
Non-cash investing and financing activities:		
Investments and loans to nonconsolidated affiliates	\$ 14	\$ 322
Capital expenditures incurred but not yet paid	5,764	2,961
Accrued earn-out liability and other contingencies	4,504	—
Acquisition of assets not yet paid	3,000	—

See accompanying notes to consolidated financial statements.

THE MADISON SQUARE GARDEN COMPANY
CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS
(Unaudited)
(in thousands)

	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total The Madison Square Garden Company Stockholders ' Equity	Non - redeemable Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance as of June 30, 2017	\$ 249	\$2,832,516	\$(242,077)	\$ (148,410)	\$ (34,115)	\$ 2,408,163	\$ 11,698	\$2,419,861	\$ 80,630
Change in accounting policy related to share-based forfeiture rates	—	2,403	—	(2,403)	—	—	—	—	—
Net income (loss)	—	—	—	178,506	—	178,506	(1,515)	176,991	133
Other comprehensive loss	—	—	—	—	(5,334)	(5,334)	—	(5,334)	—
Comprehensive income (loss)						173,172	(1,515)	171,657	133
Share-based compensation	—	26,845	—	—	—	26,845	—	26,845	—
Tax withholding associated with shares issued for equity-based compensation	—	(12,232)	—	—	—	(12,232)	—	(12,232)	—
Common stock issued under stock incentive plans	—	(11,412)	11,412	—	—	—	—	—	—
Repurchases of common stock	—	—	(11,830)	—	—	(11,830)	—	(11,830)	—
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(806)	(806)	(2,944)
Noncontrolling interests from acquisition	—	—	—	—	—	—	8,182	8,182	—
Balance as of December 31, 2017	<u>\$ 249</u>	<u>\$2,838,120</u>	<u>\$(242,495)</u>	<u>\$ 27,693</u>	<u>\$ (39,449)</u>	<u>\$ 2,584,118</u>	<u>\$ 17,559</u>	<u>\$2,601,677</u>	<u>\$ 77,819</u>

See accompanying notes to consolidated financial statements.

THE MADISON SQUARE GARDEN COMPANY
CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS (Continued)
(Unaudited)
(in thousands)

	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total The Madison Square Garden Company Stockholders ' Equity	Non - redeemable Noncontrolling Interests	Total Equity
Balance as of June 30, 2016	\$ 249	\$2,806,352	\$(101,882)	\$ (75,687)	\$ (42,611)	\$ 2,586,421	\$ —	\$2,586,421
Net income (loss)	—	—	—	29,100	—	29,100	(593)	28,507
Other comprehensive income	—	—	—	—	10,838	10,838	—	10,838
Comprehensive income (loss)						39,938	(593)	39,345
Exercise of stock options	—	(39)	46	—	—	7	—	7
Share-based compensation	—	20,175	—	—	—	20,175	—	20,175
Tax withholding associated with shares issued for equity-based compensation	—	(5,702)	(1,332)	—	—	(7,034)	—	(7,034)
Common stock issued under stock incentive plans	—	(8,630)	8,630	—	—	—	—	—
Repurchases of common stock	—	—	(72,277)	—	—	(72,277)	—	(72,277)
Noncontrolling interests from acquisition	—	—	—	—	—	—	11,394	11,394
Balance as of December 31, 2016	<u>\$ 249</u>	<u>\$2,812,156</u>	<u>\$(166,815)</u>	<u>\$ (46,587)</u>	<u>\$ (31,773)</u>	<u>\$ 2,567,230</u>	<u>\$ 10,801</u>	<u>\$2,578,031</u>

See accompanying notes to consolidated financial statements.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

All amounts included in the following Notes to Consolidated Financial Statements are presented in thousands, except per share data or as otherwise noted.

Note 1. Description of Business and Basis of Presentation

Description of Business

The Madison Square Garden Company (together with its subsidiaries, the “Company” or “Madison Square Garden”) is a live sports and entertainment business. The Company classifies its business interests into two reportable segments: MSG Entertainment and MSG Sports. MSG Entertainment includes live entertainment events such as concerts, family shows, performing arts and special events, which are presented or hosted in the Company’s diverse collection of venues along with live offerings through TAO Group Holdings LLC (“TAO Group”) and Boston Calling Events LLC (“BCE”). TAO Group is a hospitality group with globally-recognized entertainment dining and nightlife brands: TAO, Marquee, Lavo, Avenue, The Stanton Social, Beauty & Essex and Vandal. BCE produces New England’s premier Boston Calling Music Festival. MSG Entertainment also includes the Company’s original productions — the *Christmas Spectacular Starring the Radio City Rockettes* (the “*Christmas Spectacular*”) and the *New York Spectacular Starring the Radio City Rockettes* (the “*New York Spectacular*”). MSG Sports includes the Company’s professional sports franchises: the New York Knicks (the “Knicks”) of the National Basketball Association (the “NBA”), the New York Rangers (the “Rangers”) of the National Hockey League (the “NHL”), the New York Liberty (the “Liberty”) of the Women’s National Basketball Association (the “WNBA”), the Hartford Wolf Pack of the American Hockey League (the “AHL”) and the Westchester Knicks of the NBA Gatorade League (the “NBAGL”). The MSG Sports segment also includes other live sporting events, including professional boxing, college basketball, college hockey, professional bull riding, mixed martial arts, esports, tennis and college wrestling, all of which the Company promotes, produces and/or presents. In July 2017, the Company acquired a controlling interest in Counter Logic Gaming (“CLG”), a premier North American esports organization, which is now part of the MSG Sports segment.

The Company conducts a significant portion of its operations at venues that it either owns or operates under long-term leases. The Company owns the Madison Square Garden Arena (“The Garden”) and The Theater at Madison Square Garden in New York City, the Forum in Inglewood, CA and The Chicago Theatre in Chicago. In addition, the Company leases Radio City Music Hall and the Beacon Theatre in New York City, and has a booking agreement with respect to the Wang Theatre in Boston. Additionally, TAO Group operates various restaurants, nightlife and hospitality venues under long-term leases and management contracts in New York, Las Vegas, Los Angeles, Australia and Singapore.

The Company was incorporated on March 4, 2015 as an indirect, wholly-owned subsidiary of MSG Networks Inc. (“MSG Networks”), formerly known as The Madison Square Garden Company. On September 11, 2015, MSG Networks’ board of directors approved the distribution of all the outstanding common stock of Madison Square Garden to MSG Networks’ stockholders (the “Distribution”), which occurred on September 30, 2015. See Note 1 to the consolidated and combined financial statements included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2017 for more information regarding the Distribution to its common stockholders.

Basis of Presentation

The accompanying unaudited consolidated interim financial statements (referred to as the “Financial Statements” herein) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (“SEC”) for interim financial information, and should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended June 30, 2017. The Financial Statements presented in this Quarterly Report on Form 10-Q are unaudited; however, in the opinion of management, the Financial Statements reflect all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the periods presented are not necessarily indicative of the results that might be expected for future interim periods or for the full year. The dependence of the MSG Sports segment on revenues from its NBA and NHL sports teams generally means it earns a disproportionate share of its revenues in the second and third quarters of the Company’s fiscal year. The dependence of the MSG Entertainment segment on revenues from the *Christmas Spectacular* generally means it earns a disproportionate share of its revenues in the second quarter of the Company’s fiscal year.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Note 2 . Accounting Policies**Principles of Consolidation**

The consolidated financial statements of the Company include the accounts of The Madison Square Garden Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. In addition, the consolidated financial statements of the Company include the accounts from TAO Group , BCE and CLG , in which the Company has controlling voting interests. The Company's consolidation criteria are based on authoritative accounting guidance for voting interest, controlling interest or variable interest entities. TAO Group , BCE and CLG are consolidated with the equity owned by other shareholders shown as redeemable or nonredeemable noncontrolling interests in the accompanying consolidated balance sheet s, and the other shareholders' portion of net earnings (loss) and other comprehensive income (loss) shown as net income (loss) or comprehensive income (loss) attributable to redeemable or nonredeemable noncontrolling interests in the accompanying consolidated statements of operation s and consolidated statements of comprehensive income , respectively. See Note 2 to the consolidated and combined financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2017 for more information regarding the classification of redeemable noncontrolling interests of TAO Group . In addition, TAO Group 's results are reported on a three-month lag basis and TAO Group reports on a fiscal year reflecting the retail-based calendar (containing 4-4-5 week calendar quarters). Accordingly, the Company's results for the three and six months ended December 31, 2017 include TAO Group 's operating results from June 26, 2017 to September 24, 2017 and March 27, 2017 to September 24, 2017 , respectively.

Use of Estimates

The preparation of the accompanying Financial Statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amount of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, investments, goodwill, intangible assets, other long-lived assets, tax accruals and other liabilities. In addition, estimates are used in revenue recognition, revenue sharing expense (net of escrow), luxury tax expense, income tax expense, performance and share-based compensation, depreciation and amortization, litigation matters and other matters, as well as in the valuation of contingent consideration and noncontrolling interests resulting from business combination transactions. Management believes its use of estimates in the Financial Statements are reasonable.

Management evaluates its estimates on an ongoing basis using historical experience and other factors, including the general economic environment and actions it may take in the future. The Company adjusts such estimates when facts and circumstances dictate. However, these estimates may involve significant uncertainties and judgments and cannot be determined with precision. In addition, these estimates are based on management's best judgment at a point in time and, as such, these estimates may ultimately differ from actual results. Changes in estimates resulting from weakness in the economic environment or other factors beyond the Company's control could be material and would be reflected in the Company's financial statements in future periods.

Summary of Significant Accounting Policies

The following is an update to the Company's Summary of Significant Accounting Policies disclosed in its Annual Report on Form 10-K for the year ended June 30, 2017 :

Revenue Recognition

Deferred revenue reported in the accompanying consolidated balance sheets as of December 31, 2017 and June 30, 2017 includes amounts due to the third-party promoters of \$50,414 and \$72,400 , respectively.

Foreign Currency Translation

The consolidated financial statements are presented in U.S. Dollars. Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, are translated to U.S. Dollars at exchange rates in effect at the balance sheet date. Operating results of non-U.S. subsidiaries are translated at weighted-average exchange rates during the year which approximate the rates in effect at the transaction dates. Foreign currency translation gains and losses are included as a component of accumulated other comprehensive income (loss) as changes in cumulative translation adjustments in the accompanying consolidated balance sheet.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Recently Issued Accounting Pronouncements*Recently Adopted Accounting Pronouncements*

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-07, *Investments - Equity Method and Joint Ventures (Topic 323), Simplifying the Transition to the Equity Method of Accounting*. ASU No. 2016-07 eliminates the requirement for an investor to retrospectively apply the equity method when an investment that it had accounted for by another method qualifies for use of the equity method. This standard was adopted by the Company prospectively in the first quarter of fiscal year 2018. The adoption of the standard did not have an impact on the Company’s consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-based Payment Accounting*. ASU No. 2016-09, among other things, (i) requires the income tax effects of all awards to be recognized in the statement of operations when the awards vest or are settled, (ii) allows an employer to repurchase more of an employee’s shares for tax withholding purposes than currently allowable, without triggering liability accounting, and provides companies with the option to make a policy election to account for forfeitures as they occur, and (iii) requires companies to present excess tax benefits as operating activity rather than as financing activity on the statement of cash flows. This standard was adopted by the Company in the first quarter of fiscal year 2018. In connection with the Company’s election to record forfeitures as they occur, the Company used the modified retrospective transition method and recorded a cumulative effect of \$2,403, which was an increase in beginning accumulated deficits with the offset by an equal increase in additional paid in capital. In addition, the Company prospectively adopted the provision regarding the presentation of excess tax benefits in the statement of cash flows, which did not result in a change in the net cash provided by operating activities for the six months ended December 31, 2017 because the Company currently maintains a 100% valuation allowance on its deferred tax asset.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*. ASU No. 2017-09 provides clarification on when modification accounting should be used for changes to the terms or conditions of a share-based payment award. This standard does not change the accounting for modifications but clarifies that modification accounting guidance should only be applied if there is a change to the value, vesting conditions or award classification and would not be required if the changes are considered non-substantive. This standard was early adopted by the Company prospectively in the first quarter of fiscal year 2018. The adoption of the standard did not have an impact on the Company’s consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in FASB Accounting Standards Codification (“ASC”) Topic 605, *Revenue Recognition*. ASC Topic 606, among other things, (i) is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and (ii) requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606) : Deferral of the Effective Date*, which defers the effective date of ASU No. 2014-09 for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue versus Net)*, which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard under ASU No. 2014-09. ASU No. 2016-08 clarifies how an entity should identify the unit of accounting (i.e. the specified good or service) for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarifies the principle in ASU No. 2014-09 for determining whether a good or service is separately identifiable from other promises in the contract and, therefore, should be accounted for separately. ASU No. 2016-10 also clarifies that entities are not required to identify promised goods or services that are immaterial in the context of the contract and allows entities to elect to account for shipping and handling activities as a fulfillment cost rather than as an additional promised service. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients*, which clarifies the following aspects in ASU No. 2014-09: collectability, presentation of sales taxes and other similar taxes collected from customers, noncash considerations, contract modifications at transition, completed contracts at

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

transition, and technical correction. In December, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which allows entities not to make quantitative disclosures about remaining performance obligations in certain cases and requires entities that use any of the new or previously existing optional exemptions to expand their qualitative disclosures. ASC Topic 606 and the related updates will be effective for the Company beginning in the first quarter of fiscal year 2019 using one of two retrospective application methods. The Company's evaluation of the impact this standard will have on its consolidated financial statements is ongoing. Based on the review to date, the Company believes that the adoption of the new standard will impact the quarterly and annual recognition for certain revenue streams. While the Company has made substantial progress in concluding the appropriate treatment for most of its revenue streams, the review is ongoing for a few remaining revenue streams. The Company has not decided whether the retrospective or modified retrospective method will be used in adopting the new standard.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This standard, among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income and (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. Early adoption is not permitted with the exception of certain provisions related to the presentation of other comprehensive income. This standard will be effective for the Company beginning in the first quarter of fiscal year 2019. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes existing guidance on accounting for leases in FASB ASC Topic 840, *Leases*. ASU No. 2016-02, among other things, (i) requires lessees to account for leases as either finance leases or operating leases and generally requires all leases to be recorded on the balance sheet, including those leases classified as operating leases under previous accounting guidance, through the recognition of right-of-use assets and corresponding lease liabilities, and (ii) requires extensive qualitative and quantitative disclosures about leasing activities. The accounting applied by a lessor is largely unchanged from that applied under previous accounting guidance. This standard will be effective for the Company beginning in the first quarter of fiscal year 2020 and is required to be applied using the modified retrospective approach for all leases existing as of the effective date. Early adoption is permitted; however, the Company currently does not plan to adopt this standard early. The Company's evaluation of the impact this standard will have on its consolidated financial statements is ongoing. Based on efforts to date, the adoption of the standard will result in the recognition of right of use assets and lease liabilities related to the Company's operating leases.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. ASU 2016-13 replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that will require the reflection of expected credit losses and will also require consideration of a broader range of reasonable and supportable information to determine credit loss estimates. For most financial instruments, the standard will require the use of a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses, which will generally result in the earlier recognition of credit losses on financial instruments. This standard will be effective for the Company beginning in the first quarter of fiscal year 2021, with early adoption permitted. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230)*. ASU No. 2016-15 addresses eight specific cash flow issues and is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This standard will be effective for the Company beginning in the first quarter of fiscal year 2019. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. ASU No. 2016-16 requires entities to recognize income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This standard will be effective for the Company beginning in the first quarter of fiscal year 2019. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements have not been issued or made available for issuance. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*. The primary purpose of ASU No. 2016-18 is to reduce the diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. This standard will require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard will be effective retrospectively for the Company beginning in the first quarter of fiscal year 2019, and will result in a change to the Company's presentation of net cash provided by (used in) operating activities in the statement of cash flows for the impact of changes in restricted cash balances. Early adoption is permitted in any interim or annual period.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805) Clarifying the Definition of a Business*. The primary purpose of this ASU is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses, which will affect many areas of accounting including acquisitions, disposals, goodwill, and consolidation. This standard will be effective for the Company beginning in the first quarter of fiscal year 2019 and is required to be applied prospectively. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment*. ASU No. 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This standard will be effective for the Company beginning in the first quarter of fiscal year 2021 and is required to be applied prospectively. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU No. 2017-07 requires employers to disaggregate the service cost component from the other components of net benefit cost and disclose by line item the amount of net benefit cost that is included in the statement of operations or capitalized in assets. The standard requires employers to report the service cost component in the same line item(s) as other compensation costs arising from services rendered by the pertinent employees during the period and to report other components of net benefit cost separately and outside the subtotal of operating income. The standard also allows only the service cost component to be eligible for capitalization. This standard will be effective for the Company beginning in the first quarter of fiscal year 2019. The guidance requires application on a retrospective basis for the presentation of the service cost component and the other components of net benefit cost in the statements of operations and on a prospective basis for the capitalization of the service cost component of net benefit cost in assets. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements have not been issued or made available for issuance. For the three months ended December 31, 2017, net periodic pension and other postretirement employee benefit cost reported within operating income totaled to \$1,031, of which \$53 represented service cost. For the six months ended December 31, 2017, net periodic pension and other postretirement employee benefit cost reported within operating income totaled to \$2,093, of which \$105 represented service cost.

Note 3 . Acquisitions

On July 28, 2017, the Company acquired a 65% controlling interest in CLG, a premier North American esports organization. CLG's results of operations since the acquisition date, which are included in the Company's consolidated statements of operations for the three and six months ended December 31, 2017, were not material. Pro forma information is not provided since the acquisition was not material when compared with the Company's consolidated financial statements.

On November 20, 2017, the Company acquired a 100% controlling interest in Obscura Digital ("Obscura"), a creative studio, globally-recognized for its work in designing and developing next-generation immersive experiences. Obscura's results of operations since the acquisition date, which are included in the Company's consolidated statements of operations for the three and six months ended December 31, 2017, were not material. Pro forma information is not provided since the acquisition was not material when compared with the Company's consolidated financial statements. In addition, the Obscura financial results of operations will be reflected in the MSG Entertainment segment. Any costs incurred by Obscura that are associated with the Company's venue development initiatives will be reported in "Corporate and Other."

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Note 4. Computation of Earnings per Common Share

The following table presents a reconciliation of weighted-average shares used in the calculations of basic and diluted earnings per common share attributable to the Company's stockholders ("EPS").

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Weighted-average shares (denominator):				
Weighted-average shares for basic EPS	23,621	23,971	23,594	24,013
Dilutive effect of shares issuable under share-based compensation plans	192	172	267	179
Weighted-average shares for diluted EPS	23,813	24,143	23,861	24,192
Anti-dilutive shares	19	7	10	6

Note 5. Team Personnel Transactions

Direct operating expenses in the accompanying consolidated statements of operations include net provisions for transactions relating to players on the Company's sports teams for waiver/contract termination costs and a player trade ("Team Personnel Transactions"). Team Personnel Transactions were \$2,758 and \$980 for the three months ended December 31, 2017 and 2016, respectively, and \$2,858 and \$5,990 for the six months ended December 31, 2017 and 2016, respectively.

Note 6. Investments and Loans to Nonconsolidated Affiliates

The Company's investments and loans to nonconsolidated affiliates which are accounted for under the equity method and cost method of accounting in accordance with ASC Topic 323, *Investments - Equity Method and Joint Ventures*, and ASC Topic 325, *Investments - Other*, respectively, consisted of the following:

	Ownership Percentage	Investment	Loan ^(a)	Total
December 31, 2017				
Equity method investments:				
Azoff MSG Entertainment LLC ("AMSGE")	50%	\$ 107,496	\$ 97,500	\$ 204,996
Tribeca Enterprises LLC ("Tribeca Enterprises")	50%	11,535	17,892 ^(b)	29,427
Other	50%	2,638	—	2,638
Cost method investments		10,525	—	10,525
Total investments and loans to nonconsolidated affiliates		\$ 132,194	\$ 115,392	\$ 247,586
June 30, 2017				
Equity method investments:				
AMSGE	50%	\$ 104,024	\$ 97,592 ^(c)	\$ 201,616
Brooklyn Bowl Las Vegas, LLC ("BBLV")	^(d)	—	2,662 ^(e)	2,662
Tribeca Enterprises	50%	12,864	14,370 ^(b)	27,234
Cost method investments		10,775	—	10,775
Total investments and loans to nonconsolidated affiliates		\$ 127,663	\$ 114,624	\$ 242,287

^(a) In connection with the Company's investments in AMSGE and Tribeca Enterprises, the Company provides \$100,000 and \$17,500 revolving credit facilities to these entities, respectively. Pursuant to their terms, the AMSGE and Tribeca Enterprises revolving credit facilities will terminate on September 20, 2020 and June 30, 2021, respectively.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

- (b) Includes outstanding payments-in-kind (“ PIK ”) interest of \$1,392 and \$870 as of December 31, 2017 and June 30, 2017 , respectively. PIK interest owed does not reduce availability under the revolving credit facility.
- (c) Represents the outstanding loan balance, inclusive of amounts due to the Company for interest of \$92 as of June 30, 2017 .
- (d) As of June 30, 2017 , the Company was entitled to receive back its capital, which was 74% of BBLV’s total capital, plus a preferred return, after which the Company would own a 20% interest in BBLV. As of December 31, 2017 , the Company now owns a 35% interest in BBLV with no preferred return, as a result of an amendment to the BBLV’s operating agreement.
- (e) Represents the outstanding loan balance, inclusive of amounts due to the Company for interest of \$62 as of June 30, 2017 . In December 2017, in connection with the amendment of the BBLV’s operating agreement, the Company received a payment of \$2,662 , which represented the outstanding loan principal and accrued interest balance. In addition, the Company recognized interest income of \$938 for the three and six months ended December 31, 2017 , which was received in connection with the repayment of the loan receivable since the loan balance was on a nonaccrual status.

See Note 9 for more information regarding a legal matter associated with AMSGE .

Note 7 . Property and Equipment

As of December 31, 2017 and June 30, 2017 , property and equipment consisted of the following assets:

	December 31, 2017	June 30, 2017
Land	\$ 177,855	\$ 91,678
Buildings	1,112,527	1,110,366
Leasehold improvements	177,679	176,786
Equipment	315,903	292,935
Aircraft	38,090	38,090
Furniture and fixtures	50,045	49,622
Construction in progress	37,848	22,880
	1,909,947	1,782,357
Less accumulated depreciation and amortization	(674,814)	(623,086)
	\$ 1,235,133	\$ 1,159,271

The increase in gross property and equipment during the six months ended December 31, 2017 was primarily due to the purchase of land in London . The purchase price of the land was \$79,518 (£60,000), excluding transactional taxes of \$20,661 (£15,590). The transactional taxes include a value-added tax of \$15,904 (£12,000), which the Company expects to recover and is included in other current assets in the accompanying consolidated balance sheet as of December 31, 2017 .

Depreciation and amortization expense on property and equipment was \$25,532 and \$24,350 for the three months ended December 31, 2017 and 2016 , respectively, and \$51,544 and \$48,844 for the six months ended December 31, 2017 and 2016 , respectively.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Note 8 . Goodwill and Intangible Assets

The carrying amounts of goodwill , by reportable segment, as of December 31, 2017 and June 30, 2017 are as follows:

	December 31, 2017	June 30, 2017
MSG Entertainment	\$ 165,666	\$ 161,900
MSG Sports	226,955	218,187
	<u>\$ 392,621</u>	<u>\$ 380,087</u>

The net increase in the carrying amounts of goodwill, as compared to June 30, 2017 , primarily reflects: (i) purchase price allocations for the CLG and Obscura acquisitions in the MSG Sports segment and MSG Entertainment segment, respectively, and (ii) measurement period adjustments for certain assets and liabilities for the TAO Group acquisition in the MSG Entertainment segment.

During the first quarter of fiscal year 2018 , the Company performed its annual impairment test of goodwill and determined that there were no impairments of goodwill identified for any of its reporting units.

The Company’s indefinite-lived intangible assets as of December 31, 2017 and June 30, 2017 are as follows:

	December 31, 2017	June 30, 2017
Sports franchises (MSG Sports segment)	\$ 109,429	\$ 101,429
Trademarks (MSG Entertainment segment)	62,421	62,421
Photographic related rights (MSG Sports segment)	3,000	3,000
	<u>\$ 174,850</u>	<u>\$ 166,850</u>

The increase in the carrying amount of indefinite-lived intangible assets in MSG Sports segment reflects a franchise fee associated with CLG ’s membership in the “League of Legends” North American League Championship Series.

During the first quarter of fiscal year 2018 , the Company performed its annual impairment test of identifiable indefinite-lived intangible assets and determined that there were no impairments identified.

The Company’s intangible assets subject to amortization are as follows:

December 31, 2017	Gross	Accumulated Amortization	Net
Trade names	\$ 101,830	\$ (3,792)	\$ 98,038
Venue management contracts	79,000	(3,042)	75,958
Favorable lease assets	54,253	(3,249)	51,004
Season ticket holder relationships	50,032	(42,539)	7,493
Non-compete agreements	11,400	(1,243)	10,157
Festival rights	9,080	(1,108)	7,972
Other intangibles	10,417	(4,147)	6,270
	<u>\$ 316,012</u>	<u>\$ (59,120)</u>	<u>\$ 256,892</u>

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

June 30, 2017	Gross	Accumulated Amortization	Net
Trade names	\$ 98,530	\$ (1,003)	\$ 97,527
Venue management contracts	79,000	(761)	78,239
Favorable lease assets	54,253	(812)	53,441
Season ticket holder relationships	50,032	(40,871)	9,161
Non-compete agreements	9,000	(261)	8,739
Festival rights	9,080	(739)	8,341
Other intangibles	4,217	(2,690)	1,527
	\$ 304,112	\$ (47,137)	\$ 256,975

Amortization expense for intangible assets, excluding the amortization of favorable lease assets of \$1,218 for the three months ended December 31, 2017, which is reported in rent expense, was \$5,012 and \$1,616 for the three months ended December 31, 2017 and 2016, respectively. For the six months ended December 31, 2017 and 2016, amortization expense for intangible assets, excluding the amortization of favorable lease assets of \$2,437 for the six months ended December 31, 2017, which is reported in rent expense, was \$9,546 and \$3,232, respectively. The increases in amortization expense reflects the purchase accounting adjustments for the TAO Group, CLG and Obscura acquisitions.

Note 9 . Commitments and Contingencies

Commitments

As more fully described in Note 8 to the consolidated and combined financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2017, the Company's commitments consist primarily of (i) the MSG Sports segment's obligations under employment agreements that the Company has with its professional sports teams' personnel that are generally guaranteed regardless of employee injury or termination, (ii) long-term noncancelable operating lease agreements primarily for entertainment venues, and corporate offices, and (iii) revolving credit facilities provided by the Company to AMSGE and Tribeca Enterprises (see Note 6). The Company did not have any material changes in its contractual obligations since the end of fiscal year 2017 other than activities in the ordinary course of business.

In connection with the TAO Group and CLG acquisitions, the Company has accrued contingent consideration as part of the purchase price allocation. See Note 10 for further details of the amount recorded in the accompanying consolidated balance sheet as of December 31, 2017. In addition, see Note 10 to the consolidated and combined financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2017 regarding the principal repayments required under the TAO Group's senior secured term loan facility.

Legal Matters

The Company owns 50% of AMSGE, which in turn owns a majority interest in Global Music Rights, LLC ("GMR"). GMR is primarily a performance rights organization, whose business includes obtaining the right to license the public performance rights of songs composed by leading songwriters. GMR engaged in negotiations with the Radio Music Licensing Committee ("RMLC"), which represents over ten thousand commercial radio stations. On November 18, 2016, RMLC filed a complaint against GMR in the United States District Court for the Eastern District of Pennsylvania alleging that GMR is violating Section 2 of the Sherman Antitrust Act and seeking an injunction, requiring, among other things, that GMR issue radio stations licenses for GMR's repertory, upon request, at a rate set through a judicial rate-making procedure, that GMR offer "economically viable alternatives to blanket licenses," and that GMR offer only licenses for songs which are fully controlled by GMR. GMR and RMLC agreed to an interim license arrangement through September 30, 2017, which has been extended through March 31, 2018. GMR has advised the Company that it believes that the RMLC Complaint is without merit and is vigorously defending itself. On January 20, 2017, GMR filed a motion to dismiss or to transfer venue, asserting that the Eastern District of Pennsylvania is not a proper venue for the matter, lacks personal jurisdiction of GMR and that in any event the complaint fails to state a claim. On December 6, 2016, GMR filed a complaint against RMLC in the United States District Court for the Central District of California, alleging that RMLC operates as an illegal cartel that unreasonably restrains trade in violation of Section 1 of the Sherman Antitrust Act and California state law, and seeking an injunction restraining RMLC and its co-conspirators from enforcing or establishing agreements that unreasonably restrict competition for public performance licenses. The judge in the

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Central District of California denied RMLC's motion to dismiss GMR's claim for lack of ripeness and, on the basis that the two cases involve similar facts, stayed the California action in order to assess the status of the Pennsylvania case. On July 21, 2017, RMLC filed a preliminary injunction motion in the United States District Court for the Eastern District of Pennsylvania to extend the duration of the interim licenses which GMR had granted to certain radio stations. The district court determined that the jurisdictional matter should be decided prior to addressing the motion for preliminary injunction and referred the jurisdictional questions to the Magistrate Judge in the United States District Court Eastern District of Pennsylvania. On November 29, 2017, the Magistrate Judge issued a report and recommendation that personal jurisdiction was not appropriate over GMR in the Eastern District of Pennsylvania and recommending the dismissal of the RMLC's action without prejudice. The RMLC has filed objections to the Magistrate Judge's report and recommendation.

The Company is a defendant in various other lawsuits. Although the outcome of these other lawsuits cannot be predicted with certainty (including the extent of available insurance, if any), management does not believe that resolution of these other lawsuits will have a material adverse effect on the Company.

Note 10 . Fair Value Measurements

The following table presents the Company's assets that are measured at fair value on a recurring basis, which include cash equivalents and available-for-sale securities:

	Fair Value Hierarchy	December 31, 2017	June 30, 2017
Assets:			
Commercial Paper	I	\$ 105,307	\$ 105,476
Money market accounts	I	174,774	102,884
Time deposits	I	811,450	1,007,302
Available-for-sale securities	I	24,638	32,851
Total assets measured at fair value		<u>\$ 1,116,169</u>	<u>\$ 1,248,513</u>

All assets listed above are classified within Level I of the fair value hierarchy as they are valued using observable inputs that reflect quoted prices for identical assets in active markets. The carrying amounts of the Company's commercial paper, money market accounts and time deposits approximate fair value due to their short-term maturities.

The carrying value and fair value of the Company's financial instruments reported in the accompanying consolidated balance sheets are as follows:

	December 31, 2017		June 30, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Notes receivable, including interest accruals	\$ 4,114	\$ 4,114	\$ 2,610	\$ 2,610
Available-for-sale securities ^(a)	24,638	24,638	32,851	32,851
Liabilities				
Long-term debt, including current portion ^(b)	\$ 110,000	\$ 108,826	\$ 110,000	\$ 110,091

^(a) Aggregate cost basis for available-for-sale securities, including transaction costs, was \$23,222 as of December 31, 2017. The unrealized gain recorded in accumulated other comprehensive loss was \$1,416 as of December 31, 2017. The fair value of the available-for-sale securities is determined based on quoted market prices in an active market at the New York Stock Exchange, which is classified within Level I of the fair value hierarchy.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

- ^(b) *On January 31, 2017, TAO Group Intermediate Holdings LLC (“TAOIH”), TAO Group Operating LLC (“TAOG”) and certain of its subsidiaries entered into a \$110,000 senior secured five -year term loan facility. The Company’s long-term debt is classified within Level II of the fair value hierarchy as it is valued using quoted indices of similar securities for which the inputs are readily observable.*

Contingent Consideration Liabilities

In connection with the TAO Group acquisition (see Note 3 to the consolidated and combined financial statements included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2017 for further details), the Company recorded certain contingent consideration liabilities at fair value as part of the preliminary purchase price allocation. The fair value was estimated using a Monte-Carlo simulation model which included significant unobservable Level III inputs such as projected financial performance over the earn-out period (five years) along with estimates for market volatility and the discount rate applicable to potential cash payouts. As of December 31, 2017 and June 30, 2017 , the fair value of contingent consideration liabilities in connection with the TAO Group acquisition was \$7,900 .

In connection with the CLG acquisition, the Company may be required to make future payments for deferred and contingent consideration up to a total of \$9,150 based upon the achievement of certain specified objectives during the three years following the transaction as defined under the membership interest purchase agreement. The Company recorded \$6,586 as the initial fair value of deferred and contingent consideration liabilities as part of the preliminary purchase price allocation. The fair values of these deferred and contingent consideration liabilities were estimated using weighted probabilities of achievement for the possible objective and earn-out events and adjusted for a discount rate applicable to the deferred and potential cash payouts. During the six months ended December 31, 2017 , the Company made a payment of \$4,000 as one of the objectives for contingent consideration was achieved. As of December 31, 2017 , the fair value of deferred and contingent consideration liabilities was \$2,586 .

Note 11 . Credit Facilities

Knicks Revolving Credit Facility

On September 30, 2016, New York Knicks, LLC (“Knicks LLC”), a wholly owned subsidiary of the Company, entered into a credit agreement (the “Knicks Credit Agreement”) with a syndicate of lenders providing for a senior secured revolving credit facility of up to \$200,000 with a term of five years (the “Knicks Revolving Credit Facility”) to fund working capital needs and for general corporate purposes.

The Knicks Revolving Credit Facility requires Knicks LLC to comply with a debt service ratio of 1.5:1.0 over a trailing four quarter period . As of December 31, 2017 , Knicks LLC was in compliance with this financial covenant.

All borrowings under the Knicks Revolving Credit Facility are subject to the satisfaction of certain customary conditions. Borrowings bear interest at a floating rate, which at the option of Knicks LLC may be either (i) a base rate plus a margin ranging from 0.00% to 0.125% per annum or (ii) LIBOR plus a margin ranging from 1.00% to 1.125% per annum. Knicks LLC is required to pay a commitment fee ranging from 0.20% to 0.25% per annum in respect of the average daily unused commitments under the Knicks Revolving Credit Facility . The Knicks Revolving Credit Facility was undrawn as of December 31, 2017 .

All obligations under the Knicks Revolving Credit Facility are secured by a first lien security interest in certain of Knicks LLC’s assets, including, but not limited to, (i) the Knicks LLC’s membership rights in the NBA and (ii) revenues to be paid to the Knicks LLC by the NBA pursuant to certain U.S. national broadcast agreements.

Subject to customary notice and minimum amount conditions, Knicks LLC may voluntarily prepay outstanding loans under the Knicks Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurocurrency loans). Knicks LLC is required to make mandatory prepayments in certain circumstances, including without limitation if the maximum available amount under the Knicks Revolving Credit Facility is greater than 350% of qualified revenues.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

In addition to the financial covenant described above, the Knicks Credit Agreement and the related security agreement contain certain customary representations and warranties, affirmative covenants and events of default. The Knicks Credit Agreement contains certain restrictions on the ability of Knicks LLC to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the Knicks Credit Agreement, including the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making restricted payments during the continuance of an event of default under the Knicks Credit Agreement; (iv) engaging in sale and leaseback transactions; (v) merging or consolidating; and (vi) taking certain actions that would invalidate the secured lenders' liens on any Knicks LLC's collateral.

Knicks Unsecured Credit Facility

On September 30, 2016, Knicks LLC entered into an unsecured revolving credit facility with a lender for an initial maximum credit amount of \$15,000 and a 364 - day term (the "Knicks Unsecured Credit Facility"). Knicks LLC renewed this facility with the lender on the same terms effective as of September 29, 2017. This facility was undrawn as of December 31, 2017 .

Rangers Revolving Credit Facility

On January 25, 2017, New York Rangers, LLC ("Rangers LLC"), a wholly owned subsidiary of the Company, entered into a credit agreement (the "Rangers Credit Agreement") with a syndicate of lenders providing for a senior secured revolving credit facility of up to \$150,000 with a term of five years (the "Rangers Revolving Credit Facility") to fund working capital needs and for general corporate purposes.

The Rangers Revolving Credit Facility requires Rangers LLC to comply with a debt service ratio of 1.5:1.0 over a trailing four quarter period . As of December 31, 2017 , Rangers LLC was in compliance with this financial covenant . All borrowings under the Rangers Revolving Credit Facility are subject to the satisfaction of certain customary conditions.

Borrowings bear interest at a floating rate, which at the option of Rangers LLC may be either (i) a base rate plus a margin ranging from 0.125% to 0.50% per annum or (ii) LIBOR plus a margin ranging from 1.125% to 1.50% per annum. Rangers LLC is required to pay a commitment fee ranging from 0.375% to 0.625% per annum in respect of the average daily unused commitments under the Rangers Revolving Credit Facility . The Rangers Revolving Credit Facility was undrawn as of December 31, 2017 .

All obligations under the Rangers Revolving Credit Facility are secured by a first lien security interest in certain of Rangers LLC's assets, including, but not limited to, (i) Rangers LLC's membership rights in the NHL, (ii) revenues to be paid to Rangers LLC by the NHL pursuant to certain U.S. and Canadian national broadcast agreements, and (iii) revenues to be paid to Rangers LLC pursuant to local media contracts.

Subject to customary notice and minimum amount conditions, Rangers LLC may voluntarily prepay outstanding loans under the Rangers Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurocurrency loans). Rangers LLC is required to make mandatory prepayments in certain circumstances, including without limitation if the maximum available amount under the Rangers Revolving Credit Facility is less than 17% of qualified revenues.

In addition to the financial covenant described above, the Rangers Credit Agreement and the related security agreement contain certain customary representations and warranties, affirmative covenants and events of default. The Rangers Credit Agreement contains certain restrictions on the ability of Rangers LLC to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the Rangers Credit Agreement, including the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making restricted payments during the continuance of an event of default under the Rangers Credit Agreement; (iv) engaging in sale and leaseback transactions; (v) merging or consolidating; and (vi) taking certain actions that would invalidate the secured lenders' liens on any of Rangers LLC's assets securing the obligations under the Rangers Revolving Credit Facility.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

TAO Credit Facilities

On January 31, 2017, TAOIH, TAOG, and certain of its subsidiaries entered into a credit and guaranty agreement with a syndicate of lenders providing for a senior secured term loan facility of \$110,000 with a term of five years (the “TAO Term Loan Facility”) to fund, in part, the acquisition of TAO Group and a senior secured revolving credit facility of up to \$12,000 with a term of five years (the “TAO Revolving Credit Facility,” and together with the TAO Term Loan Facility, the “TAO Credit Facilities”) for working capital and general corporate purposes of TAOG. The TAO Credit Facilities were obtained without recourse to MSG or any of its affiliates (other than TAOIH and its subsidiaries).

The TAO Credit Facilities require TAOIH (i) to maintain, for the relevant TAO entities, a minimum consolidated liquidity of \$5,000 at all times, (ii) to comply with a maximum total net leverage ratio of 4.00:1.00 initially and stepping down over time to 2.50:1.00 by the first quarter of calendar year 2021 and through the remainder of the term of the TAO Credit Facilities, and (iii) to comply with a minimum fixed charge coverage ratio of 1.50:1.00 initially and stepping down over time to 1.15:1.00 by the second quarter of calendar year 2021 and through the remainder of the term of the TAO Credit Facilities. TAOIH was in compliance with the financial covenants of the TAO Credit Facilities as of September 24, 2017 (the most recent date at which compliance was assessed under the TAO Credit Facilities). The TAO Revolving Credit Facility was undrawn as of December 31, 2017.

The TAO entities under the TAO Credit Facilities are also subject to certain limitations with respect to making capital expenditures based upon the total net leverage ratio and other factors. The restrictions on capital expenditures are subject to certain “carry-forward” provisions and other customary carve-outs.

All borrowings under the TAO Credit Facilities are subject to the satisfaction of certain customary conditions, including compliance with a maximum leverage multiple, accuracy of representations and warranties and absence of a default or event of default. Borrowings bear interest at a floating rate, which at the option of TAOG may be either (i) a base rate plus a margin ranging from 6.50% to 7.00% per annum or (ii) LIBOR plus a margin ranging from 7.50% to 8.00% per annum. TAOG is required to pay a commitment fee of 0.50% per annum in respect of the average daily unused commitments under the TAO Revolving Credit Facility. The interest rate on the TAO Credit Facilities as of September 24, 2017 was 9.25%. TAO Group made interest payments under the TAO Term Loan Facility of \$2,580 and \$5,098 for the three and six months ended September 24, 2017 (the period for which TAO Group’s operating results are recorded in the Company’s consolidated statements of operations for the three and six months ended December 31, 2017).

All obligations under the TAO Credit Facilities are secured by a first lien security interest in substantially all of the applicable TAO entities’ assets, including, but not limited to, a pledge of all of the capital stock of substantially all of TAOIH’s wholly-owned domestic subsidiaries and 65% of the voting capital stock, and 100% of the non-voting capital stock, of each of its first-tier foreign subsidiaries.

Subject to customary notice and minimum amount conditions, TAOG may voluntarily prepay outstanding loans under the TAO Credit Facilities at any time, in whole or in part (subject to customary breakage costs with respect to LIBOR loans) with premiums due in respect of prepayments of the TAO Term Loan Facility or permanent reduction under the TAO Revolving Credit Facility, in each case, starting at 5.0% initially and stepping down to 0% after three years. Beginning March 31, 2018, TAOG is required to make scheduled amortization payments under the TAO Term Loan Facility in consecutive quarterly installments equal to \$688 per quarter initially, stepping up over time to \$4,125 per quarter by March 31, 2021 and through the final maturity date of the TAO Term Loan Facility with the final balance payable on such maturity date. TAOG is also required to make mandatory prepayments under the TAO Credit Facilities in certain circumstances, including, without limitation, 75% of excess cash flow, with a step-down to 50% when the total net leverage ratio is less than 2.00:1.00.

The TAO Credit Facilities contain certain restrictions on the ability of TAOG to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the TAO Credit Facilities, including, without limitation, the following: (i) incurring additional indebtedness; (ii) creating liens on assets; (iii) making distributions, dividends and other restricted payments; (iv) engaging in sale and leaseback transactions; (v) merging or consolidating; (vi) making investments; and (vii) prepaying certain indebtedness.

See Note 10 to the consolidated and combined financial statements included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2017 for more information regarding the Company’s debt maturities for the TAO Term Loan Facility.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Deferred Financing Costs

The following table summarizes the presentation of the TAO Term Loan Facility , and the related deferred financing costs in the accompanying consolidated balance sheets as of December 31, 2017 and June 30, 2017 .

	December 31, 2017		
	TAO Term Loan Facility	Deferred Financing Costs	Total
Current portion of long-term debt, net of deferred financing costs	\$ 1,375	\$ (939)	\$ 436
Long-term debt, net of deferred financing costs	108,625	(3,161)	105,464
Total	\$ 110,000	\$ (4,100)	\$ 105,900

	June 30, 2017		
	TAO Term Loan Facility	Deferred Financing Costs	Total
Current portion of long-term debt, net of deferred financing costs	\$ —	\$ —	\$ —
Long-term debt, net of deferred financing costs	110,000	(4,567)	105,433
Total	\$ 110,000	\$ (4,567)	\$ 105,433

The following table summarizes deferred financing costs, net of amortization, related to the Knicks Revolving Credit Facility , Knicks Unsecured Credit Facility , Rangers Revolving Credit Facility , and TAO Revolving Credit Facility as reported on the accompanying consolidated balance sheets as of December 31, 2017 and June 30, 2017 .

	December 31, 2017	June 30, 2017
Other current assets	\$ 778	\$ 806
Other assets	2,296	2,784

Note 12 . Pension Plans and Other Postretirement Benefit Plan

See Note 11 to the consolidated and combined financial statements included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2017 for more information regarding the Company’s defined benefit pension plans (“Pension Plans”), postretirement benefit plan (“Postretirement Plan”), Madison Square Garden 401(k) Savings Plan and the MSG Sports & Entertainment, LLC Excess Savings Plan (collectively, the “Savings Plans”), and Madison Square Garden 401(k) Union Plan (the “Union Savings Plan”).

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Defined Benefit Pension Plans and Postretirement Benefit Plan

Components of net periodic benefit cost for the Pension Plans and Postretirement Plan recognized in direct operating expenses and selling, general and administrative expenses in the accompanying consolidated statements of operations for the three and six months ended December 31, 2017 and 2016 are as follows:

	Pension Plans		Postretirement Plan	
	Three Months Ended		Three Months Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Service cost	\$ 21	\$ 23	\$ 32	\$ 34
Interest cost	1,374	1,240	51	40
Expected return on plan assets	(721)	(596)	—	—
Recognized actuarial loss	280	344	—	—
Amortization of unrecognized prior service credit	—	—	(6)	(13)
Net periodic benefit cost	<u>\$ 954</u>	<u>\$ 1,011</u>	<u>\$ 77</u>	<u>\$ 61</u>

	Pension Plans		Postretirement Plan	
	Six Months Ended		Six Months Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Service cost	\$ 42	\$ 46	\$ 63	\$ 68
Interest cost	2,613	2,480	90	81
Expected return on plan assets	(1,317)	(1,192)	—	—
Recognized actuarial loss	620	688	—	—
Amortization of unrecognized prior service credit	—	—	(18)	(25)
Net periodic benefit cost	<u>\$ 1,958</u>	<u>\$ 2,022</u>	<u>\$ 135</u>	<u>\$ 124</u>

Defined Contribution Pension Plans

For the three and six months ended December 31, 2017 and 2016, expenses related to the Savings Plans and Union Savings Plan included in the accompanying consolidated statements of operations are as follow:

Savings Plans				Union Savings Plan			
Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
December 31,		December 31,		December 31,		December 31,	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 1,919	\$ 1,984	\$ 4,142	\$ 3,946	\$ 55	\$ 28	\$ 80	\$ 50

Note 13 . Share-based Compensation

See Note 12 to the consolidated and combined financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2017 for more information regarding the Company's 2015 Employee Stock Plan (the "Employee Stock Plan") and its 2015 Stock Plan for Non-Employee Directors.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

For the three months ended December 31, 2017 and 2016, share-based compensation expense was recognized in the consolidated statements of operations as a component of direct operating expenses or selling, general and administrative expenses and was \$13,912 and \$11,743, respectively. For the six months ended December 31, 2017 and 2016, share-based compensation expense was \$26,816 and \$20,098, respectively.

Upon the adoption of ASU No. 2016-09, the Company elected to account for forfeitures as they occur on a prospective basis effective July 1, 2017, rather than estimating expected forfeitures as was required under the prior guidance. See “Note 2. Accounting Policies — Recently Issued Accounting Pronouncements” for further discussion on the impact from the adoption of ASU 2016-09.

In addition, for the Company’s stock option awards, the Company applies the fair value recognition provisions of ASC Topic 718 “*Compensation — Stock Compensation*”. ASC Topic 718 requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The Company determines the fair value as of the grant date. For awards with graded vesting conditions, the values of the awards are determined by valuing all vesting tranches in the aggregate as one award using an average expected term. For stock options, the Black-Scholes option pricing model considers, among other factors, the expected life of the award and the expected volatility of the Company’s stock price.

The Company determines its assumptions for the Black-Scholes option-pricing model in accordance with ASC Topic 718 and SEC Staff Accounting Bulletin (“SAB”) No. 107, “*Share-Based Payment*” based on the following:

- The expected term of stock options is estimated using the simplified method.
- The expected risk-free interest rate is based on the U.S. Treasury interest rate which term is consistent with the expected term of the stock options.
- The expected volatility is based on the historical volatility of the Company’s stock price.

In December 2007, the SEC staff issued SAB No. 110, “*Certain Assumptions Used In Valuation Methods — Expected Term*”. SAB No. 110 allows companies to continue to use the simplified method, as defined in SAB No. 107, to estimate the expected term of stock options under certain circumstances. The simplified method for estimating expected term uses the mid-point between the vesting term and the contractual term of the stock option. The Company has analyzed the circumstances in which the use of the simplified method is allowed. The Company has opted to use the simplified method for stock options the Company granted in fiscal year 2018 because management believes that the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.

Restricted Stock Units Award Activity

The following table summarizes activity related to holders (including the Company’s and MSG Networks’ employees) of the Company’s restricted stock units and performance restricted stock units, collectively referred to as “RSUs,” for the six months ended December 31, 2017:

	Number of		Weighted-Average Fair Value Per Share At Date of Grant
	Nonperformance Based Vesting RSUs	Performance Based Vesting RSUs	
Unvested award balance, June 30, 2017	208	464	\$ 172.78
Granted	103	180	\$ 211.15
Vested	(88)	(249)	\$ 176.90
Forfeited	(8)	(127)	\$ 183.20
Unvested award balance, December 31, 2017	215	268	\$ 189.51

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

The fair value of RSUs that vested during the six months ended December 31, 2017 was \$74,582 . RSUs granted under the Employee Stock Plan were net share-settled to cover the required statutory tax withholding obligations. To fulfill the employees' statutory minimum tax withholding obligations for the applicable income and other employment taxes, 57 of these RSUs , with an aggregate value of \$12,232 were retained by the Company and reflected as financing activity in the accompanying consolidated statement of cash flows for the six months ended December 31, 2017 .

The fair value of RSUs that vested during the six months ended December 31, 2016 was \$15,209 . The weighted-average fair value per share at grant date of RSUs granted during the six months ended December 31, 2016 was \$170.98 .

Stock Options Award Activity

The following table summarizes activity related to a holder of the Company's stock options for the six months ended December 31, 2017 :

	Number of			Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
	Nonperformance Based Vesting Options	Performance Based Vesting Options	Weighted-Average Exercise Price Per Share		
Balance as of June 30, 2017	—	—	\$ —		\$ —
Granted	94	—	\$ 210.13		
Balance as of December 31, 2017	94	—	\$ 210.13	9.96	\$ 68
Exercisable as of December 31, 2017	—	—	\$ —	—	\$ —

During the six months ended December 31, 2017 , the Company granted 94 stock options that vest ratably over three years and are being expensed on a straight-line basis over the vesting period of the stock options. The maximum contractual term is 10 years. The Company calculated the fair value of these options on the date of grant using the Black-Scholes option pricing model, which resulted in a weighted-average grant-date fair value of \$53.29 .

The following are key assumptions used to calculate the weighted-average grant-date fair value of stock options:

Expected term	6 years
Expected volatility	20.38%
Risk-free interest rate	2.22%

Note 14. Stock Repurchase Program

On September 11, 2015, the Company's board of directors authorized the repurchase of up to \$525,000 of the Company's Class A Common Stock once the shares of the Company's Class A Common Stock began "regular way" trading on October 1, 2015. Under the authorization, shares of Class A Common Stock may be purchased from time to time in accordance with applicable insider trading and other securities laws and regulations. The timing and amount of purchases will depend on market conditions and other factors.

During the six months ended December 31, 2017 , the Company repurchased 56 shares of Class A Common Stock for a total cost of \$11,685 , including commissions and fees. These acquired shares have been classified as treasury stock in the accompanying consolidated balance sheet as of December 31, 2017 . As of December 31, 2017 , the Company had \$259,639 of availability remaining under its stock repurchase authorization.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Note 15. Accumulated Other Comprehensive Loss

The following table details the components of accumulated other comprehensive loss:

	Pension Plans and Postretirement Plan ^(a)	Cumulative Translation Adjustments	Unrealized Gain on Available-for-sale Securities	Accumulated Other Comprehensive Loss
Balance as of June 30, 2017	\$ (39,408)	\$ —	\$ 5,293	\$ (34,115)
Other comprehensive income (loss) before reclassifications, before income taxes	—	2,277	(8,213)	(5,936)
Amounts reclassified from accumulated other comprehensive loss, before income taxes	602	—	—	602
Other comprehensive income (loss)	602	2,277	(8,213)	(5,334)
Balance as of December 31, 2017	\$ (38,806)	\$ 2,277	\$ (2,920)	\$ (39,449)
Balance as of June 30, 2016	\$ (42,611)	\$ —	\$ —	\$ (42,611)
Other comprehensive income before reclassifications, before income taxes	—	—	10,175	10,175
Amounts reclassified from accumulated other comprehensive loss, before income taxes	663	—	—	663
Other comprehensive income	663	—	10,175	10,838
Balance as of December 31, 2016	\$ (41,948)	\$ —	\$ 10,175	\$ (31,773)

^(a) Amounts reclassified from accumulated other comprehensive loss, before income taxes, represent amortization of net actuarial loss and net unrecognized prior service credit included in net periodic benefit cost, which is reflected in direct operating expenses and selling, general and administrative expenses in the accompanying consolidated statements of operations (see Note 12).

Note 16. Income Taxes

On December 22, 2017, new tax legislation, commonly referred to as the Tax Cuts and Jobs Act, was enacted, which significantly changed the existing U.S. tax laws, including a reduction in the corporate Federal income tax rate from 35% to 21% effective January 1, 2018. The Company is required to recognize the effect of tax law changes in the period of enactment even though certain key aspects of the new law became effective January 1, 2018. The Company's income tax provision for interim periods is comprised of the tax on ordinary income (loss) provided at the most recent estimated annual effective tax rate, adjusted for the tax effect of discrete items. The Company used a blended statutory Federal income rate of 28% based upon the number of days that it will be taxed at the former rate of 35% and the number of days it will be taxed at the new rate of 21% to calculate its most recent estimated annual effective tax rate.

Income tax expense (benefit) for the three months ended December 31, 2017 and 2016 was \$(116,832) and \$3,248 , respectively. For the six months ended December 31, 2017 and 2016 , income tax expense (benefit) was \$(116,070) and \$314 , respectively.

Income tax benefit for the three months ended December 31, 2017 of \$116,832 differs from the income tax expense derived from applying the blended statutory Federal rate of 28% to pretax income primarily as a result of a deferred income tax benefit of \$113,494 related to the revaluation of the Company's deferred tax assets and liabilities under provisions contained in the new tax legislation, of which (i) \$51,015 was due to the reduction of net deferred tax liabilities in connection with the lower Federal income tax rate of 21%, and (ii) \$62,479 was due to a reduction in the valuation allowance attributable to the new rules, which provide that future Federal net operating losses have an unlimited carry-forward period. These rules on future Federal net operating losses allow the Company to recognize a portion of its unrecognized deferred tax assets for future deductible items. Other decreases to the statutory rate include the impact of an income tax benefit of \$27,059 in Federal and state valuat

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

ion allowance decreases recorded which offsets the income tax expense attributable to most of the operating income, and the impact of a change in state tax rate of \$3,241. These decreases were partially offset by the impact of state and local income taxes (net of Federal benefit) of \$6,494 and tax expense of \$430 primarily related to non-deductible expenses.

Income tax benefit for the six months ended December 31, 2017 of \$116,070 differs from the income tax expense derived from applying the blended statutory Federal rate of 28% to pretax income primarily as a result of a deferred income tax benefit of \$113,494 related to the revaluation of the Company's deferred tax assets and liabilities under provisions contained in the new tax legislation, of which (i) \$51,015 was due to the reduction of net deferred tax liabilities in connection with the lower Federal income tax rate of 21%, and (ii) \$62,479 was due to a reduction in the valuation allowance attributable to the new rules, which provide that future Federal net operating losses have an unlimited carry-forward period. These rules on future Federal net operating losses allow the Company to recognize a portion of its unrecognized deferred tax assets for future deductible items. Other decreases to the statutory rate include the impact of an income tax benefit of \$24,399 in Federal and state valuation allowance decreases recorded which offsets the income tax expense attributable to most of the operating income, and the impact of a change in state tax rate of \$3,110. These decreases were partially offset by the impact of state and local income taxes (net of Federal benefit) of \$6,494 and tax expense of \$1,237 primarily related to non-deductible expenses.

Income tax expense for the three months ended December 31, 2016 of \$3,248 differs from income tax expense derived from applying the statutory Federal rate of 35% to pretax income primarily as a result of a reduction of \$22,123 of recorded Federal and state valuation allowances which offsets tax expense that would otherwise have been recorded on operating income. The tax expense also includes \$3,126 to reverse a tax benefit recorded on operating losses in the three months ended September 30, 2016, as well as tax expense of \$1,012 primarily related to non-deductible expenses.

Income tax expense for the six months ended December 31, 2016 of \$314 differs from income tax expense derived from applying the statutory Federal rate of 35% to pretax income primarily as a result of a reduction of \$11,115 of recorded Federal and state valuation allowances which offsets tax expense that would have otherwise been recorded on operating income. The income tax expense also reflects tax expense of \$1,342 primarily related to non-deductible expenses.

The Company has not recorded any unrecognized tax benefits for uncertain tax positions as of December 31, 2017 and June 30, 2017. The Company's policy is to reflect interest and penalties associated with uncertain tax positions, if any, as a component of income tax expense.

Note 17. Related Party Transactions

As of December 31, 2017, members of the Dolan family including trusts for members of the Dolan family (collectively, the "Dolan Family Group"), for purposes of Section 13(d) of the Securities Exchange Act of 1934, collectively beneficially own all of the Company's outstanding Class B Common Stock and own approximately 2.8% of the Company's outstanding Class A Common Stock. Such shares of the Company's Class A Common Stock and Class B Common Stock, collectively, represent approximately 71.3% of the aggregate voting power of the Company's outstanding common stock. Members of the Dolan family are also the controlling stockholders of MSG Networks and AMC Networks Inc. ("AMC Networks").

In connection with the Distribution, the Company entered into various agreements with MSG Networks, including media rights agreements covering the Knicks and the Rangers games, an advertising sales representation agreement, and a transition services agreement ("TSA"). The TSA expired on September 30, 2017. The Company entered into a new services agreement effective July 1, 2017, which provides for each party to furnish substantially the same services, as well as the executive support services described below, in exchange for service fees.

Beginning in June 2016, the Company agreed to share certain executive support costs, including office space, executive assistants, security and transportation costs, for (i) the Company's Executive Chairman with MSG Networks and (ii) the Company's Vice Chairman with MSG Networks and AMC Networks.

On June 16, 2016, the Company entered into an arrangement with the Dolan Family Office, LLC ("DFO"), AMC Networks and MSG Networks providing for the sharing of certain expenses associated with executive office space which will be available to James L. Dolan (the Executive Chairman, Chief Executive Officer and a director of the Company, the Executive Chairman and a director of MSG Networks, and a director of AMC Networks), Charles F. Dolan (the Executive Chairman and a director of AMC Networks and a director of the Company and MSG Networks), and the DFO which is controlled by Charles F. Dolan.

On January 11, 2017, the Company, through a wholly-owned subsidiary, and Quart 2C, LLC ("Q2C"), a company controlled by

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

James L. Dolan, the Company's Executive Chairman, Chief Executive Officer and director, and Kristin A. Dolan, his wife and a director of the Company, entered into reciprocal aircraft lease agreements pursuant to which the Company and Q2C have agreed from time to time to make available for lease each party's aircraft to the other party on a non-exclusive basis for rent at an hourly rate and specified expenses of each flight. On February 8, 2017, the Company, through a wholly-owned subsidiary, and AMC Networks entered into aircraft time sharing agreements, pursuant to which the Company has agreed from time to time to make the aircraft owned or leased by it available to AMC Networks for lease on a "time sharing" basis.

On May 22, 2017, the Company, through a wholly-owned subsidiary, and Charles F. Dolan, a director of the Company, entered into an aircraft dry lease agreement pursuant to which the Company has agreed to make available for lease its G550 aircraft on a non-exclusive basis for rent at an hourly rate and specified expenses of each flight. Additionally, on May 22, 2017, the Company, through a wholly-owned subsidiary, and Sterling Aviation, LLC, a company controlled by Charles F. Dolan, also entered into a reciprocal aircraft dry lease agreement pursuant to which Sterling Aviation, LLC has agreed to make available for lease its GV aircraft on a non-exclusive basis for rent at an hourly rate and specified expenses of each flight.

The Company, through a wholly-owned subsidiary, and MSG Networks are party to an aircraft time sharing agreement, pursuant to which the Company has agreed from time to time to make its aircraft available to MSG Networks for lease on a "time sharing" basis. Additionally, the Company and MSG Networks have agreed on an allocation of the costs of certain helicopter use by its shared executives.

The Company also has certain arrangements with its nonconsolidated affiliates. See Note 6 for information on outstanding loans provided by the Company to its nonconsolidated affiliates.

Revenues and Operating Expenses

The following table summarizes the composition and amounts of the transactions with the Company's affiliates, primarily MSG Networks. These amounts are reflected in revenues and operating expenses in the accompanying consolidated statements of operations for the three and six months ended December 31, 2017 and 2016 :

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Revenues	\$ 41,131	\$ 39,040	\$ 77,041	\$ 72,881
Operating expenses (credits):				
Corporate general and administrative, net - MSG Networks	\$ (2,494)	\$ (2,406)	\$ (4,950)	\$ (4,895)
Consulting fees	1,014	942	2,029	1,919
Advertising expenses	594	475	630	595
Other, net	125	(152)	238	(134)

Revenues

Revenues from related parties primarily consist of local media rights recognized by the Company's Sports segment from the licensing of team-related programming to MSG Networks under the media rights agreements covering the Knicks and Rangers, which provide MSG Networks with exclusive media rights to team games in their local markets, as well as commissions earned in connection with the advertising sales representation agreement pursuant to which the Company has the exclusive right and obligation to sell MSG Networks' advertising availabilities. In addition, the Company and Tribeca Enterprises have a service agreement pursuant to which the Company provides marketing inventory and consulting services to Tribeca Enterprises for a fee. The Company is also a party to certain commercial arrangements with AMC Networks and its subsidiaries.

Corporate General and Administrative Expense, net - MSG Networks

The Company's corporate overhead expenses are primarily related to centralized functions, including executive compensation, finance, treasury, tax, internal audit, legal, information technology, human resources and risk management functions. For the three and six months ended December 31, 2017 , corporate general and administrative expense, net - MSG Networks amount

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

reflects charges from the Company to MSG Networks of \$2,274 and \$4,477 , respectively, net of general and administrative costs charged to the Company by MSG Networks, under a new services agreement, which became effective July 1, 2017.

For the three and six months ended December 31, 2016 , corporate general and administrative expense, net - MSG Networks amount reflects charges from the Company to MSG Networks of \$2,118 and \$4,166 , respectively, net of general and administrative costs charged to the Company by MSG Networks, under the TSA , which expired on September 30, 2017.

Consulting Fees

The Company pays AMSGE and its nonconsolidated affiliates for advisory and consulting services that AMSGE and its nonconsolidated affiliates provide to the Company, and for the reimbursement of certain expenses in connection with such services. In the fourth quarter of fiscal year 2016, the Company paid \$5,000 to AMSGE for work performed towards securing the right to lease property to be developed in Las Vegas. That amount is included in other assets in the accompanying consolidated balance sheets as of December 31, 2017 and June 30, 2017 and will be amortized over the term of the lease.

Advertising Expenses

The Company incurs advertising expenses for services rendered by its related parties, primarily MSG Networks, most of which related to the utilization of advertising and promotional benefits by the Company.

Other Operating Expenses, net

The Company and its related parties enter into transactions with each other in the ordinary course of business. Amounts charged to the Company for other transactions with its related parties are net of amounts charged by the Company to the Knickerbocker Group, LLC, an entity owned by James L. Dolan, the Executive Chairman, Chief Executive Officer and a director of the Company, for office space equal to the allocated cost of such space and the cost of certain technology services. In addition, other operating expenses include net charges relating to (i) reciprocal aircraft arrangements between the Company and each of Q2C and DFO/Sterling Aviation, LLC and (ii) time sharing agreements with MSG Networks and AMC Networks.

Note 18 . Segment Information

The Company is comprised of two reportable segments: MSG Entertainment and MSG Sports. In determining its reportable segments, the Company assessed the guidance of FASB ASC 280-10-50-1, which provides the definition of a reportable segment. In accordance with the FASB guidance, the Company takes into account whether two or more operating segments can be aggregated together as one reportable segment as well as the type of discrete financial information that is available and regularly reviewed by its chief operating decision maker. The Company has evaluated this guidance and determined that there are two reportable segments. The Company allocates certain corporate costs and its performance venue operating expenses to each of its reportable segments. Allocated venue operating expenses include the non-event related costs of operating the Company's venues, and include such costs as rent for the Company's leased venues, real estate taxes, insurance, utilities, repairs and maintenance, and labor related to the overall management of the venues. Depreciation and amortization expense related to The Garden , The Theater at Madison Square Garden, the Forum, and certain corporate property, equipment and leasehold improvements not allocated to the reportable segments is reported in " Corporate and Other ." Additionally, the Company does not allocate any purchase accounting adjustments to the reporting segments.

The Company evaluates segment performance based on several factors, of which the key financial measure is their operating income (loss) before (i) depreciation, amortization and impairments of property and equipment and intangible assets, (ii) share-based compensation expense or benefit, (iii) restructuring charges or credits, and (iv) gains or losses on sales or dispositions of businesses, which is referred to as adjusted operating income (loss) , a non-GAAP measure. In addition to excluding the impact of the items discussed above, the impact of purchase accounting adjustments related to business acquisitions is also excluded in evaluating the Company's consolidated adjusted operating income (loss) . The Company believes adjusted operating income (loss) is an appropriate measure for evaluating the operating performance of its business segments and the Company on a consolidated basis. Adjusted operating income (loss) and similar measures with similar titles are common performance measures used by investors and analysts to analyze the Company's performance. The Company uses revenues and adjusted operating income (loss) measures as the most important indicators of its business performance, and evaluates management's effectiveness with specific reference to these indicators.

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Adjusted operating income (loss) should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), cash flows from operating activities, and other measures of performance and/or liquidity presented in accordance with GAAP. The Company has presented the components that reconcile operating income (loss), the most directly comparable GAAP financial measure, to adjusted operating income (loss).

Information as to the operations of the Company's reportable segments is set forth below.

Three Months Ended December 31, 2017					
	MSG Entertainment	MSG Sports	Corporate and Other	Purchase accounting adjustments	Total
Revenues	\$ 271,216	\$ 265,086	\$ —	\$ —	\$ 536,302
Direct operating expenses	147,045	163,683	20	1,133	311,881
Selling, general and administrative expenses ^(a)	45,278	50,230	25,932	—	121,440
Depreciation and amortization ^(b)	4,362	1,849	19,589	4,744	30,544
Operating income (loss)	\$ 74,531	\$ 49,324	\$ (45,541)	\$ (5,877)	\$ 72,437
Loss in equity method investments					(2,608)
Interest income					5,378
Interest expense					(3,798)
Miscellaneous expense ^(e)					(250)
Income from operations before income taxes					\$ 71,159
Reconciliation of operating income (loss) to adjusted operating income (loss):					
Operating income (loss)	\$ 74,531	\$ 49,324	\$ (45,541)	\$ (5,877)	\$ 72,437
Add back:					
Share-based compensation	3,051	3,905	6,956	—	13,912
Depreciation and amortization	4,362	1,849	19,589	4,744	30,544
Other purchase accounting adjustments	—	—	—	1,133	1,133
Adjusted operating income (loss)	\$ 81,944	\$ 55,078	\$ (18,996)	\$ —	\$ 118,026
Other information:					
Capital expenditures ^(c)	\$ 3,407	\$ 588	\$ 104,150	\$ —	\$ 108,145

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Three Months Ended December 31, 2016					
	MSG Entertainment	MSG Sports	Corporate and Other	Purchase accounting adjustments	Total
Revenues	\$ 192,485	\$ 252,665	\$ —	\$ —	\$ 445,150
Direct operating expenses	106,464	160,209	—	—	266,673
Selling, general and administrative expenses ^(a)	26,442	49,346	18,472	—	94,260
Depreciation and amortization ^{(b) (d)}	2,603	2,905	20,228	230	25,966
Operating income (loss)	\$ 56,976	\$ 40,205	\$ (38,700)	\$ (230)	\$ 58,251
Loss in equity method investments					(1,188)
Interest income					2,692
Interest expense					(491)
Miscellaneous income ^(e)					1,405
Income from operations before income taxes					\$ 60,669
Reconciliation of operating income (loss) to adjusted operating income (loss):					
Operating income (loss)	\$ 56,976	\$ 40,205	\$ (38,700)	\$ (230)	\$ 58,251
Add back:					
Share-based compensation	4,076	4,100	3,567	—	11,743
Depreciation and amortization	2,603	2,905	20,228	230	25,966
Adjusted operating income (loss)	\$ 63,655	\$ 47,210	\$ (14,905)	\$ —	\$ 95,960
Other information:					
Capital expenditures	\$ 5,434	\$ 693	\$ 7,297	\$ —	\$ 13,424

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Six Months Ended December 31, 2017					
	MSG Entertainment	MSG Sports	Corporate and Other	Purchase accounting adjustments	Total
Revenues	\$ 435,497	\$ 346,020	\$ —	\$ —	\$ 781,517
Direct operating expenses	252,691	180,585	41	2,300	435,617
Selling, general and administrative expenses ^(a)	89,905	92,664	45,285	24	227,878
Depreciation and amortization ^(b)	8,523	3,755	39,889	8,923	61,090
Operating income (loss)	\$ 84,378	\$ 69,016	\$ (85,215)	\$ (11,247)	\$ 56,932
Earnings in equity method investments					2,117
Interest income					9,764
Interest expense					(7,509)
Miscellaneous expense ^(e)					(250)
Income from operations before income taxes					\$ 61,054
Reconciliation of operating income (loss) to adjusted operating income (loss):					
Operating income (loss)	\$ 84,378	\$ 69,016	\$ (85,215)	\$ (11,247)	\$ 56,932
Add back:					
Share-based compensation	6,952	8,141	11,723	—	26,816
Depreciation and amortization	8,523	3,755	39,889	8,923	61,090
Other purchase accounting adjustments	—	—	—	2,324	2,324
Adjusted operating income (loss)	\$ 99,853	\$ 80,912	\$ (33,603)	\$ —	\$ 147,162
Other information:					
Capital expenditures ^(c)	\$ 11,113	\$ 1,559	\$ 115,012	\$ —	\$ 127,684

THE MADISON SQUARE GARDEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Six Months Ended December 31, 2016					
	MSG Entertainment	MSG Sports	Corporate and Other	Purchase accounting adjustments	Total
Revenues	\$ 303,183	\$ 323,662	\$ —	\$ —	\$ 626,845
Direct operating expenses	198,322	179,758	—	—	378,080
Selling, general and administrative expenses ^(a)	49,882	88,859	32,540	—	171,281
Depreciation and amortization ^{(b) (d)}	5,059	5,523	41,034	460	52,076
Operating income (loss)	\$ 49,920	\$ 49,522	\$ (73,574)	\$ (460)	\$ 25,408
Loss in equity method investments					(2,182)
Interest income					5,091
Interest expense					(901)
Miscellaneous income ^(e)					1,405
Income from operations before income taxes					\$ 28,821
Reconciliation of operating income (loss) to adjusted operating income (loss):					
Operating income (loss)	\$ 49,920	\$ 49,522	\$ (73,574)	\$ (460)	\$ 25,408
Add back:					
Share-based compensation	7,615	7,584	4,899	—	20,098
Depreciation and amortization	5,059	5,523	41,034	460	52,076
Adjusted operating income (loss)	\$ 62,594	\$ 62,629	\$ (27,641)	\$ —	\$ 97,582
Other information:					
Capital expenditures	\$ 6,794	\$ 2,357	\$ 12,615	\$ —	\$ 21,766

^(a) Corporate and Other's selling, general and administrative expenses primarily consist of unallocated corporate general and administrative costs.

^(b) Corporate and Other principally includes depreciation and amortization on The Garden, The Theater at Madison Square Garden, the Forum, and certain corporate property, equipment and leasehold improvement assets not allocated to the Company's reportable segments.

^(c) Corporate and Other's capital expenditures for the three and six months ended December 31, 2017 are primarily associated with the purchase of land in London. See Note 7 for more information regarding this purchase. MSG Entertainment's capital expenditures for the six months ended December 31, 2017 are primarily associated with certain investments with respect to Radio City Music Hall.

^(d) MSG Entertainment's depreciation and amortization for the three and six months ended December 31, 2016 was reclassified to exclude the impact of purchase accounting adjustments related to the BCE acquisition.

^(e) Miscellaneous expense for the three and six months ended December 31, 2017 reflects a pre-tax non-cash impairment charge to write off the carrying value of one of the Company's cost method investments. Miscellaneous income for the three and six months ended December 31, 2016 consists principally of the recovery of certain claims in connection with a third-party bankruptcy proceeding.

Substantially all revenues and assets of the Company's reportable segments are attributed to or located in the United States and are primarily concentrated in the New York metropolitan area.

Item 2 . Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations (" MD&A ") contains forward-looking statements. In this MD&A , there are statements concerning the future operating and future financial performance of The Madison Square Garden Company and its direct and indirect subsidiaries (collectively, " we , " "us," " our , " "Madison Square Garden," or the " Company ") , including lower ticket-related revenue for the regular season. Words such as "expects," "anticipates," "believes," "estimates," "may," "will," "should," "could," "potential," "continue," "intends," "plans," and similar words and terms used in the discussion of future operating and future financial performance identify forward-looking statements. Investors are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to:

- the level of our revenues, which depends in part on the popularity and competitiveness of our sports teams and the level of popularity of the *Christmas Spectacular* , *New York Spectacular* and other entertainment events which are presented in our venues;
- costs associated with player injuries, waivers or contract terminations of players and other team personnel;
- changes in professional sports teams' compensation, including the impact of signing free agents and trades, subject to league salary caps and the impact of luxury tax;
- the level of our capital expenditures and other investments;
- general economic conditions, especially in the New York City, Los Angeles and Las Vegas metropolitan areas where we conduct the majority of our operations;
- the demand for sponsorship arrangements and for advertising;
- competition, for example, from other teams, other venues and other sports and entertainment options, including the construction of new competing venues;
- our ability to successfully design, construct, finance and operate new venues in Las Vegas, London and other markets, and the investments and costs associated with those efforts, including the impact of unexpected construction delays and cost overruns;
- changes in laws, NBA or NHL rules, regulations, guidelines, bulletins, directives, policies and agreements (including the leagues' respective collective bargaining agreements with their players' associations, salary caps, revenue sharing, NBA luxury tax thresholds and media rights) or other regulations under which we operate;
- any NBA or NHL work stoppage;
- seasonal fluctuations and other variations in our operating results and cash flow from period to period;
- the level of our expenses, including our corporate expenses;
- the successful development of new live productions or enhancements or changes to existing productions and the investments associated with such development or enhancements or changes;
- the continued popularity and success of the TAO Group restaurants and nightlife and hospitality venues, as well as its existing brands, and the ability to successfully open and operate new restaurants and nightlife and hospitality venues;
- the ability of BCE to attract attendees and performers to its festival;
- the evolution of the esports industry and its potential impact on CLG ;
- the acquisition or disposition of assets or businesses and/or the impact of, and our ability to successfully pursue, acquisitions or other strategic transactions;
- our ability to successfully integrate acquisitions, new venues or new businesses into our operations;
- the operating and financial performance of our strategic acquisitions and investments, including those we do not control;

[Table of Contents](#)

- the costs associated with, and the outcome of, litigation and other proceedings to the extent uninsured, including litigation or other claims against companies we invest in or acquire;
- the impact of governmental regulations or laws, including changes in how those regulations and laws are interpreted and the continued benefit of certain tax exemptions and the ability to maintain necessary permits or licenses;
- the impact of plans to redesign Pennsylvania Station, including the possible disposition of The Theater at Madison Square Garden;
- business, reputational and litigation risk if there is a loss, disclosure or misappropriation of stored personal information or other breaches of our information security;
- a default by our subsidiaries under their respective credit facilities;
- financial community and rating agency perceptions of our business, operations, financial condition and the industry in which we operate;
- the ability of our investees and others to repay loans and advances we have extended to them;
- our ownership of professional sports franchises in the NBA and NHL and certain transfer restrictions on our common stock;
- the tax free treatment of the Distribution ;
- the impact of the Tax Cuts and Jobs Act on our income tax expense and deferred tax liabilities; and
- the factors described under “Risk Factors” in the Company ’s Annual Report on Form 10-K for the year ended June 30, 2017 .

We disclaim any obligation to update or revise the forward-looking statements contained herein, except as otherwise required by applicable Federal securities laws.

All dollar amounts included in the following MD&A are presented in thousands, except as otherwise noted.

Introduction

This MD&A is provided as a supplement to, and should be read in conjunction with, the Company’s unaudited financial statements and accompanying notes thereto included in this Quarterly Report on Form 10-Q, as well as the Company’s Annual Report on Form 10-K for the year ended June 30, 2017 , to help provide an understanding of our financial condition, changes in financial condition and results of operations. Unless the context otherwise requires, all references to “we,” “us,” “our,” “Madison Square Garden” or the “Company” refer collectively to The Madison Square Garden Company, a holding company, and its direct and indirect subsidiaries through which substantially all of our operations are actually conducted. The Company is comprised of two reportable segments: MSG Entertainment and MSG Sports.

MSG Entertainment includes live entertainment events such as concerts, family shows, performing arts and special events, which are presented or hosted in the Company’s diverse collection of venues along with live offerings through TAO Group and BCE . TAO Group is a hospitality group with globally-recognized entertainment dining and nightlife brands: TAO, Marquee, Lavo, Avenue, The Stanton Social, Beauty & Essex and Vandal. BCE produces New England’s premier Boston Calling Music Festival. MSG Entertainment also includes the Company’s original productions — the *Christmas Spectacular* and the *New York Spectacular* . In November 2017, the Company acquired a 100% controlling interest in Obscura , a creative studio, which is now part of our MSG Entertainment segment. See Note 3 to the consolidated financial statements included in “Part I — Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for discussion on certain costs incurred by Obscura .

MSG Sports includes the Company’s professional sports franchises: the Knicks of the NBA , the Rangers of the NHL , the Liberty of the WNBA , the Hartford Wolf Pack of the AHL , and the Westchester Knicks of the NBAGL . The MSG Sports segment is also home to a broad array of other live sporting events, including professional boxing, college basketball, college hockey, professional bull riding, mixed martial arts, esports, tennis and college wrestling, all of which the Company promotes, produces and/or presents. In July 2017, the Company acquired a controlling interest in CLG , a premier North American esports organization, which is now part of our MSG Sports segment.

[Table of Contents](#)

The Company conducts a significant portion of its operations at venues that it either owns or operates under long-term leases. The Company owns The Garden and The Theater at Madison Square Garden in New York City, the Forum in Inglewood, CA and The Chicago Theatre in Chicago. In addition, the Company leases Radio City Music Hall and the Beacon Theatre in New York City, and has a booking agreement with respect to the Wang Theatre in Boston. Additionally, TAO Group operates various restaurants, nightlife and hospitality venues under long-term leases and management contracts in New York, Las Vegas, Los Angeles, Australia and Singapore.

Factors Affecting Results of Operations

TAO Group 's Operating Results

The Company completed the TAO Group acquisition on January 31, 2017. TAO Group financial statements are not available within the time constraints the Company requires to ensure the financial accuracy of the operating results. Therefore, the Company records TAO Group 's operating results in its consolidated statements of operations on a three-month lag basis. As a result, TAO Group 's related operating results for the three months ended December 31, 2017 are for the period from June 26, 2017 to September 24, 2017 . TAO Group 's related operating results for the six months ended December 31, 2017 are for the period from March 27, 2017 to September 24, 2017 . In addition, the results of operations of the Company and the MSG Entertainment segment for the three and six months ended December 31, 2016 do not include any of TAO Group 's operating results.

CLG 's Operating Results

The results of operations of the Company and the MSG Sports segment for the three and six months ended December 31, 2017 include CLG 's results of operations from the date of acquisition, which was July 28, 2017. The Company's results for the three and six months ended December 31, 2016 do not include any of CLG 's operating results.

Obscura 's Operating Results

The results of operations of the Company and the MSG Entertainment segment for the three and six months ended December 31, 2017 include Obscura 's results of operations from the date of acquisition, which was November 20, 2017 . The Company's results for the three and six months ended December 31, 2016 do not include any of Obscura 's operating results. In addition, the Obscura financial results of operations will be reflected in the MSG Entertainment segment. Any costs incurred by Obscura that are associated with the Company's venue development initiatives will be reported in "Corporate and Other."

This MD&A is organized as follows:

Results of Operations. This section provides an analysis of our unaudited results of operations for the three and six months ended December 31, 2017 compared to the three and six months ended December 31, 2016 on a consolidated and segment basis.

Liquidity and Capital Resources. This section provides a discussion of our financial condition and liquidity, an analysis of our cash flows for the six months ended December 31, 2017 compared to the six months ended December 31, 2016 , as well as certain contractual obligations and off balance sheet arrangements.

Seasonality of Our Business. This section discusses the seasonal performance of our segments .

Recently Issued Accounting Pronouncements and Critical Accounting Policies. This section discusses accounting pronouncements that have been adopted by the Company, recently issued accounting pronouncements not yet adopted by the Company, as well as the results of the Company's annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the first quarter of fiscal year 2018 . This section should be read together with our critical accounting policies, which are discussed in our Annual Report on Form 10-K for the year ended June 30, 2017 under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Recently Issued Accounting Pronouncements and Critical Accounting Policies — Critical Accounting Policies" and in the notes to the consolidated and combined financial statements of the Company included therein.

[Table of Contents](#)

Results of Operations

Comparison of the Three Months Ended December 31, 2017 versus the Three Months Ended December 31, 2016

Consolidated Results of Operations

The table below sets forth, for the periods presented, certain historical financial information.

	Three Months Ended December 31,		Change	
	2017	2016	Amount	Percentage
Revenues	\$ 536,302	\$ 445,150	\$ 91,152	20 %
Direct operating expenses	311,881	266,673	45,208	17 %
Selling, general and administrative expenses	121,440	94,260	27,180	29 %
Depreciation and amortization	30,544	25,966	4,578	18 %
Operating income	72,437	58,251	14,186	24 %
Other income (expense):				
Loss in equity method investments	(2,608)	(1,188)	(1,420)	(120)%
Interest income, net	1,580	2,201	(621)	(28)%
Miscellaneous income (expense)	(250)	1,405	(1,655)	(118)%
Income from operations before income taxes	71,159	60,669	10,490	17 %
Income tax benefit (expense)	116,832	(3,248)	120,080	NM
Net income	187,991	57,421	130,570	NM
Less: Net loss attributable to redeemable noncontrolling interests	(767)	—	(767)	NM
Less: Net loss attributable to nonredeemable noncontrolling interests	(855)	(305)	(550)	(180)%
Net income attributable to The Madison Square Garden Company's stockholders	<u>\$ 189,613</u>	<u>\$ 57,726</u>	<u>\$ 131,887</u>	NM

NM — Percentage is not meaningful

The following is a summary of changes in our segments' operating results for the three months ended December 31, 2017 as compared to the prior year period.

Our results for the three months ended December 31, 2017 include the operating results of TAO Group , CLG , and Obscura and, as a result, our operating results for the current year period are not directly comparable to our results for the prior year period.

Changes attributable to	Revenues	Direct operating expenses	Selling, general and administrative expenses	Depreciation and amortization	Operating income (loss)
MSG Entertainment segment ^(a)	\$ 78,731	\$ 40,581	\$ 18,836	\$ 1,759	\$ 17,555
MSG Sports segment ^(a)	12,421	3,474	884	(1,056)	9,119
Corporate and Other	—	20	7,460	(639)	(6,841)
Purchase accounting adjustments	—	1,133	—	4,514	(5,647)
	<u>\$ 91,152</u>	<u>\$ 45,208</u>	<u>\$ 27,180</u>	<u>\$ 4,578</u>	<u>\$ 14,186</u>

^(a) See "Business Segment Results" for a more detailed discussion relating to the operating results of our segments.

[Table of Contents](#)

Selling, general and administrative expenses - Corporate and Other

Selling, general and administrative expenses in Corporate and Other for the three months ended December 31, 2017 increased \$7,460 , or 40% , to \$25,932 . The increase was primarily due to higher employee compensation and related benefits , as well as the inclusion of certain Obscura selling, general and administrative costs, which primarily reflects retention bonuses paid in connection with the change of control . The increase was partially offset by a management fee earned for providing management and strategic services to TAO Group, which is eliminated in the Company's consolidated results of operations presented above.

Operating loss - Corporate and Other

Operating loss in Corporate and Other for the three months ended December 31, 2017 increased \$6,841 , or 18% , to \$45,541 . The increase was primarily due to higher selling, general and administrative expenses as discussed above, partially offset by lower depreciation and amortization as a result of certain assets being fully depreciated and amortized. See Note 18 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for discussion of depreciation and amortization under Corporate and Other .

Loss in equity method investments

Loss in equity method investments for the three months ended December 31, 2017 increased \$1,420 to \$2,608 . The year-over-year increase in loss reflects a distribution from an equity method investment during the prior year period that was previously written off and an increase in the net loss attributable to the Company's investees, partially offset by the absence of the Company's share of the results of Fuse Media as the investment was written off in the third quarter of fiscal year 2017.

Interest income, net

Net interest income for the three months ended December 31, 2017 decreased \$621 , or 28% , to \$1,580 as compared to the prior year period primarily due to interest expense incurred under the TAO Term Loan Facility. The decrease was partially offset by higher interest income earned by the Company as a result of higher interest rates and a change in investment mix. In addition, during the three months ended December 31, 2017, the Company recognized interest income of \$937, which was received in connection with the repayment of a loan receivable from one of the Company's nonconsolidated affiliates that was on a nonaccrual status.

Miscellaneous income (expense)

Miscellaneous expense in the current year period reflects a pre-tax non-cash impairment charge to write off the carrying value of one of the Company's cost method investments. Miscellaneous income in the prior year period consists principally of the recovery of certain claims in connection with a third-party bankruptcy proceeding.

Income taxes

On December 22, 2017, new tax legislation, commonly referred to as the Tax Cuts and Jobs Act, was enacted, which significantly changed the existing U.S. tax laws, including a reduction in the corporate Federal income tax rate from 35% to 21% effective January 1, 2018. The Company is required to recognize the effect of tax law changes in the period of enactment even though certain key aspects of the new law became effective January 1, 2018. The Company's income tax provision for interim periods is comprised of the tax on ordinary income (loss) provided at the most recent estimated annual effective tax rate, adjusted for the tax effect of discrete items. The Company used a blended statutory Federal income rate of 28% based upon the number of days that it will be taxed at the former rate of 35% and the number of days it will be taxed at the new rate of 21% to calculate its most recent estimated annual effective tax rate.

Income tax benefit for the three months ended December 31, 2017 was \$116,832 and income tax expense for the three months ended December 31, 2016 was \$3,248 .

Income tax benefit for the three months ended December 31, 2017 of \$116,832 differs from the income tax expense derived from applying the blended statutory Federal rate of 28% to pretax income primarily as a result of a deferred income tax benefit of \$113,494 related to the revaluation of the Company's deferred tax assets and liabilities under provisions contained in the new tax legislation, of which (i) \$51,015 was due to the reduction of net deferred tax liabilities in connection with the lower Federal income tax rate of 21%, and (ii) \$62,479 was due to a reduction in the valuation allowance attributable to the new rules, which provide that future Federal net operating losses have an unlimited carry-forward period. These rules on future Federal net operating losses allow the Company to recognize a portion of its unrecognized deferred tax assets for future deductible items. Other decreases to the statutory rate include the impact of an income tax benefit of \$27,059 in Federal and state valuation allowance decreases recorded which offsets the income tax expense attributable to most of the operating income, and the impact of a change in state tax rate of \$3,241 . These decreases were partially offset by the impact of state and local income taxes (net of Federal benefit) of \$6,494 and tax expense of \$430 primarily related to non-deductible expenses.

[Table of Contents](#)

Income tax expense for the three months ended December 31, 2016 of \$3,248 differs from income tax expense derived from applying the statutory Federal rate of 35% to pretax income primarily as a result of a reduction of \$22,123 of recorded Federal and state valuation allowances which offsets tax expense that would otherwise have been recorded on operating income. The tax expense also includes \$3,126 to reverse a tax benefit recorded on operating losses in the three months ended September 30, 2016, as well as tax expense of \$1,012 primarily related to non-deductible expenses.

Adjusted operating income

The following is a reconciliation of operating income to adjusted operating income :

	Three Months Ended		Change	
	December 31,		Amount	Percentage
	2017	2016		
Operating income	\$ 72,437	\$ 58,251	\$ 14,186	24%
Share-based compensation	13,912	11,743		
Depreciation and amortization ^(a)	30,544	25,966		
Other purchase accounting adjustments	1,133	—		
Adjusted operating income	\$ 118,026	\$ 95,960	\$ 22,066	23%

^(a) Depreciation and amortization includes purchase accounting adjustments of \$4,744 and \$230 for three months ended December 31, 2017 and 2016 , respectively.

Adjusted operating income for the three months ended December 31, 2017 increased by \$22,066 , or 23% , to adjusted operating income of \$118,026 as compared to the prior year period. The increase is attributable to the following:

Increase in adjusted operating income of the MSG Entertainment segment	\$ 18,289
Increase in adjusted operating income of the MSG Sports segment	7,868
Other net decreases	(4,091)
	<u>\$ 22,066</u>

Other net decreases were primarily due to higher employee compensation and related benefits , excluding share-based compensation expense , as well as the inclusion of certain Obscura selling, general and administrative costs, which primarily reflects retention bonuses paid in connection with the change of control . This increase was partially offset by a management fee earned for providing management and strategic services to TAO Group, which is eliminated in the Company's consolidated results of operations presented above.

Net loss attributable to redeemable and nonredeemable noncontrolling interests

For the three months ended December 31, 2017 , the Company recorded a net loss attributable to redeemable noncontrolling interests of \$767 and a net loss attributable to nonredeemable noncontrolling interests of \$855 as compared to \$305 of net loss attributable to nonredeemable noncontrolling interests for the three months ended December 31, 2016 . These amounts represent the share of net loss from the Company's investments in TAO Group , BCE and CLG that are not attributable to the Company. In addition, the net loss attributable to redeemable and nonredeemable noncontrolling interests includes a proportional share of expenses related to purchase accounting adjustments.

[Table of Contents](#)

Business Segment Results

MSG Entertainment

The table below sets forth, for the periods presented, certain historical financial information and a reconciliation of operating income to adjusted operating income for the Company's MSG Entertainment segment.

	Three Months Ended December 31,		Change	
	2017	2016	Amount	Percentage
Revenues	\$ 271,216	\$ 192,485	\$ 78,731	41%
Direct operating expenses	147,045	106,464	40,581	38%
Selling, general and administrative expenses	45,278	26,442	18,836	71%
Depreciation and amortization	4,362	2,603	1,759	68%
Operating income	\$ 74,531	\$ 56,976	\$ 17,555	31%
Reconciliation to adjusted operating income:				
Share-based compensation	3,051	4,076		
Depreciation and amortization	4,362	2,603		
Adjusted operating income	\$ 81,944	\$ 63,655	\$ 18,289	29%

Revenues

Revenues for the three months ended December 31, 2017 increased \$78,731 , or 41% , to \$271,216 as compared to the prior year period. The net increase is attributable to the following:

Inclusion of revenues associated with entertainment dining and nightlife offerings	\$ 54,436
Increase in event-related revenues at The Theater at Madison Square Garden	7,202
Increase in revenues from the presentation of the <i>Christmas Spectacular</i>	6,618
Increase in event-related revenues at the Forum	5,204
Increase in event-related revenues at The Garden	3,707
Increase in event-related revenues at The Chicago Theatre	1,329
Net decrease in venue-related sponsorship and signage and suite rental fee revenues	(1,067)
Other net increases, inclusive of revenues from Obscura	1,302
	<u>\$ 78,731</u>

The inclusion of revenues associated with entertainment dining and nightlife offerings is the result of the acquisition of a 62.5% interest in TAO Group on January 31, 2017, and primarily reflects revenues generated from food and beverage sales. TAO Group's operating results are recorded in the Company's consolidated statements of operations on a three-month lag basis. As a result, TAO Group's related revenues are for the period from June 26, 2017 to September 24, 2017 .

The increase in event-related revenues at The Theater at Madison Square Garden was primarily due to a change in the mix of events, as well as additional events held at the venue during the current year period as compared to the prior year period.

The increase in revenues from the presentation of the *Christmas Spectacular* was primarily due to higher ticket-related revenue, mainly as a result of higher average ticket prices and the impact of additional scheduled performances, partially offset by a decrease in average per-show paid attendance in the current year period as compared to the prior year period. The Company had 200 scheduled performances of the production this holiday season, 197 of which took place in the second quarter of fiscal year 2018, as compared to 197 scheduled performances in fiscal year 2017, of which 191 took place in the second quarter of fiscal year 2017. For the 2017 holiday season, more than one million tickets were sold, representing a low single digit percentage decrease as compared to the 2016 holiday season.

The increase in event-related revenues at the Forum was due to a change in the mix of events, as well as additional events held at the venue during the current year period as compared to the prior year period.

The increase in event-related revenues at The Garden was primarily due to a change in the mix of events held at the venue during the current year period as compared to the prior year period.

[Table of Contents](#)

The increase in event-related revenues at The Chicago Theatre was primarily due to a change in the mix of events and additional events held at the venue during the current year period as compared to the prior year period.

The net decrease in venue-related sponsorship and signage and suite rental fee revenues was primarily due to lower sponsorship and signage revenues, as a result of the timing of delivering certain contractually obligated sponsorship assets, as well as the impact of a marketing partner, upon renewal of its agreement, shifting its marketing spend from a combination of entertainment and sports, entirely to sports. The decrease in sponsorship and signage was partially offset by an increase in suite rental revenue.

Direct operating expenses

Direct operating expenses for the three months ended December 31, 2017 increased \$40,581 , or 38% , to \$147,045 as compared to the prior year period. The net increase is attributable to the following:

Inclusion of direct operating expenses associated with entertainment dining and nightlife offerings	\$	32,034
Increase in event-related direct operating expenses at the Forum		4,016
Increase in event-related direct operating expenses at The Theater at Madison Square Garden		3,298
Increase in direct operating expenses associated with the presentation of the <i>Christmas Spectacular</i>		1,102
Increase in event-related direct operating expenses at The Chicago Theatre		858
Decrease in venue operating costs		(1,278)
Other net increases, inclusive of direct operating expenses from Obscura		551
	\$	40,581

The inclusion of direct operating expenses associated with entertainment dining and nightlife offerings is the result of the acquisition of a 62.5% interest in TAO Group on January 31, 2017, and primarily reflects costs associated with food and beverage sales, inclusive of labor costs, as well as venue related operating expenses. TAO Group 's operating results are recorded in the Company's consolidated statements of operations on a three-month lag basis. As a result, TAO Group 's related direct operating expenses are for the period from June 26, 2017 to September 24, 2017 .

The increase in event-related direct operating expenses at the Forum was primarily due to a change in the mix of events, as well as additional events held at the venue during the current year period as compared to the prior year period.

The increase in event-related direct operating expenses at The Theater at Madison Square Garden was primarily due to a change in the mix of events held at the venue during the current year period as compared to the prior year period.

The increase in direct operating expenses associated with the presentation of the *Christmas Spectacular* was primarily due to higher labor costs, additional scheduled performances, as well as an increase in deferred production cost amortization, partially offset by lower marketing expenses during the current year period as compared to the prior year period. The Company had 200 scheduled performances of the production this holiday season, 197 of which took place in the second quarter of fiscal year 2018, as compared to 197 scheduled performances in fiscal year 2017, of which 191 took place in the second quarter of fiscal year 2017.

The increase in event-related direct operating expenses at The Chicago Theatre was primarily due to a change in the mix of events and additional events held at the venue during the current year period as compared to the prior year period.

The decrease in venue operating costs reflects lower labor costs, partially offset by higher real estate taxes at Radio City Music Hall during the current year period as compared to the prior year period.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2017 increased \$18,836 , or 71% , to \$45,278 as compared to the prior year period mainly due to (i) inclusion of TAO Group 's selling, general and administrative costs, including a management fee incurred by TAO Group payable to the Company for providing management and strategic services and, to a lesser extent, (ii) an increase in corporate general and administrative costs and (iii) higher professional fees.

Depreciation and amortization

Depreciation and amortization for the three months ended December 31, 2017 increased \$1,759 , or 68% , to \$4,362 as compared to the prior year period primarily due to the inclusion of depreciation and amortization for TAO Group 's property and equipment.

[Table of Contents](#)

Operating income

Operating income for the three months ended December 31, 2017 increased \$17,555 , or 31% , to \$74,531 as compared to the prior year period primarily due to an increase in revenues partially offset by higher direct operating expenses, higher selling, general and administrative expenses and, to a lesser extent, higher depreciation and amortization, as discussed above .

Adjusted operating income

Adjusted operating income increased for the three months ended December 31, 2017 by \$18,289 , or 29% , to \$81,944 as compared to the prior year period primarily due to an increase in revenues partially offset by higher direct operating expenses and selling, general and administrative expenses as discussed above, excluding share-based compensation expense.

MSG Sports

The table below sets forth, for the periods presented, certain historical financial information and a reconciliation of operating income to adjusted operating income for the Company's MSG Sports segment.

	Three Months Ended		Change	
	December 31,		Amount	Percentage
	2017	2016		
Revenues	\$ 265,086	\$ 252,665	\$ 12,421	5 %
Direct operating expenses	163,683	160,209	3,474	2 %
Selling, general and administrative expenses	50,230	49,346	884	2 %
Depreciation and amortization	1,849	2,905	(1,056)	(36)%
Operating income	\$ 49,324	\$ 40,205	\$ 9,119	23 %
Reconciliation to adjusted operating income:				
Share-based compensation	3,905	4,100		
Depreciation and amortization	1,849	2,905		
Adjusted operating income	\$ 55,078	\$ 47,210	\$ 7,868	17 %

Revenues

Revenues for the three months ended December 31, 2017 increased \$12,421 , or 5% , to \$265,086 as compared to the prior year period. The net increase is attributable to the following:

Increase in professional sports teams' sponsorship and signage revenues and ad sales commission	\$ 5,102
Increase in professional sports teams' pre/regular season ticket-related revenue	3,900
Increase in professional sports teams' pre/regular season food, beverage and merchandise sales	3,640
Increase in local media rights fees from MSG Networks	2,140
Increase in suite rental fee revenue	1,862
Increase in revenues from league distributions	1,436
Decrease in event-related revenues from other live sporting events	(6,149)
Other net increases, inclusive of other revenues from CLG not discussed elsewhere in this table	490
	<u>\$ 12,421</u>

The increase in professional sports teams' sponsorship and signage revenues and ad sales commission was primarily due to increased sales of existing sponsorship and signage inventory, new sponsorship and signage inventory, and the impact of a marketing partner, upon renewal of its agreement, shifting its marketing spend from a combination of entertainment and sports, entirely to sports.

The increase in professional sports teams' pre/regular season ticket-related revenue was due to the Knicks and Rangers playing additional games at The Garden during the current year period as compared to the prior year period and higher average Rangers per-game revenue, partially offset by lower average Knicks per-game revenue. The Knicks played five more regular season games and the Rangers played four more regular season games and one fewer pre-season game at The Garden during the current year period as compared to the prior year period.

The increase in professional sports teams' pre/regular season food, beverage and merchandise sales was due to the Knicks and Rangers playing additional games at The Garden during the current year period as compared to the prior year period partially offset by lower average per-game revenue during the current year period as compared to the prior year period .

The increase in local media rights fees from MSG Networks was due to contractual rate increases.

The increase in suite rental fee revenue was due to contractual rate increases, as well as higher sales of suite products.

The decrease in event-related revenues from other live sporting events was primarily due to a change in the mix of events, one event that generated lower revenue and fewer events held during the current year period as compared to the prior year period .

Direct operating expenses

Direct operating expenses for the three months ended December 31, 2017 increased \$3,474 , or 2% , to \$163,683 as compared to the prior year period. The net increase is attributable to the following:

Increase in other team operating expenses not discussed elsewhere in this table	\$	2,137
Increase in net provisions for NBA and NHL revenue sharing expense (excluding playoffs) and NBA luxury tax		1,902
Increase in net provisions for certain team personnel transactions		1,778
Increase in professional sports teams' pre/regular season expense associated with food, beverage and merchandise sales		1,709
Decrease in event-related expenses associated with other live sporting events		(2,896)
Decrease in venue operating costs		(1,383)
Other net increases		227
	\$	3,474

The increase in other team operating expenses was primarily due to higher day-of-event costs, primarily driven by the Knicks and Rangers playing additional games at The Garden during the current year period as compared to the prior year period .

Net provisions for NBA and NHL revenue sharing expense (excluding playoffs) and NBA luxury tax and for certain team personnel transactions were as follows:

	Three Months Ended December 31,		Increase
	2017	2016	
Net provisions for NBA and NHL revenue sharing expense (excluding playoffs) and NBA luxury tax	\$ 20,973	\$ 19,071	\$ 1,902
Net provisions for certain team personnel transactions	2,758	980	1,778

The increase in net provisions for NBA and NHL revenue sharing expense (excluding playoffs) and NBA luxury tax reflects higher provisions for both NBA and NHL revenue sharing expense of \$1,855 and lower NBA luxury tax credit of \$47 . Higher NBA and NHL revenue sharing expense primarily reflects higher estimated NBA and NHL revenue sharing expense for the 2017-18 season and adjustments to prior seasons' revenue sharing expense partially offset by higher estimated net player escrow recoveries. The Knicks were not a luxury tax payer for the 2016-17 season and, therefore, received an equal share of the portion of luxury tax receipts that were distributed to non-tax paying teams. The Knicks' roster as of December 31, 2017 would not result in luxury tax for the 2017-18 season and the estimated luxury tax receipt is expected to approximate the luxury tax receipt for the 2016-17 season. The actual amounts for the 2017-18 season may vary significantly from the recorded provisions based on actual operating results for each league and all teams within each league for the season and other factors.

Team personnel transactions for the three months ended December 31, 2017 and 2016 reflect provisions recorded for player waivers/contract terminations.

The increase in professional sports teams' pre/regular season expense associated with food, beverage and merchandise sales was due to the Knicks and Rangers playing additional games at The Garden during the current year period as compared to the prior year period partially offset by lower average per-game expense during the current year period as compared to the prior year period .

[Table of Contents](#)

The decrease in event-related expenses associated with other live sporting events was primarily due to a change in the mix of events, one event that generated lower expense and fewer events held during the current year period as compared to the prior year period.

The decrease in venue operating costs was primarily due to the absence of a non-recurring labor-related cost at The Garden .

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2017 increased \$884 , or 2% , to \$50,230 as compared to the prior year period.

Depreciation and amortization

Depreciation and amortization for the three months ended December 31, 2017 decreased \$1,056 , or 36% , to \$1,849 as compared to the prior year period including the impact of an intangible asset becoming fully amortized .

Operating income

Operating income for the three months ended December 31, 2017 increased \$9,119 , or 23% , to \$49,324 as compared to the prior year period primarily due to an increase in revenues partially offset by higher direct operating expenses, as discussed above.

Adjusted operating income

Adjusted operating income for the three months ended December 31, 2017 increased \$7,868 , or 17% , to \$55,078 as compared to the prior year period primarily due to an increase in revenues partially offset by higher direct operating expenses and selling, general and administrative expenses, as discussed above, excluding share-based compensation expense.

The Company may experience lower regular season ticket-related revenue for the second half of fiscal year 2018 as compared to the prior fiscal year including the impact of the Knicks and Rangers playing fewer home games.

Comparison of the Six Months Ended December 31, 2017 versus the Six Months Ended December 31, 2016

Consolidated Results of Operations

The table below sets forth, for the periods presented, certain historical financial information.

	Six Months Ended December 31,		Change	
	2017	2016	Amount	Percentage
Revenues	\$ 781,517	\$ 626,845	\$ 154,672	25 %
Direct operating expenses	435,617	378,080	57,537	15 %
Selling, general and administrative expenses	227,878	171,281	56,597	33 %
Depreciation and amortization	61,090	52,076	9,014	17 %
Operating income	56,932	25,408	31,524	124 %
Other income (expense):				
Earnings (loss) in equity method investments	2,117	(2,182)	4,299	197 %
Interest income, net	2,255	4,190	(1,935)	(46)%
Miscellaneous income (expense)	(250)	1,405	(1,655)	(118)%
Income from operations before income taxes	61,054	28,821	32,233	112 %
Income tax benefit (expense)	116,070	(314)	116,384	NM
Net income	177,124	28,507	148,617	NM
Less: Net income attributable to redeemable noncontrolling interests	133	—	133	NM
Less: Net loss attributable to nonredeemable noncontrolling interests	(1,515)	(593)	(922)	(155)%
Net income attributable to The Madison Square Garden Company's stockholders	\$ 178,506	\$ 29,100	\$ 149,406	NM

NM — Percentage is not meaningful

The following is a summary of changes in our segments' operating results for the six months ended December 31, 2017 as compared to the prior year period.

Our results for the fiscal year 2018 include the operating results of TAO Group, CLG and Obscura and, as a result, our operating results for the fiscal year 2018 are not directly comparable to our results for the fiscal year 2017 period.

Changes attributable to	Revenues	Direct operating expenses	Selling, general and administrative expenses	Depreciation and amortization	Operating income (loss)
MSG Entertainment segment ^(a)	\$ 132,314	\$ 54,369	\$ 40,023	\$ 3,464	\$ 34,458
MSG Sports segment ^(a)	22,358	827	3,805	(1,768)	19,494
Corporate and Other	—	41	12,745	(1,145)	(11,641)
Purchase accounting adjustments	—	2,300	24	8,463	(10,787)
	\$ 154,672	\$ 57,537	\$ 56,597	\$ 9,014	\$ 31,524

^(a) See "Business Segment Results" for a more detailed discussion relating to the operating results of our segments.

[Table of Contents](#)

Selling, general and administrative expenses - Corporate and Other

Selling, general and administrative expenses in Corporate and Other for the six months ended December 31, 2017 increased \$12,745 , or 39% , to \$45,285 . The increase was primarily due to higher employee compensation and related benefits , as well as the inclusion of certain Obscura selling, general and administrative costs, which primarily reflects retention bonuses paid in connection with the change of control . The increase was partially offset by a management fee earned for providing management and strategic services to TAO Group. The TAO Group's management fee is eliminated in the Company's consolidated results of operations presented above.

Operating loss - Corporate and Other

Operating loss in Corporate and Other for the six months ended December 31, 2017 increased \$11,641 , or 16% , to \$85,215 . The increase was primarily due to higher selling, general and administrative expenses as discussed above, partially offset by lower depreciation and amortization as a result of certain assets being fully depreciated and amortized. See Note 18 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for discussion of depreciation and amortization under Corporate and Other .

Earnings (loss) in equity method investments

Earnings in equity method investments for the six months ended December 31, 2017 improved \$4,299 to \$2,117 . The year-over-year change primarily reflects an improvement in the net earnings attributable to the Company's investees.

Interest income, net

Net interest income for the six months ended December 31, 2017 decreased \$1,935 , or 46% to \$2,255 as compared to the prior year period primarily due to interest expense incurred under the TAO Term Loan Facility. The decrease was partially offset by higher interest income earned by the Company as a result of higher interest rates and a change in investment mix. In addition, during the six months ended December 31, 2017, the Company recognized interest income of \$937, which was received in connection with the repayment of a loan receivable from one of the Company's nonconsolidated affiliates that was on a nonaccrual status.

Miscellaneous income (expense)

Miscellaneous expense in the current year period reflects a pre-tax non-cash impairment charge to write off the carrying value of one of the Company's cost method investments. Miscellaneous income in the prior year period consists principally of the recovery of certain claims in connection with a third-party bankruptcy proceeding.

Income taxes

Income tax benefit for the six months ended December 31, 2017 was \$116,070 and income tax expense for the six months ended December 31, 2016 was \$314 .

Income tax benefit for the six months ended December 31, 2017 of \$116,070 differs from the income tax expense derived from applying the blended statutory Federal rate of 28% to pretax income primarily as a result of a deferred income tax benefit of \$113,494 related to the revaluation of the Company's deferred tax assets and liabilities under provisions contained in the new tax legislation, of which (i) \$51,015 was due to the reduction of net deferred tax liabilities in connection with the lower Federal income tax rate of 21%, and (ii) \$62,479 was due to a reduction in the valuation allowance attributable to the new rules, which provide that future Federal net operating losses have an unlimited carry-forward period. These rules on future Federal net operating losses allow the Company to recognize a portion of its unrecognized deferred tax assets for future deductible items. Other decreases to the statutory rate include the impact of an income tax benefit of \$24,399 in Federal and state valuation allowance decreases recorded which offsets the income tax expense attributable to most of the operating income, and the impact of a change in state tax rate of \$3,110 . These decreases were partially offset by the impact of state and local income taxes (net of Federal benefit) of \$6,494 and tax expense of \$1,237 primarily related to non-deductible expenses.

Income tax expense for the six months ended December 31, 2016 of \$314 differs from income tax expense derived from applying the statutory Federal rate of 35% to pretax income primarily as a result of a reduction of \$11,115 of recorded Federal and state valuation allowances which offsets tax expense that would have otherwise been recorded on operating income. The income tax expense also reflects tax expense of \$1,342 primarily related to non-deductible expenses.

[Table of Contents](#)

Adjusted operating income

The following is a reconciliation of operating income to adjusted operating income :

	Six Months Ended		Change	
	December 31,		Amount	Percentage
	2017	2016		
Operating income	\$ 56,932	\$ 25,408	\$ 31,524	124%
Share-based compensation	26,816	20,098		
Depreciation and amortization ^(a)	61,090	52,076		
Other purchase accounting adjustments	2,324	—		
Adjusted operating income	<u>\$ 147,162</u>	<u>\$ 97,582</u>	\$ 49,580	51%

^(a) Depreciation and amortization includes purchase accounting adjustments of \$8,923 and \$460 for six months ended December 31, 2017 and 2016 , respectively.

Adjusted operating income for the six months ended December 31, 2017 increased \$49,580 , or 51% to \$147,162 as compared to the prior year period. The net increase is attributable to the following:

Increase in adjusted operating income of the MSG Entertainment segment	\$ 37,259
Increase in adjusted operating income of the MSG Sports segment	18,283
Other net decreases	(5,962)
	<u>\$ 49,580</u>

Other net decreases were primarily due to higher employee compensation and related benefits, excluding share-based compensation expense, as well as the inclusion of certain Obscura selling, general and administrative costs, which primarily reflects retention bonuses paid in connection with the change of control .

Net income (loss) attributable to redeemable and nonredeemable noncontrolling interests

For the six months ended December 31, 2017 , the Company recorded a net income attributable to redeemable noncontrolling interests of \$133 and a net loss attributable to nonredeemable noncontrolling interests of \$1,515 as compared to \$593 of net loss attributable to nonredeemable noncontrolling interests for the six months ended December 31, 2016 . These amounts represent the share of net income (loss) from the Company's investments in TAO Group , BCE , and CLG that are not attributable to the Company. In addition, the net income (loss) attributable to redeemable and nonredeemable noncontrolling interests includes a proportional share of expenses related to purchase accounting adjustments.

Business Segment Results

MSG Entertainment

The table below sets forth, for the periods presented, certain historical financial information and a reconciliation of operating income to adjusted operating income for the Company's MSG Entertainment segment.

	Six Months Ended December 31,		Change	
	2017	2016	Amount	Percentage
Revenues	\$ 435,497	\$ 303,183	\$ 132,314	44%
Direct operating expenses	252,691	198,322	54,369	27%
Selling, general and administrative expenses	89,905	49,882	40,023	80%
Depreciation and amortization	8,523	5,059	3,464	68%
Operating income	\$ 84,378	\$ 49,920	\$ 34,458	69%
Reconciliation to adjusted operating income:				
Share-based compensation	6,952	7,615		
Depreciation and amortization	8,523	5,059		
Adjusted operating income	\$ 99,853	\$ 62,594	\$ 37,259	60%

Revenues

Revenues for the six months ended December 31, 2017 increased \$132,314 , or 44% , to \$435,497 as compared to the prior year period. The net increase is attributable to the following:

Inclusion of revenues associated with entertainment dining and nightlife offerings	\$ 115,121
Increase in event-related revenues at The Theater at Madison Square Garden	6,540
Increase in revenues from the presentation of the <i>Christmas Spectacular</i>	6,534
Increase in event-related revenues at the Forum	4,434
Increase in event-related revenues at The Garden	4,115
Increase in event-related revenues at Radio City Music Hall, excluding the <i>Christmas Spectacular</i> and the <i>New York Spectacular</i>	3,900
Increase in event-related revenues at The Chicago Theatre	3,779
Decrease in revenues from the presentation of the <i>New York Spectacular</i> as a result of no scheduled performances in the current year period	(11,238)
Decrease in venue-related sponsorship and signage and suite rental fee revenues	(1,890)
Other net increases, inclusive of other revenues from Obscura	1,019
	<u>\$ 132,314</u>

The inclusion of revenues associated with entertainment dining and nightlife offerings is the result of the acquisition of a 62.5% interest in TAO Group on January 31, 2017, and primarily reflects revenues generated from food and beverage sales. TAO Group's operating results are recorded in the Company's consolidated statements of operations on a three-month lag basis. As a result, TAO Group's related revenues are for the period from March 27, 2017 to September 24, 2017 .

The increase in event-related revenues at The Theater at Madison Square Garden was primarily due to a change in the mix of events held at the venue during the current year period as compared to the prior year period.

The increase in revenues associated with the presentation of the *Christmas Spectacular* was primarily due to higher ticket-related revenue, mainly as a result of higher average ticket prices and the impact of additional scheduled performances, partially offset by a decrease in average per-show paid attendance in the current year period as compared to the prior year period. The Company had 200 scheduled performances of the production this holiday season, 197 of which took place in the second quarter of fiscal year 2018, as compared to 197 scheduled performances in fiscal year 2017, of which 191 took place in the second quarter of fiscal year 2017. For the 2017 holiday season, more than one million tickets were sold, representing a low single digit percentage decrease as compared to the 2016 holiday season.

[Table of Contents](#)

The increase in event-related revenues at the Forum was due to a change in the mix of events partially offset by fewer events held at the venue during the current year period as compared to the prior year period.

The increase in event-related revenues at The Garden was due to a change in the mix of events and additional events held at the venue during the current year period as compared to the prior year period.

The increase in event-related revenues at Radio City Music Hall, excluding the *Christmas Spectacular* and the *New York Spectacular*, was due to additional events and a change in the mix of events held at the venue during the current year period as compared to the prior year period.

The increase in event-related revenues at The Chicago Theatre was due to additional events and a change in the mix of events held at the venue during the current year period as compared to the prior year period.

The decrease in revenues from the presentation of the *New York Spectacular* was driven by no scheduled performances in the current year period as compared to 56 scheduled performances presented in the prior year period. This was a result of the Company's decision to suspend the planned 2017 presentation announced in February 2017.

The net decrease in venue-related sponsorship and signage and suite rental fee revenues was primarily due to lower sponsorship and signage revenues, as a result of the timing of delivering certain contractually obligated sponsorship assets, as well as the impact of a marketing partner, upon renewal of its agreement, shifting its marketing spend from a combination of entertainment and sports, entirely to sports. The decrease in sponsorship and signage was partially offset by an increase in suite rental revenue.

Direct operating expenses

Direct operating expenses for the six months ended December 31, 2017 increased \$54,369, or 27%, to \$252,691 as compared to the prior year period. The net increase is attributable to the following:

Inclusion of direct operating expenses associated with entertainment dining and nightlife offerings	\$	65,055
Increase in event-related direct operating expenses at the Forum		4,239
Increase in event-related direct operating expenses at The Theater at Madison Square Garden		2,774
Increase in event-related direct operating expenses at The Chicago Theatre		2,759
Increase in event-related direct operating expenses associated with the presentation of the <i>Christmas Spectacular</i>		1,413
Increase in event-related direct operating expenses at Radio City Music Hall, excluding the <i>Christmas Spectacular</i> and the <i>New York Spectacular</i>		621
Decrease in direct operating expenses associated with the presentation of the <i>New York Spectacular</i> as a result of no scheduled performances in the current year period		(21,583)
Decrease in event-related direct operating expenses at The Garden		(724)
Other net decreases		(185)
	\$	<u>54,369</u>

The inclusion of direct operating expenses associated with entertainment dining and nightlife offerings is the result of the acquisition of a 62.5% interest in TAO Group on January 31, 2017, and primarily reflects costs associated with food and beverage sales, inclusive of labor costs, as well as venue related operating expenses. TAO Group's operating results are recorded in the Company's consolidated statements of operations on a three-month lag basis. As a result, TAO Group's related direct operating expenses are for the period from March 27, 2017 to September 24, 2017.

The increase in event-related direct operating expenses at the Forum was due to a change in the mix of events partially offset by fewer events held at the venue during the current year period as compared to the prior year period.

The increase in event-related direct operating expenses at The Theater at Madison Square Garden was primarily due to a change in the mix of events held at the venue during the current year period as compared to the prior year period.

The increase in event-related direct operating expenses at The Chicago Theatre was due to additional events and a change in the mix of events held at the venue during the current year period as compared to the prior year period.

The increase in direct operating expenses associated with the presentation of the *Christmas Spectacular* was primarily due to higher labor costs, additional scheduled performances, as well as an increase in deferred production cost amortization, partially offset by lower marketing expenses during the current year period as compared to the prior year period. The Company had 200

[Table of Contents](#)

scheduled performances of the production this holiday season, 197 of which took place in the second quarter of fiscal year 2018, as compared to 197 scheduled performances in fiscal year 2017, of which 191 took place in the second quarter of fiscal year 2017.

The increase in event-related direct operating expenses at Radio City Music Hall, excluding the *Christmas Spectacular* and the *New York Spectacular*, was due to additional events largely offset by a change in the mix of events held at the venue during the current year period as compared to the prior year period.

The decrease in direct operating expenses associated with the presentation of the *New York Spectacular* was driven by no scheduled performances in the current year period as compared to 56 scheduled performances presented in the prior year period. This was a result of the Company's decision to suspend the planned 2017 presentation announced in February 2017.

The decrease in event-related direct operating expenses at The Garden was due to a change in the mix of events partially offset by additional events held at the venue during the current year period as compared to the prior year period.

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended December 31, 2017 increased \$40,023, or 80%, to \$89,905 as compared to the prior year period mainly due to (i) inclusion of TAO Group's selling, general and administrative costs, including a management fee incurred by TAO Group payable to the Company for providing management and strategic services and, to a lesser extent, (ii) an increase in corporate general and administrative costs and (iii) higher professional fees.

Depreciation and amortization

Depreciation and amortization for the six months ended December 31, 2017 increased \$3,464, or 68%, to \$8,523 as compared to the prior year period primarily due to the inclusion of depreciation and amortization for TAO Group's property and equipment.

Operating income

Operating income for the six months ended December 31, 2017 increased \$34,458, or 69%, to \$84,378 as compared to the prior year period primarily due to an increase in revenues, partially offset by higher direct operating expenses, selling, general and administrative expenses and depreciation and amortization, as discussed above.

Adjusted operating income

Adjusted operating income for the six months ended December 31, 2017 increased \$37,259, or 60% to \$99,853 as compared to the prior year period primarily due to an increase in revenues, partially offset by higher direct operating expenses, selling, general and administrative expenses as discussed above, excluding share-based compensation expense.

MSG Sports

The table below sets forth, for the periods presented, certain historical financial information and a reconciliation of operating income to adjusted operating income for the Company's MSG Sports segment.

	Six Months Ended		Change	
	2017	2016	Amount	Percentage
Revenues	\$ 346,020	\$ 323,662	\$ 22,358	7 %
Direct operating expenses	180,585	179,758	827	NM
Selling, general and administrative expenses	92,664	88,859	3,805	4 %
Depreciation and amortization	3,755	5,523	(1,768)	(32)%
Operating income	\$ 69,016	\$ 49,522	\$ 19,494	39 %
Reconciliation to adjusted operating income:				
Share-based compensation	8,141	7,584		
Depreciation and amortization	3,755	5,523		
Adjusted operating income	\$ 80,912	\$ 62,629	\$ 18,283	29 %

NM — Percentage is not meaningful

[Table of Contents](#)

Revenues

Revenues for the six months ended December 31, 2017 increased \$22,358 , or 7% , to \$346,020 as compared to the prior year period. The net increase is attributable to the following:

Increase in professional sports teams' pre/regular season ticket-related revenue	\$	6,530
Increase in revenues from league distributions		6,357
Increase in professional sports teams' sponsorship and signage revenues and ad sales commission		4,454
Increase in local media rights fees from MSG Networks		4,235
Increase in professional sports teams' pre/regular season food, beverage and merchandise sales		4,144
Increase in suite rental fee revenue		2,149
Decrease in event-related revenues from other live sporting events		(6,310)
Other net increases, inclusive of other revenues from CLG not discussed elsewhere in this table		799
	\$	22,358

The increase in professional sports teams' pre/regular season ticket-related revenue was due to the Knicks and Rangers playing additional games at The Garden during the current year period as compared to the prior year period and higher average Rangers per-game revenue, partially offset by lower average Knicks per-game revenue. The Knicks played five more regular season games and the Rangers played four more regular season games at The Garden during the current year period as compared to the prior year period.

The increase in professional sports teams' sponsorship and signage revenues and ad sales commission was primarily due to new sponsorship and signage inventory, increased sales of existing sponsorship and signage inventory and the impact of a marketing partner, upon renewal of its agreement, shifting its marketing spend from a combination of entertainment and sports, entirely to sports.

The increase in local media rights fees from MSG Networks was primarily due to contractual rate increases.

The increase in professional sports teams' pre/regular season food, beverage and merchandise sales was due to the Knicks and Rangers playing additional games at The Garden during the current year period as compared to the prior year period partially offset by lower average per-game revenue during the current year period as compared to the prior year period .

The increase in suite rental fee revenue was due to contractual rate increases and higher sales of suite products.

The decrease in event-related revenues from other live sporting events was primarily due to a change in the mix of events, one event that generated lower revenue and fewer events held during the current year period as compared to the prior year period .

Direct operating expenses

Direct operating expenses for the six months ended December 31, 2017 increased \$827 to \$180,585 as compared to the prior year period. The net increase is attributable to the following:

Increase in other team operating expenses not discussed elsewhere in this table	\$	2,950
Increase in net provisions for NBA and NHL revenue sharing expense (excluding playoffs) and NBA luxury tax		2,510
Increase in professional sports teams' pre/regular season expense associated with food, beverage and merchandise sales		2,215
Increase in team personnel compensation		1,238
Decrease in event-related expenses associated with other live sporting events		(3,158)
Decrease in net provisions for certain team personnel transactions		(3,132)
Decrease in venue operating costs		(1,416)
Other net decreases		(380)
	\$	827

The increase in other team operating expenses was primarily due to higher day-of-event costs, primarily driven by the Knicks and Rangers playing additional games at The Garden during the current year period as compared to the prior year period .

[Table of Contents](#)

Net provisions for NBA and NHL revenue sharing expense (excluding playoffs) and NBA luxury tax and for certain team personnel transactions were as follows:

	Six Months Ended		
	December 31,		Increase
	2017	2016	(Decrease)
Net provisions for NBA and NHL revenue sharing expense (excluding playoffs) and NBA luxury tax	\$ 21,880	\$ 19,370	\$ 2,510
Net provisions for certain team personnel transactions	2,858	5,990	(3,132)

The increase in net provisions for NBA and NHL revenue sharing expense (excluding playoffs) and NBA luxury tax reflects higher provisions for both NBA and NHL revenue sharing expense of \$2,463 and lower NBA luxury tax credit of \$47. Higher NBA and NHL revenue sharing expense primarily reflects higher estimated NBA and NHL revenue sharing expense for the 2017-18 season and adjustments to prior seasons' revenue sharing expense partially offset by higher estimated net player escrow recoveries. The Knicks were not a luxury tax payer for the 2016-17 season and, therefore, received an equal share of the portion of luxury tax receipts that were distributed to non-tax paying teams. The Knicks' roster as of December 31, 2017 would not result in luxury tax for the 2017-18 season and the estimated luxury tax receipt is expected to approximate the luxury tax receipt for the 2016-17 season. The actual amounts for the 2017-18 season may vary significantly from the recorded provisions based on actual operating results for each league and all teams within each league for the season and other factors.

Team personnel transaction for the six months ended December 31, 2017 reflect provisions recorded for player waivers/contract terminations. Team personnel transactions for the six months ended December 31, 2016 reflect provisions for a player trade and player waivers/contract terminations of \$5,000 and \$990, respectively.

The increase in professional sports teams' pre/regular season expense associated with food, beverage and merchandise sales was due to the Knicks and Rangers playing additional games at The Garden during the current year period as compared to the prior year period partially offset by lower average per-game expense during the current year period as compared to the prior year period.

The increase in team personnel compensation was attributable to the inclusion of CLG's results, which was acquired on July 28, 2017.

The decrease in event-related expenses associated with other live sporting events was primarily due to a change in the mix of events, one event that generated lower expense and fewer events held during the current year period as compared to the prior year period.

The decrease in venue operating costs was primarily due to the absence of a non-recurring labor-related cost at The Garden.

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended December 31, 2017 increased \$3,805, or 4%, to \$92,664 as compared to the prior year period primarily due to higher corporate general and administrative costs and other net cost increases.

Depreciation and amortization

Depreciation and amortization for the six months ended December 31, 2017 decreased \$1,768, or 32%, to \$3,755 as compared to the prior year period including the impact of an intangible asset becoming fully amortized.

Operating income

Operating income for the six months ended December 31, 2017 increased \$19,494, or 39%, to \$69,016 as compared to the prior year period primarily due to higher revenues partially offset by an increase in selling, general and administrative expenses, as discussed above.

[Table of Contents](#)

Adjusted operating income

Adjusted operating income for the six months ended December 31, 2017 increased \$18,283 , or 29% , to \$80,912 , as compared to the prior year period primarily due to higher revenues partially offset by an increase in selling, general and administrative expenses and, to a lesser extent, higher direct operating expenses as discussed above, excluding share-based compensation expense.

The Company may experience lower regular season ticket-related revenue for the second half of fiscal year 2018 as compared to the prior fiscal year including the impact of the Knicks and Rangers playing fewer home games.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash and cash equivalents, cash flows from the operations of our businesses and available borrowing capacity under our \$377,000 revolving credit facilities (see “Financing Agreements — Knicks Revolving Credit Facility,” “Financing Agreements — Knicks Unsecured Credit Facility,” “Financing Agreements — Rangers Revolving Credit Facility” and “Financing Agreements — TAO Credit Facilities” below). Our principal uses of cash include working capital-related items, capital spending (including our planned construction of large-scale venues in Las Vegas and London), investments and related loans that we may fund from time to time, repurchases of shares of the Company’s Class A Common Stock, repayment of debt, and the payment of earn-out obligations from prior acquisitions. The decisions of the Company as to the use of its available liquidity will be based upon the ongoing review of the funding needs of the business, the optimal allocation of cash resources, and the timing of cash flow generation.

The Company plans to continue to grow its live sports and entertainment business, both organically and through acquisition and development, including by expanding its portfolio of venues, and is exploring investing in, acquiring or developing opportunities that range from new content to adjacencies that strengthen the Company’s position in delivering premium live experiences. The Company previously announced plans to build a new venue in Las Vegas which is anticipated to be approximately 600,000 square feet and have more than 18,000 seats. This state-of-the-art facility is expected to be constructed over a two and a half year period with the goal of commencing construction in the second half of calendar year 2018. In addition, the Company has purchased for approximately \$79,518 (£60,000) a nearly five -acre parcel of land in London adjacent to Westfield Stratford City Shopping Center as the site of its first international large-scale venue. As is the case for any large scale real estate development, as the Company moves forward with the planning and construction for these and other major new venues, the Company will need to obtain all necessary and appropriate permits and other regulatory approvals and may face unexpected project delays and costs. In connection with these efforts, the Company will need to pursue additional capital beyond that which is available from cash on hand, cash flows from operations and borrowing under our revolving credit facilities. There is no assurance that we would be able to obtain such capital. The Company will continue to explore additional domestic and international markets where next generation venues can be successful. See also “— MSG Sphere ” at the end of Management’s Discussion and Analysis of Financial Condition and Result of Operations.

We regularly monitor and assess our ability to meet our net funding and investing requirements. Over the next 12 months, we believe we have sufficient liquidity, including \$1,125,647 in unrestricted cash and cash equivalents as of December 31, 2017 , along with available borrowing capacity under our revolving credit facilities combined with operating cash flows to fund our operations, to pursue the development of the new arenas discussed above and other new business opportunities and to repurchase shares of the Company’s Class A Common Stock.

To the extent the Company desires to access alternative sources of funding through the capital and credit markets, weak U.S. and global economic conditions could adversely impact our ability to do so at that time.

TAO Group ’s principal uses of cash include working capital related items, investments in new venues and repayment of debt. TAO Group plans to continue to grow its business through the opening of new venues. TAO Group regularly monitors and assesses its ability to meet its funding and investment requirements. Over the next 12 months, the Company believes that TAO Group has sufficient liquidity from cash on hand, cash generated from operations and its revolving credit facility to fund its operations, service debt obligations and pursue new business opportunities.

On September 11, 2015, the Company’s board of directors authorized the repurchase of up to \$525,000 of the Company’s Class A Common Stock once the shares of the Company’s Class A Common Stock began “regular way” trading on October 1, 2015. Under the authorization, shares of the Company’s Class A Common Stock may be purchased from time to time in accordance with applicable insider trading and other securities laws and regulations. The timing and amount of purchases will

depend on market conditions and other factors. As of December 31, 2017, the Company had \$259,639 of availability remaining under its stock repurchase authorization.

Financing Agreements

Knicks Revolving Credit Facility

On September 30, 2016, Knicks LLC, a wholly owned subsidiary of the Company, entered into a credit agreement with a syndicate of lenders providing for a senior secured revolving credit facility of up to \$200,000 with a term of five years to fund working capital needs and for general corporate purposes. Amounts borrowed may be distributed to the Company except during an event of default.

The Knicks Revolving Credit Facility requires Knicks LLC to comply with a debt service ratio of 1.5:1.0 over a trailing four quarter period. As of December 31, 2017, Knicks LLC was in compliance with this financial covenant.

All borrowings under the Knicks Revolving Credit Facility are subject to the satisfaction of certain customary conditions. Borrowings bear interest at a floating rate, which at the option of Knicks LLC may be either (i) a base rate plus a margin ranging from 0.00% to 0.125% per annum or (ii) LIBOR plus a margin ranging from 1.00% to 1.125% per annum. Knicks LLC is required to pay a commitment fee ranging from 0.20% to 0.25% per annum in respect of the average daily unused commitments under the Knicks Revolving Credit Facility. The Knicks Revolving Credit Facility was undrawn as of December 31, 2017.

All obligations under the Knicks Revolving Credit Facility are secured by a first lien security interest in certain of Knicks LLC's assets, including, but not limited to, (i) the Knicks LLC's membership rights in the NBA and (ii) revenues to be paid to the Knicks LLC by the NBA pursuant to certain U.S. national broadcast agreements.

Subject to customary notice and minimum amount conditions, Knicks LLC may voluntarily prepay outstanding loans under the Knicks Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurocurrency loans). Knicks LLC is required to make mandatory prepayments in certain circumstances, including without limitation if the maximum available amount under the Knicks Revolving Credit Facility is greater than 350% of qualified revenues.

The Knicks Credit Agreement contains certain restrictions on the ability of Knicks LLC to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the Knicks Credit Agreement, including the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making restricted payments during the continuance of an event of default under the Knicks Credit Agreement; (iv) engaging in sale and leaseback transactions; (v) merging or consolidating; and (vi) taking certain actions that would invalidate the secured lenders' liens on any Knicks LLC's collateral.

Knicks Unsecured Credit Facility

On September 30, 2016, Knicks LLC entered into an unsecured revolving credit facility with a lender for an initial maximum credit amount of \$15,000 and a 364-day term. Knicks LLC renewed this facility with the lender on the same terms effective as of September 29, 2017. This facility was undrawn as of December 31, 2017.

Rangers Revolving Credit Facility

On January 25, 2017, Rangers LLC, a wholly owned subsidiary of the Company, entered into a credit agreement with a syndicate of lenders providing for a senior secured revolving credit facility of up to \$150,000 with a term of five years to fund working capital needs and for general corporate purposes. Amounts borrowed may be distributed to the Company except during an event of default.

The Rangers Revolving Credit Facility requires Rangers LLC to comply with a debt service ratio of 1.5:1.0 over a trailing four quarter period. As of December 31, 2017, Rangers LLC was in compliance with this financial covenant. All borrowings under the Rangers Revolving Credit Facility are subject to the satisfaction of certain customary conditions.

Borrowings bear interest at a floating rate, which at the option of Rangers LLC may be either (i) a base rate plus a margin ranging from 0.125% to 0.50% per annum or (ii) LIBOR plus a margin ranging from 1.125% to 1.50% per annum. Rangers LLC is required to pay a commitment fee ranging from 0.375% to 0.625% per annum in respect of the average daily unused commitments under the Rangers Revolving Credit Facility. The Rangers Revolving Credit Facility was undrawn as of December 31, 2017.

[Table of Contents](#)

All obligations under the Rangers Revolving Credit Facility are secured by a first lien security interest in certain of Rangers LLC's assets, including, but not limited to, (i) Rangers LLC's membership rights in the NHL, (ii) revenues to be paid to Rangers LLC by the NHL pursuant to certain U.S. and Canadian national broadcast agreements, and (iii) revenues to be paid to Rangers LLC pursuant to local media contracts.

Subject to customary notice and minimum amount conditions, Rangers LLC may voluntarily prepay outstanding loans under the Rangers Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurocurrency loans). Rangers LLC is required to make mandatory prepayments in certain circumstances, including without limitation if the maximum available amount under the Rangers Revolving Credit Facility is less than 17% of qualified revenues.

The Rangers Credit Agreement contains certain restrictions on the ability of Rangers LLC to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the Rangers Credit Agreement, including the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making restricted payments during the continuance of an event of default under the Rangers Credit Agreement; (iv) engaging in sale and leaseback transactions; (v) merging or consolidating; and (vi) taking certain actions that would invalidate the secured lenders' liens on any of Rangers LLC's assets securing the obligations under the Rangers Revolving Credit Facility.

TAO Credit Facilities

On January 31, 2017, TAOIH, TAOG, and certain of its subsidiaries entered into a credit and guaranty agreement with a syndicate of lenders providing for a senior secured term loan facility of \$110,000 with a term of five years to fund, in part, the acquisition of TAO Group and a senior secured revolving credit facility of up to \$12,000 with a term of five years for working capital and general corporate purposes of TAOG. The TAO Credit Facilities were obtained without recourse to MSG or any of its affiliates (other than TAOIH and its subsidiaries).

The TAO Credit Facilities require TAOIH (i) to maintain, for the relevant TAO entities, a minimum consolidated liquidity of \$5,000 at all times, (ii) to comply with a maximum total net leverage ratio of 4.00:1.00 initially and stepping down over time to 2.50:1.00 by the first quarter of calendar year 2021 and through the remainder of the term of the TAO Credit Facilities, and (iii) to comply with a minimum fixed charge coverage ratio of 1.50:1.00 initially and stepping down over time to 1.15:1.00 by the second quarter of calendar year 2021 and through the remainder of the term of the TAO Credit Facilities. TAOIH was in compliance with the financial covenants of the TAO Credit Facilities as of September 24, 2017 (the most recent date at which compliance was assessed under the TAO Credit Facilities). The TAO Revolving Credit Facility was undrawn as of December 31, 2017.

The TAO entities under the TAO Credit Facilities are also subject to certain limitations with respect to making capital expenditures based upon the total net leverage ratio and other factors. The restrictions on capital expenditures are subject to certain "carry-forward" provisions and other customary carve-outs.

All borrowings under the TAO Credit Facilities are subject to the satisfaction of certain customary conditions, including compliance with a maximum leverage multiple, accuracy of representations and warranties and absence of a default or event of default. Borrowings bear interest at a floating rate, which at the option of TAOG may be either (i) a base rate plus a margin ranging from 6.50% to 7.00% per annum or (ii) LIBOR plus a margin ranging from 7.50% to 8.00% per annum. The interest rate on the TAO Credit Facilities as of September 24, 2017 was 9.25%. TAOG is required to pay a commitment fee of 0.50% per annum in respect of the average daily unused commitments under the TAO Revolving Credit Facility.

All obligations under the TAO Credit Facilities are secured by a first lien security interest in substantially all of the applicable TAO entities' assets, including, but not limited to, a pledge of all of the capital stock of substantially all of TAOIH's wholly-owned domestic subsidiaries and 65% of the voting capital stock, and 100% of the non-voting capital stock, of each of its first-tier foreign subsidiaries.

Subject to customary notice and minimum amount conditions, TAOG may voluntarily prepay outstanding loans under the TAO Credit Facilities at any time, in whole or in part (subject to customary breakage costs with respect to LIBOR loans) with premiums due in respect of prepayments of the TAO Term Loan Facility or permanent reduction under the TAO Revolving Credit Facility, in each case, starting at 5.0% initially and stepping down to 0% after three years. Beginning March 31, 2018, TAOG is required to make scheduled amortization payments under the TAO Term Loan Facility in consecutive quarterly installments equal to \$688 per quarter initially, stepping up over time to \$4,125 per quarter by March 31, 2021 and through the final maturity date of the TAO Term Loan Facility with the final balance payable on such maturity date. TAOG is also required to make mandatory prepayments under the TAO Credit Facilities in certain circumstances, including, without limitation, 75% of excess cash flow, with a step-down to 50% when the total net leverage ratio is less than 2.00:1.00.

[Table of Contents](#)

The TAO Credit Facilities contain certain restrictions on the ability of TAOG to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the TAO Credit Facilities, including, without limitation, the following: (i) incurring additional indebtedness; (ii) creating liens on assets; (iii) making distributions, dividends and other restricted payments; (iv) engaging in sale and leaseback transactions; (v) merging or consolidating; (vi) making investments; and (vii) prepaying certain indebtedness.

See Note 10 to the consolidated and combined financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2017 for more information regarding the Company's debt maturities for the TAO Term Loan Facility.

Revolving Credit Facilities Provided to Nonconsolidated Affiliates

In connection with the Company's investment in AMSGE, the Company provides a \$100,000 revolving credit facility to this entity, of which \$97,500 had been drawn as of December 31, 2017.

In connection with the Company's investment in Tribeca Enterprises, the Company provides a \$17,500 revolving credit facility to this entity, of which \$16,500 was outstanding, excluding PIK interest of \$1,392, as of December 31, 2017. In January 2018, Tribeca Enterprises borrowed the remaining \$1,000 availability on the revolving credit facility.

Pursuant to their terms, the AMSGE and Tribeca Enterprises revolving credit facilities will terminate on September 20, 2020 and June 30, 2021, respectively.

Bilateral Letters of Credit Lines

The Company has established bilateral credit lines with a bank to issue letters of credit in support of the Company's business operations. The Company either pays direct fees for the letters of credit or such fees are credited against interest income the Company receives in return from its investments in notes receivable with the same bank. As of December 31, 2017, the Company had \$2,610 of letters of credit outstanding pursuant to which fees were credited against a note investment. In addition, TAO Group had three letters of credit outstanding for \$1,500 as of September 24, 2017.

Contractual Obligations

The Company did not have any material changes in its contractual obligations since the end of fiscal year 2017 other than activities in the ordinary course of business.

Cash Flow Discussion

As of December 31, 2017, cash and cash equivalents totaled \$1,125,647, as compared to \$1,238,114 as of June 30, 2017. The following table summarizes the Company's cash flow activities for the six months ended December 31, 2017 and 2016:

	Six Months Ended December 31,	
	2017	2016
Net cash provided by operating activities	\$ 63,267	\$ 109,932
Net cash used in investing activities	(143,872)	(62,691)
Net cash used in financing activities	(31,874)	(81,213)
Effect of exchange rates on cash and cash equivalents	12	—
Net decrease in cash and cash equivalents	\$ (112,467)	\$ (33,972)

Operating Activities

Net cash provided by operating activities for the six months ended December 31, 2017 decreased by \$46,665 to \$63,267 as compared to the prior year period due to a decrease in other non-cash items and changes in assets and liabilities partially offset by an increase in net income. The decrease in operating cash flows from other non-cash items was primarily due to (i) a reduction in net deferred tax liabilities as a result of the recently enacted Federal tax reform legislation effective January 1, 2018, (ii) higher depreciation and amortization in the current year period as compared to the prior year period, and (iii) an increase in share-based compensation expense in the current year period as compared to the prior year period. The increase in net cash used in operating activities resulting from changes in assets and liabilities was primarily due to (i) a decrease in deferred revenue primarily due to timing, (ii) higher employee and team compensation and related benefits payments in the current year period, including severance-related costs attributable to a separation agreement with a team executive, and (iii) an increase in receivables during the current year period in connection with the value-added tax, which the Company expects to recover, associated with the purchase of land in London. These decreases in operating cash flows were slightly offset by a

[Table of Contents](#)

payment received in the current year period related to a league non-recurring distribution which was accrued for as of June 30, 2017.

Investing Activities

Net cash used in investing activities for the six months ended December 31, 2017 increased by \$81,181 to \$143,872 as compared to the prior year period primarily due to (i) higher capital expenditures primarily associated with the purchase of land in London during the second quarter of fiscal year 2018 and venues and related technologies in the current year period as compared to the prior year period and (ii) the acquisitions of controlling interests in Obscura and CLG during the current year period. These increases were offset by the acquisition of available-for-sale securities and a controlling interest in BCE in the prior year period.

Financing Activities

Net cash used in financing activities for the six months ended December 31, 2017 decreased by \$49,339 to \$31,874 as compared to the prior year period largely due to lower repurchases of shares of the Company's Class A Common Stock in the current year period as compared to the prior year period. This decrease was partially offset by higher taxes paid in lieu of shares issued for equity-based compensation in the current year period as compared to the prior year period and a contingent consideration payment related to the acquisition of CLG in the current year period.

Seasonality of Our Business

The dependence of the MSG Sports segment on revenues from its NBA and NHL sports teams generally means it earns a disproportionate share of its revenues in the second and third quarters of the Company's fiscal year. The dependence of the MSG Entertainment segment on revenues from the *Christmas Spectacular* generally means it earns a disproportionate share of its revenues and operating income in the second quarter of the Company's fiscal year. In addition, while it does not have a material impact on seasonality of our business, the first and third calendar quarters are seasonally lighter quarters for TAO Group as compared to its second and fourth calendar quarters. As the Company consolidates TAO Group results of operations on a three-month lag basis, the seasonally lighter quarters for TAO Group will be reflected in the second and fourth quarters of the Company's fiscal year.

Recently Issued Accounting Pronouncements and Critical Accounting Policies

Recently Issued Accounting Pronouncements

See Note 2 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for discussion of recently issued accounting pronouncements.

Critical Accounting Policies

The following discussion has been included to provide the results of our annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the first quarter of fiscal year 2018. There have been no material changes to the Company's critical accounting policies from those set forth in our Annual Report on Form 10-K for the year ended June 30, 2017.

Goodwill

Goodwill is tested annually for impairment as of August 31st and at any time upon the occurrence of certain events or substantive changes in circumstances. The Company performs its goodwill impairment test at the reporting unit level, which is one level below the operating segment level. The Company has two operating and reportable segments, MSG Sports and MSG Entertainment, consistent with the way management makes decisions and allocates resources to the business. For purposes of evaluating goodwill for impairment, the Company has three reporting units across its two operating segments, which are MSG Sports, MSG Entertainment and TAO. During the first quarter of fiscal year 2018, the Company performed its annual impairment test of goodwill and determined that there were no impairments of goodwill identified for any of its reporting units. The goodwill balance as of December 31, 2017 by reporting unit was as follows:

MSG Entertainment	\$	76,840
TAO		88,826
MSG Sports		226,955
	\$	<u>392,621</u>

Table of Contents

The Company elected to perform the qualitative assessment of impairment for all of the Company's reporting units for the fiscal year 2018 impairment test. These assessments considered factors such as:

- macroeconomic conditions;
- industry and market considerations;
- cost factors;
- overall financial performance of the reporting units;
- other relevant company-specific factors such as changes in management, strategy or customers; and
- relevant reporting unit specific events such as changes in the carrying amount of net assets.

Based on these impairment tests, the Company's reporting units had sufficient safety margins, representing the excess of the estimated fair value of each reporting unit, derived from the most recently quantitative assessments, less its respective carrying value (including goodwill allocated to each respective reporting unit). The Company believes that if the fair value of the reporting unit exceeds its carrying value by greater than 10%, a sufficient safety margin has been realized.

Identifiable Indefinite-Lived Intangible Assets

Identifiable indefinite-lived intangible assets are tested annually for impairment as of August 31st and at any time upon the occurrence of certain events or substantive changes in circumstances. The following table sets forth the amount of identifiable indefinite-lived intangible assets reported in the Company's consolidated balance sheet as of December 31, 2017 by reportable segment:

Sports franchises (MSG Sports segment)	\$	109,429
Trademarks (MSG Entertainment segment)		62,421
Photographic related rights (MSG Sports segment)		3,000
	\$	<u>174,850</u>

During the first quarter of fiscal year 2018, the Company performed its annual impairment test of identifiable indefinite-lived intangible assets and determined that there were no impairments identified. Based on results of the impairment tests performed, the Company's indefinite-lived intangible assets had sufficient safety margins, representing the excess of each identifiable indefinite-lived intangible asset's estimated fair value over its respective carrying value. The Company believes that if the fair value of an indefinite-lived intangible asset exceeds its carrying value by greater than 10%, a sufficient safety margin has been realized.

Contingent Consideration

See Note 10 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for more information regarding the fair value of the Company's contingent consideration liabilities related to the acquisitions of TAO Group and CLG.

MSG Sphere

The Company is moving forward with its venue strategy to create the "venue of the future." These iconic structures will use cutting-edge technologies to establish an entirely new platform for creating the next-generation of immersive experiences. The Company will begin in Las Vegas with the construction of the first of these new venues — known as "MSG Sphere" for its iconic, spherical shape. The more than 18,000 seat venue is expected to be constructed over a two and a half year period with the goal of commencing construction in the second half of calendar year 2018. Key design features of the venue are expected to include (i) a 100% programmable exterior and an interior bowl that features the world's largest and highest resolution media display known today, (ii) a first-of-its kind video system capable of capturing, curating and distributing both today's and tomorrow's content, (iii) an unprecedented, multi-layered audio system that will deliver a spectacular acoustical experience, and (iv) an advanced architecture for connectivity that will enable a broader range of content, greater interaction among guests and more immersive entertainment experiences. The Company intends to employ this state-of-the-art technological platform for a future venue to be built on land recently acquired in London and will continue to explore additional domestic and international markets where next-generation venues can be successful. See also "— Liquidity and Capital Resources — Overview."

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosures regarding market risks in connection with our pension and postretirement plans, interest rate risk exposure and commodity risk exposure. See Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of our Annual Report on Form 10-K for the year ended June 30, 2017 .

We are exposed to market risk resulting from foreign currency fluctuations, primarily to the British pound sterling through our net investment position initiated with our acquisition of land in London . We may evaluate and decide, to the extent reasonable and practical, to reduce the translation risk of foreign currency fluctuations on this underlying nonfunctional currency exposure by entering into foreign currency forward exchange contracts with financial institutions. If we were to enter into such hedging transactions, the market risk resulting from foreign currency fluctuations is unlikely to be entirely eliminated. We do not plan to enter into derivative financial instrument transactions for foreign currency speculative purposes.

As of December 31, 2017 , a uniform hypothetical 5% fluctuation in the GBP/USD exchange rate would have resulted in a change of approximately \$5.2 million in net asset value. For additional information, see Note 7 to the consolidated financial statements included in “Part I — Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for discussion of our recent acquisition of land in London .

Item 4. Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company’s management, including our Chief Executive Officer and Chief Financial Officer , of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on that evaluation, the principal executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2017 .

There were no changes in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934) during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

For the fiscal year ended June 30, 2017, management excluded the operations of TAO Group , which was acquired by the Company on January 31, 2017, in its assessment of the Company’s internal control over financial reporting. During the quarter ended December 31, 2017 , the Company implemented certain new or enhanced controls over the TAO Group 's operations which will be included in conducting the Company’s assessment of the effectiveness of its internal control over financial reporting for the fiscal year ended June 30, 2018.

PART II—OTHER INFORMATION

Item 1. **Legal Proceedings**

The Company owns 50% of Azoff MSG Entertainment LLC, which in turn owns a majority interest in Global Music Rights, LLC (“GMR”). GMR is primarily a performance rights organization, whose business includes obtaining the right to license the public performance rights of songs composed by leading songwriters. GMR engaged in negotiations with the Radio Music Licensing Committee (“RMLC”), which represents over ten thousand commercial radio stations. On November 18, 2016, RMLC filed a complaint against GMR in the United States District Court for the Eastern District of Pennsylvania alleging that GMR is violating Section 2 of the Sherman Antitrust Act and seeking an injunction, requiring, among other things, that GMR issue radio stations licenses for GMR’s repertory, upon request, at a rate set through a judicial rate-making procedure, that GMR offer “economically viable alternatives to blanket licenses,” and that GMR offer only licenses for songs which are fully controlled by GMR. GMR and RMLC agreed to an interim license arrangement through September 30, 2017, which has been extended through March 31, 2018. GMR has advised the Company that it believes that the RMLC Complaint is without merit and is vigorously defending itself. On January 20, 2017, GMR filed a motion to dismiss or to transfer venue, asserting that the Eastern District of Pennsylvania is not a proper venue for the matter, lacks personal jurisdiction of GMR and that in any event the complaint fails to state a claim. On December 6, 2016, GMR filed a complaint against RMLC in the United States District Court for the Central District of California, alleging that RMLC operates as an illegal cartel that unreasonably restrains trade in violation of Section 1 of the Sherman Antitrust Act and California state law, and seeking an injunction restraining RMLC and its co-conspirators from enforcing or establishing agreements that unreasonably restrict competition for public performance licenses. The judge in the Central District of California denied RMLC’s motion to dismiss GMR’s claim for lack of ripeness and, on the basis that the two cases involve similar facts, stayed the California action in order to assess the status of the Pennsylvania case. On July 21, 2017, RMLC filed a preliminary injunction motion in the United States District Court for the Eastern District of Pennsylvania to extend the duration of the interim licenses which GMR had granted to certain radio stations. The district court determined that the jurisdictional matter should be decided prior to addressing the motion for preliminary injunction and referred the jurisdictional questions to the Magistrate Judge in the United States District Court Eastern District of Pennsylvania. On November 29, 2017, the Magistrate Judge issued a report and recommendation that personal jurisdiction was not appropriate over GMR in the Eastern District of Pennsylvania and recommending the dismissal of the RMLC’s action without prejudice. The RMLC has filed objections to the Magistrate Judge’s report and recommendation.

The Company is a defendant in various other lawsuits. Although the outcome of these other lawsuits cannot be predicted with certainty (including the extent of available insurance, if any), management does not believe that resolution of these other lawsuits will have a material adverse effect on the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information about the Company's repurchases of stock that were made during the three months ended December 31, 2017 (amounts are presented in thousands except per share data):

Period	Total Number of Shares Purchased	Average Price Paid per Share ^(a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ^(b)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
October 1, 2017 - October 31, 2017	27	\$ 209.85	26	\$ 262,053
November 1, 2017 - November 30, 2017	—	\$ —	—	\$ 262,053
December 1, 2017 - December 31, 2017	12	\$ 209.97	12	\$ 259,639
Total	39	\$ 209.89	38	

^(a) The amounts do not give effect to any fees, commissions or other costs associated with repurchases of shares.

^(b) As of December 31, 2017, the total amount of Class A Common Stock authorized for repurchase by the Company's board of directors was \$525,000, and the Company had remaining authorization of \$259,639 for future repurchases. Under the authorization, shares of Class A Common Stock may be purchased from time to time in accordance with applicable insider trading and other securities laws and regulations, with the timing and amount of purchases depending on market conditions and other factors. The Company has been funding and expects to continue to fund stock repurchases through a combination of cash on hand and cash generated by operations. The Company may also choose to fund our stock repurchase program through other funding sources including under our revolving credit facilities. The Company first announced its stock repurchase program on September 11, 2015.

[Table of Contents](#)

Item 6. Exhibits

(a) Index to Exhibits

EXHIBIT NO.	DESCRIPTION
10.1	Time Sharing Agreement dated December 15, 2017 between MSG Sports & Entertainment LLC and Andrew Lustgarten (for the G450).
10.2	Time Sharing Agreement dated December 15, 2017 between MSG Sports & Entertainment LLC and Andrew Lustgarten (for the G550).
10.3	Time Sharing Agreement dated December 15, 2017 between MSG Sports & Entertainment LLC and Andrew Lustgarten (for the GV).
10.4	Form of Option Agreement.
10.5	First Amendment to the Credit and Guaranty Agreement dated as of January 31, 2017, among TAO Group Operating LLC, TAO Group Intermediate Holdings LLC, certain subsidiaries of TAO Group Operating, the various lenders thereto, and Goldman Sachs Specialty Lending Group, L.P. entered into as of May 19, 2017.
10.6	Second Amendment to the Credit and Guaranty Agreement dated as of January 31, 2017, among TAO Group Operating LLC, TAO Group Intermediate Holdings LLC, certain subsidiaries of TAO Group Operating, the various lenders thereto, and Goldman Sachs Specialty Lending Group, L.P. entered into as of January 22, 2018.
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 8 th day of February 2018 .

The Madison Square Garden Company

By: / s / DONNA COLEMAN

Name: Donna Coleman

Title: Executive Vice President and Chief
Financial Officer

TIME SHARING AGREEMENT

THIS TIME SHARING AGREEMENT is entered into effective as of the 15th day of December, 2017, by and between MSG SPORTS & ENTERTAINMENT, LLC, a Delaware limited liability corporation with a place of business at 2 Penn Plaza, New York, New York 10121 ("Lessor"), and ANDREW LUSTGARTEN, with a mailing address c/o of The Madison Square Garden Company, 2 Penn Plaza, New York, NY 10121 ("Lessee").

W I T N E S S E T H:

WHEREAS, Lessor is the lessee and the operator of a Gulfstream Aerospace G450 aircraft, manufacturer's serial number 4179 , United States registration N919 AM (the "Aircraft"); and

WHEREAS, Lessor has engaged fully-qualified and credentialed flight crew to operate the Aircraft; and

WHEREAS, Lessor has agreed to lease the Aircraft, with flight crew, to Lessee on a "time sharing" basis as defined in Section 91.501(c)(1) of the Federal Aviation Regulations ("FAR") upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing premises, and the covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Lessor and Lessee, intending to be legally bound, hereby agree as follows:

1. Lease of Aircraft. Lessor agrees to lease the Aircraft to Lessee pursuant to the provisions of FAR Section 91.501(b)(6) and Section 91.501(c)(1) and this Agreement, and to provide a fully-qualified and credentialed flight crew for all flights to be conducted hereunder during the Term (as defined in Section 13) hereof. The parties acknowledge and agree that this Agreement did not result in any way from any direct or indirect advertising, holding out or soliciting on the part of Lessor or any person purportedly acting on behalf of Lessor. Lessor and Lessee intend that the lease of the Aircraft effected by this Agreement shall be treated as a "wet lease" pursuant to which Lessor provides transportation services to Lessee in accordance with FAR Section 91.501(b)(6) and Section 91.501(c)(1) .

2. Payment for Use of Aircraft. Lessee shall pay Lessor the following listed actual expenses of each flight (the "Reimbursement Amount") conducted under this Agreement (i.e. non-business flights for which reimbursement is required in accordance with Lessor's policies), not to exceed the maximum amount legally payable for such flight under FAR Section 91.501(d)(1)-(10):

- (a) fuel, oil, lubricants and other additives;
- (b) travel expenses of crew, including food, lodging and ground transportation;
- (c) hangar and tie-down costs away from the Aircraft's base of operation;
- (d) additional insurance obtained for the specific flight at the request of Lessee;
- (e) landing fees, airport taxes and similar assessments;
- (f) customs, foreign permit and similar fees directly related to the flight;
- (g) in-flight food and beverages;
- (h) in-flight telecommunication expenses;
- (i) passenger ground transportation; and
- (j) flight planning and weather contract services.

Notwithstanding the foregoing, in the event that any income is required to be imputed to you with respect to personal use of the Aircraft, calculated using the Standard Industry Fare Level method in accordance with Internal Revenue Service Regulation §1.61-21, the amount payable by you pursuant to this Section 2 shall be

reduced by the amount necessary so that the total out of pocket cost to you, including taxes owed as a result of imputed income, is no greater than the Reimbursement Amount.

3. Operational Control of Aircraft. Lessor and Lessee intend and agree that on all flights conducted under this Agreement, Lessor shall have complete and exclusive operational control over the Aircraft, its flight crews and maintenance, and complete and exclusive possession, command and control of the Aircraft. Lessor shall have complete and exclusive responsibility for scheduling, dispatching and flight following of the Aircraft on all flights conducted under this Agreement, which responsibility includes the sole and exclusive right over initiating, conducting and terminating such flights. Lessee shall have no responsibility for scheduling, dispatching or flight following on any flight conducted under this Agreement, nor any right over initiating, conducting or terminating any such flight. Nothing in this Agreement is intended or shall be construed so as to convey to Lessee any operational control over, or possession, command and control of, the Aircraft, all of which are expressly retained by Lessor.

4. Scheduling.

(a) Lessee will provide Lessor with requests for flight time and proposed flight schedules as far in advance of any given flight as possible. Lessee or the designated authorized representative(s) of Lessee shall submit scheduling requests under this Agreement to the designated authorized representative(s) of Lessor. Requests for flight time shall be in such form (whether oral or written) mutually convenient to, and agreed upon by, the parties. In addition to proposed schedules and flight times, Lessee shall upon request provide Lessor with the following information for each proposed flight prior to scheduled departure: (i) proposed departure point; (ii) destination; (iii) date and time of flight; (iv) the number of anticipated passengers; (v) the nature and extent of luggage to be carried; (vi) the date and time of a return flight, if any; and (vii) any other pertinent information concerning the proposed flight that Lessor or the flight crew may request.

(b) Subject to Aircraft and crew availability and to any usage limitations established by Lessor, Lessor shall use its good faith efforts, consistent with Lessor's approved policies, in order to accommodate the needs of Lessee, to avoid conflicts in scheduling, and to enable Lessee to enjoy the benefits of this Agreement; however, Lessee acknowledges and agrees that notwithstanding anything in this Agreement to the contrary, (i) Lessor shall have sole and exclusive final authority over the scheduling of the Aircraft; and (ii) the needs of Lessor for the Aircraft shall take precedence over Lessee's rights and Lessor's obligations under this Agreement.

(c) Although every good faith effort shall be made to avoid its occurrence, any flight scheduled under this Agreement is subject to cancellation by either party without incurring liability to the other party. In the event that cancellation is necessary, the canceling party shall provide the maximum notice practicable.

5. Billing. Lessor shall pay all expenses relating to the operation of the Aircraft under this Agreement (in accordance with Section 2 hereof) on a monthly basis. As soon as possible after the end of each monthly period during the Term, Lessor shall provide to Lessee an invoice showing all use of the Aircraft by Lessee under this Agreement during that month and a complete accounting detailing all amounts payable by Lessee pursuant to Section 2 for that month, including such detail supporting all expenses paid or incurred by Lessor for which reimbursement is sought as Lessee may reasonably request. Lessee shall pay all amounts due to Lessor under this Section 5 not later than 30 days after receipt of the invoice therefor.

6. Maintenance of Aircraft. Lessor shall be solely responsible for securing maintenance, preventive maintenance and inspections of the Aircraft (utilizing an inspection program listed in FAR Section 91.409(f)), and shall take such requirements into account in scheduling the Aircraft hereunder.

7. Flight Crew.

(a) Lessor shall employ or engage and as between Lessor and Lessee shall be responsible for the payment of all salaries, benefits and/or compensation for a fully - qualified flight crew with appropriate credentials to conduct each flight undertaken under this Agreement. All flight crewmembers shall be included on any insurance policies that Lessor is required to maintain hereunder.

(b) The qualified flight crew provided by Lessor shall exercise all of its duties and responsibilities with regard to the safety of each flight conducted hereunder in accordance with applicable FAR's.

The Aircraft shall be operated under the standards and policies established by Lessor. Final authority to initiate or terminate each flight, and otherwise to decide all matters relating to the safety of any given flight or requested flight, shall rest with the pilot-in-command of that flight. The flight crew may, in its sole discretion, terminate any flight, refuse to commence any flight, or take any other action that, in the judgment of the pilot-in-command, is necessitated by considerations of safety. No such termination or refusal to commence by the pilot-in-command shall create or support any liability for loss, injury, damage or delay in favor of Lessee or any other person. Lessor shall not be liable to Lessee or any other person for loss, injury or damage occasioned by the delay or failure to furnish the Aircraft and flight crew pursuant to this Agreement for any reason.

8. Insurance.

(a) At all times during the Term of this Agreement, Lessor shall maintain at its sole cost and expense (i) comprehensive aircraft and liability insurance against bodily injury and property damage claims, including, without limitation, contractual liability, premises damage, personal property liability, personal injury liability, death and property damage liability, public and passenger legal liability coverage, in an amount not less than \$100,000,000 for each single occurrence and (ii) hull insurance for the full replacement cost of the aircraft.

(b) Any policies of aircraft and liability insurance carried in accordance with this Section 8 and any policies taken out in substitution or replacement of any such policies (i) shall name Lessee and his employees, agents, licensees, servants and guests as additional insured; (ii) shall provide for 30 days written notice to Lessee by such insurer of cancellation, change, non-renewal or reduction (seven days in the case of war risk and allied perils coverage or such shorter period as is customarily available in the industry); (iii) shall provide that in respect of the interests of Lessee in such policies, the insurance shall not be invalidated by any action or inaction of Lessor regardless of any breach or violation of any warranties, declarations or conditions contained in such policies by or binding upon Lessor; and (iv) shall permit the use of the Aircraft by Lessor for compensation or hire to the extent permitted under applicable law. Each such policy shall be primary insurance, not subject to any co-insurance clause and shall be without right of contribution from any other insurance.

(c) Lessor shall use reasonable commercial efforts to provide such additional insurance coverage for specific flights under this Agreement, if any, as Lessee may request in writing. Lessee also acknowledges that any trips scheduled to the European Union may require Lessor to purchase additional insurance to comply with local regulations. The cost of all additional flight-specific insurance shall be borne by Lessee as set forth in Section 2(d) hereof.

(d) Each party agrees that it will not do any act or voluntarily suffer or permit any act to be done whereby any insurance required hereunder shall or may be suspended, impaired or defeated. In no event shall Lessor suffer or permit the Aircraft to be used or operated under this Agreement without such insurance being fully in effect.

(e) Lessor shall ensure that worker's compensation insurance with all-states coverage is provided for the Aircraft's crew and maintenance personnel.

(f) Lessor shall deliver certificates of insurance to Lessee with respect to the insurance required or permitted to be provided by it hereunder not later than the first flight of the Aircraft under this Agreement and upon the renewal date of each policy.

9. Taxes. Lessee shall be responsible for paying, and Lessor shall be responsible for collecting from Lessee and paying over to the appropriate authorities, all applicable Federal transportation taxes and sales, use or other excise taxes imposed by any governmental authority in connection with any use of the Aircraft by Lessee hereunder. Each party shall indemnify the other party against any and all claims, liabilities, costs and expenses (including attorney's fees as and when incurred) arising out of its breach of this undertaking.

10. Lessee's Representations and Warranties. Lessee represents and warrants that:

(a) He will not use the Aircraft for the purposes of providing transportation of passengers or cargo in air commerce for compensation or hire or for common carriage.

(b) He shall refrain from incurring any mechanic's or other liens in connection with inspection, preventive maintenance, maintenance or storage of the Aircraft, and shall not attempt to convey,

mortgage, assign, lease or in any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien.

(c) He shall not lien or otherwise encumber or create or place any lien or other encumbrance of any kind whatsoever, on or against the Aircraft for any reason. He also will ensure that no liens or encumbrances of any kind whatsoever are created or placed against the Aircraft for claims against Lessee or by Lessee.

(d) He will abide by and conform to all laws, governmental and airport orders, rules and regulations, as shall be imposed upon the lessee of an aircraft under a time sharing agreement, and applicable company policies of Lessor.

11. Lessor's Representations and Warranties. Lessor represents and warrants that it will abide by and conform to all such laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the operation and use of the Aircraft pursuant to this Agreement.

12. Disclaimer of Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, LESSOR HAS MADE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT, INCLUDING ANY WITH RESPECT TO ITS CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR TO ANY OTHER PERSON FOR ANY INCIDENTAL, CONSEQUENTIAL OR SPECIAL DAMAGES, HOWEVER ARISING.

13. Term. The term of this Agreement (the "Term") shall commence on the effective date hereof and, unless terminated in accordance with the provisions hereof, shall remain in full force and effect for so long as you remain employed by The Madison Square Garden Company or any of its subsidiaries. Notwithstanding the foregoing, either party shall have the right to terminate this Agreement for any reason or no reason by written notice given to the other party not less than 30 days prior to the proposed termination date.

14. Limitation of Liability. Lessee, for himself and on behalf of his agents, guests, invitees, licensees, servants and employees, covenants and agrees that the insurance described in Section 8 hereof shall be the sole recourse for any and all liabilities, claims, demands, suits, causes of action, losses, penalties, fines, expenses or damages, including attorneys' fees, court costs and witness fees, attributable to the use, operation or maintenance of the Aircraft pursuant to this Agreement or performance of or failure to perform any obligation under this Agreement.

15. Relationship of Parties. Lessor is strictly an independent contractor lessor/provider of transportation services with respect to Lessee. Nothing in this Agreement is intended, nor shall it be construed so as, to constitute the parties as partners or joint venturers or principal and agent. All persons furnished by Lessor for the performance of the operations and activities contemplated by this Agreement shall at all times and for all purposes be considered Lessor's employees or agents.

16. Governing Law; Severability. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York, without regard to its choice of law rules. If any provision of this Agreement conflicts with any statute or rule of law of the State of New York, or is otherwise unenforceable, such provision shall be deemed null and void only to the extent of such conflict or unenforceability, and shall be deemed separate from, and shall not invalidate, any other provision of this Agreement.

17. Amendment. This Agreement may not be amended, supplemented, modified or terminated, or any of its terms varied, except by an agreement in writing signed by each of the parties hereto.

18. Counterparts. This Time Sharing Agreement may be executed in counterparts, each of which shall, for all purposes, be deemed an original and all such counterparts, taken together, shall constitute one and the same agreement, even though all parties may not have executed the same counterpart. Each party may transmit its signature by facsimile, and such faxed signature shall have the same force and effect as an original signature.

19. Successors and Assigns. This Time Sharing Agreement shall be binding upon the parties hereto, and their respective heirs, executors, administrators, other legal representatives, successors and assigns, and shall inure to the benefit of the parties hereto, and, except as otherwise provided herein, to their respective heirs,

executors, administrators, other legal representatives, successors and permitted assigns. Lessee agrees that he shall not directly or indirectly sublease, assign, transfer, pledge or hypothecate this Agreement or any part hereof (including any assignment or transfer pursuant to the laws of intestacy) without the prior written consent of Lessor, which may be given or withheld by Lessor in its sole and absolute discretion.

20. Notices. All notices or other communications delivered or given under this Agreement shall be in writing and shall be deemed to have been duly given if hand delivered, sent by certified or registered mail, return receipt requested, or nationally-utilized overnight delivery service, or confirmed facsimile transmission, as the case may be. Such notices shall be addressed to the parties at the addresses set forth above, or to such other address as may be designated by any party in a writing delivered to the other in the manner set forth in this Section 20. In the case of notices to Lessor, a copy of each such notice shall be sent to MSG Sports & Entertainment, 2 Penn Plaza, New York, New York 10121, attention: General Counsel. Notices sent by certified or registered mail shall be deemed received three business days after being mailed. All other notices shall be deemed received on the date delivered. Routine communications may be made by e-mail or fax to the addresses set forth therein.

21. Truth-in-Leasing Compliance. Lessor, on behalf of the Lessee, shall (i) mail a copy of this Agreement to the Aircraft Registration Branch, Technical Section, of the FAA in Oklahoma City within 24 hours of its execution; (ii) notify the Farmingdale Flight Standards District Office at least 48 hours prior to the first flight by Lessor under this Agreement of the registration number of the Aircraft, and the location of the airport of departure and departure time of the first flight; and (iii) carry a copy of this Agreement onboard the Aircraft at all times when the Aircraft is being operated under this Agreement.

22. TRUTH IN LEASING STATEMENT UNDER FAR SECTION 91.23 :

(A) LESSOR HEREBY CERTIFIES THAT THE AIRCRAFT HAS BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91 DURING THE 12-MONTH PERIOD PRECEDING THE DATE OF EXECUTION OF THIS AGREEMENT. THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED IN COMPLIANCE WITH THE MAINTENANCE AND INSPECTION REQUIREMENTS OF FAR PART 91 FOR ALL OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT.

(B) MSG SPORTS & ENTERTAINMENT, LLC, 2 PENN PLAZA, NEW YORK, NEW YORK 10121, HEREBY CERTIFIES THAT IT IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT FOR ALL OPERATIONS UNDER THIS AGREEMENT.

(C) EACH PARTY HEREBY CERTIFIES THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

(D) THE PARTIES UNDERSTAND THAT AN EXPLANATION OF THE FACTORS BEARING ON OPERATIONAL CONTROL AND THE PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

IN WITNESS WHEREOF , Lessor and Lessee have executed this Time Sharing Agreement effective as of the date first above written.

LESSOR:

MSG SPORTS & ENTERTAINMENT, LLC

By: /s/ Donna Coleman

Name: Donna Coleman

Title: EVP & Chief Financial Officer

LESSEE:

/s/ Andrew Lustgarten

Andrew Lustgarten

TIME SHARING AGREEMENT

THIS TIME SHARING AGREEMENT is entered into effective as of the 15th day of December, 2017, by and between MSG SPORTS & ENTERTAINMENT, LLC, a Delaware limited liability corporation with a place of business at 2 Penn Plaza, New York, New York 10121 ("Lessor"), and ANDREW LUSTGARTEN, with a mailing address c/o of The Madison Square Garden Company, 2 Penn Plaza, New York, NY 10121 ("Lessee").

W I T N E S S E T H :

WHEREAS, Lessor is the lessee and the operator of a Gulfstream Aerospace G550 aircraft, manufacturer's serial number 5264, United States registration N551TG (the "Aircraft"); and

WHEREAS, Lessor has engaged fully-qualified and credentialed flight crew to operate the Aircraft; and

WHEREAS, Lessor has agreed to lease the Aircraft, with flight crew, to Lessee on a "time sharing" basis as defined in Section 91.501(c)(1) of the Federal Aviation Regulations ("FAR") upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing premises, and the covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Lessor and Lessee, intending to be legally bound, hereby agree as follows:

1. Lease of Aircraft. Lessor agrees to lease the Aircraft to Lessee pursuant to the provisions of FAR Section 91.501(b)(6) and Section 91.501(c)(1) and this Agreement, and to provide a fully-qualified and credentialed flight crew for all flights to be conducted hereunder during the Term (as defined in Section 13) hereof. The parties acknowledge and agree that this Agreement did not result in any way from any direct or indirect advertising, holding out or soliciting on the part of Lessor or any person purportedly acting on behalf of Lessor. Lessor and Lessee intend that the lease of the Aircraft effected by this Agreement shall be treated as a "wet lease" pursuant to which Lessor provides transportation services to Lessee in accordance with FAR Section 91.501(b)(6) and Section 91.501(c)(1).

2. Payment for Use of Aircraft. Lessee shall pay Lessor the following listed actual expenses of each flight (the "Reimbursement Amount") conducted under this Agreement (i.e. non-business flights for which reimbursement is required in accordance with Lessor's policies), not to exceed the maximum amount legally payable for such flight under FAR Section 91.501(d)(1)-(10):

- (a) fuel, oil, lubricants and other additives;
- (b) travel expenses of crew, including food, lodging and ground transportation;
- (c) hangar and tie-down costs away from the Aircraft's base of operation;
- (d) additional insurance obtained for the specific flight at the request of Lessee;
- (e) landing fees, airport taxes and similar assessments;
- (f) customs, foreign permit and similar fees directly related to the flight;
- (g) in-flight food and beverages;
- (h) in-flight telecommunication expenses;
- (i) passenger ground transportation; and
- (j) flight planning and weather contract services.

Notwithstanding the foregoing, in the event that any income is required to be imputed to you with respect to personal use of the Aircraft, calculated using the Standard Industry Fare Level method in accordance with Internal Revenue Service Regulation §1.61-21, the amount payable by you pursuant to this Section 2 shall be

reduced by the amount necessary so that the total out of pocket cost to you, including taxes owed as a result of imputed income, is no greater than the Reimbursement Amount.

3. Operational Control of Aircraft. Lessor and Lessee intend and agree that on all flights conducted under this Agreement, Lessor shall have complete and exclusive operational control over the Aircraft, its flight crews and maintenance, and complete and exclusive possession, command and control of the Aircraft. Lessor shall have complete and exclusive responsibility for scheduling, dispatching and flight following of the Aircraft on all flights conducted under this Agreement, which responsibility includes the sole and exclusive right over initiating, conducting and terminating such flights. Lessee shall have no responsibility for scheduling, dispatching or flight following on any flight conducted under this Agreement, nor any right over initiating, conducting or terminating any such flight. Nothing in this Agreement is intended or shall be construed so as to convey to Lessee any operational control over, or possession, command and control of, the Aircraft, all of which are expressly retained by Lessor.

4. Scheduling.

(a) Lessee will provide Lessor with requests for flight time and proposed flight schedules as far in advance of any given flight as possible. Lessee or the designated authorized representative(s) of Lessee shall submit scheduling requests under this Agreement to the designated authorized representative(s) of Lessor. Requests for flight time shall be in such form (whether oral or written) mutually convenient to, and agreed upon by, the parties. In addition to proposed schedules and flight times, Lessee shall upon request provide Lessor with the following information for each proposed flight prior to scheduled departure: (i) proposed departure point; (ii) destination; (iii) date and time of flight; (iv) the number of anticipated passengers; (v) the nature and extent of luggage to be carried; (vi) the date and time of a return flight, if any; and (vii) any other pertinent information concerning the proposed flight that Lessor or the flight crew may request.

(b) Subject to Aircraft and crew availability and to any usage limitations established by Lessor, Lessor shall use its good faith efforts, consistent with Lessor's approved policies, in order to accommodate the needs of Lessee, to avoid conflicts in scheduling, and to enable Lessee to enjoy the benefits of this Agreement; however, Lessee acknowledges and agrees that notwithstanding anything in this Agreement to the contrary, (i) Lessor shall have sole and exclusive final authority over the scheduling of the Aircraft; and (ii) the needs of Lessor for the Aircraft shall take precedence over Lessee's rights and Lessor's obligations under this Agreement.

(c) Although every good faith effort shall be made to avoid its occurrence, any flight scheduled under this Agreement is subject to cancellation by either party without incurring liability to the other party. In the event that cancellation is necessary, the canceling party shall provide the maximum notice practicable.

5. Billing. Lessor shall pay all expenses relating to the operation of the Aircraft under this Agreement (in accordance with Section 2 hereof) on a monthly basis. As soon as possible after the end of each monthly period during the Term, Lessor shall provide to Lessee an invoice showing all use of the Aircraft by Lessee under this Agreement during that month and a complete accounting detailing all amounts payable by Lessee pursuant to Section 2 for that month, including such detail supporting all expenses paid or incurred by Lessor for which reimbursement is sought as Lessee may reasonably request. Lessee shall pay all amounts due to Lessor under this Section 5 not later than 30 days after receipt of the invoice therefor.

6. Maintenance of Aircraft. Lessor shall be solely responsible for securing maintenance, preventive maintenance and inspections of the Aircraft (utilizing an inspection program listed in FAR Section 91.409(f)), and shall take such requirements into account in scheduling the Aircraft hereunder.

7. Flight Crew.

(a) Lessor shall employ or engage and as between Lessor and Lessee shall be responsible for the payment of all salaries, benefits and/or compensation for a fully - qualified flight crew with appropriate credentials to conduct each flight undertaken under this Agreement. All flight crewmembers shall be included on any insurance policies that Lessor is required to maintain hereunder.

(b) The qualified flight crew provided by Lessor shall exercise all of its duties and responsibilities with regard to the safety of each flight conducted hereunder in accordance with applicable FAR's.

The Aircraft shall be operated under the standards and policies established by Lessor. Final authority to initiate or terminate each flight, and otherwise to decide all matters relating to the safety of any given flight or requested flight, shall rest with the pilot-in-command of that flight. The flight crew may, in its sole discretion, terminate any flight, refuse to commence any flight, or take any other action that, in the judgment of the pilot-in-command, is necessitated by considerations of safety. No such termination or refusal to commence by the pilot-in-command shall create or support any liability for loss, injury, damage or delay in favor of Lessee or any other person. Lessor shall not be liable to Lessee or any other person for loss, injury or damage occasioned by the delay or failure to furnish the Aircraft and flight crew pursuant to this Agreement for any reason.

8. Insurance.

(a) At all times during the Term of this Agreement, Lessor shall maintain at its sole cost and expense (i) comprehensive aircraft and liability insurance against bodily injury and property damage claims, including, without limitation, contractual liability, premises damage, personal property liability, personal injury liability, death and property damage liability, public and passenger legal liability coverage, in an amount not less than \$100,000,000 for each single occurrence and (ii) hull insurance for the full replacement cost of the aircraft.

(b) Any policies of aircraft and liability insurance carried in accordance with this Section 8 and any policies taken out in substitution or replacement of any such policies (i) shall name Lessee and his employees, agents, licensees, servants and guests as additional insured; (ii) shall provide for 30 days written notice to Lessee by such insurer of cancellation, change, non-renewal or reduction (seven days in the case of war risk and allied perils coverage or such shorter period as is customarily available in the industry); (iii) shall provide that in respect of the interests of Lessee in such policies, the insurance shall not be invalidated by any action or inaction of Lessor regardless of any breach or violation of any warranties, declarations or conditions contained in such policies by or binding upon Lessor; and (iv) shall permit the use of the Aircraft by Lessor for compensation or hire to the extent permitted under applicable law. Each such policy shall be primary insurance, not subject to any co-insurance clause and shall be without right of contribution from any other insurance.

(c) Lessor shall use reasonable commercial efforts to provide such additional insurance coverage for specific flights under this Agreement, if any, as Lessee may request in writing. Lessee also acknowledges that any trips scheduled to the European Union may require Lessor to purchase additional insurance to comply with local regulations. The cost of all additional flight-specific insurance shall be borne by Lessee as set forth in Section 2(d) hereof.

(d) Each party agrees that it will not do any act or voluntarily suffer or permit any act to be done whereby any insurance required hereunder shall or may be suspended, impaired or defeated. In no event shall Lessor suffer or permit the Aircraft to be used or operated under this Agreement without such insurance being fully in effect.

(e) Lessor shall ensure that worker's compensation insurance with all-states coverage is provided for the Aircraft's crew and maintenance personnel.

(f) Lessor shall deliver certificates of insurance to Lessee with respect to the insurance required or permitted to be provided by it hereunder not later than the first flight of the Aircraft under this Agreement and upon the renewal date of each policy.

9. Taxes. Lessee shall be responsible for paying, and Lessor shall be responsible for collecting from Lessee and paying over to the appropriate authorities, all applicable Federal transportation taxes and sales, use or other excise taxes imposed by any governmental authority in connection with any use of the Aircraft by Lessee hereunder. Each party shall indemnify the other party against any and all claims, liabilities, costs and expenses (including attorney's fees as and when incurred) arising out of its breach of this undertaking.

10. Lessee's Representations and Warranties. Lessee represents and warrants that:

(a) He will not use the Aircraft for the purposes of providing transportation of passengers or cargo in air commerce for compensation or hire or for common carriage.

(b) He shall refrain from incurring any mechanic's or other liens in connection with inspection, preventive maintenance, maintenance or storage of the Aircraft, and shall not attempt to convey,

mortgage, assign, lease or in any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien.

(c) He shall not lien or otherwise encumber or create or place any lien or other encumbrance of any kind whatsoever, on or against the Aircraft for any reason. He also will ensure that no liens or encumbrances of any kind whatsoever are created or placed against the Aircraft for claims against Lessee or by Lessee.

(d) He will abide by and conform to all laws, governmental and airport orders, rules and regulations, as shall be imposed upon the lessee of an aircraft under a time sharing agreement, and applicable company policies of Lessor.

11. Lessor's Representations and Warranties. Lessor represents and warrants that it will abide by and conform to all such laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the operation and use of the Aircraft pursuant to this Agreement.

12. Disclaimer of Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, LESSOR HAS MADE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT, INCLUDING ANY WITH RESPECT TO ITS CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR TO ANY OTHER PERSON FOR ANY INCIDENTAL, CONSEQUENTIAL OR SPECIAL DAMAGES, HOWEVER ARISING.

13. Term. The term of this Agreement (the "Term") shall commence on the effective date hereof and, unless terminated in accordance with the provisions hereof, shall remain in full force and effect for so long as you remain employed by The Madison Square Garden Company or any of its subsidiaries. Notwithstanding the foregoing, either party shall have the right to terminate this Agreement for any reason or no reason by written notice given to the other party not less than 30 days prior to the proposed termination date.

14. Limitation of Liability. Lessee, for himself and on behalf of his agents, guests, invitees, licensees, servants and employees, covenants and agrees that the insurance described in Section 8 hereof shall be the sole recourse for any and all liabilities, claims, demands, suits, causes of action, losses, penalties, fines, expenses or damages, including attorneys' fees, court costs and witness fees, attributable to the use, operation or maintenance of the Aircraft pursuant to this Agreement or performance of or failure to perform any obligation under this Agreement.

15. Relationship of Parties. Lessor is strictly an independent contractor lessor/provider of transportation services with respect to Lessee. Nothing in this Agreement is intended, nor shall it be construed so as, to constitute the parties as partners or joint venturers or principal and agent. All persons furnished by Lessor for the performance of the operations and activities contemplated by this Agreement shall at all times and for all purposes be considered Lessor's employees or agents.

16. Governing Law: Severability. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York, without regard to its choice of law rules. If any provision of this Agreement conflicts with any statute or rule of law of the State of New York, or is otherwise unenforceable, such provision shall be deemed null and void only to the extent of such conflict or unenforceability, and shall be deemed separate from, and shall not invalidate, any other provision of this Agreement.

17. Amendment. This Agreement may not be amended, supplemented, modified or terminated, or any of its terms varied, except by an agreement in writing signed by each of the parties hereto.

18. Counterparts. This Time Sharing Agreement may be executed in counterparts, each of which shall, for all purposes, be deemed an original and all such counterparts, taken together, shall constitute one and the same agreement, even though all parties may not have executed the same counterpart. Each party may transmit its signature by facsimile, and such faxed signature shall have the same force and effect as an original signature.

19. Successors and Assigns. This Time Sharing Agreement shall be binding upon the parties hereto, and their respective heirs, executors, administrators, other legal representatives, successors and assigns, and shall inure to the benefit of the parties hereto, and, except as otherwise provided herein, to their respective heirs,

executors, administrators, other legal representatives, successors and permitted assigns. Lessee agrees that he shall not directly or indirectly sublease, assign, transfer, pledge or hypothecate this Agreement or any part hereof (including any assignment or transfer pursuant to the laws of intestacy) without the prior written consent of Lessor, which may be given or withheld by Lessor in its sole and absolute discretion.

20. Notices. All notices or other communications delivered or given under this Agreement shall be in writing and shall be deemed to have been duly given if hand delivered, sent by certified or registered mail, return receipt requested, or nationally-utilized overnight delivery service, or confirmed facsimile transmission, as the case may be. Such notices shall be addressed to the parties at the addresses set forth above, or to such other address as may be designated by any party in a writing delivered to the other in the manner set forth in this Section 20. In the case of notices to Lessor, a copy of each such notice shall be sent to MSG Sports & Entertainment, 2 Penn Plaza, New York, New York 10121, attention: General Counsel. Notices sent by certified or registered mail shall be deemed received three business days after being mailed. All other notices shall be deemed received on the date delivered. Routine communications may be made by e-mail or fax to the addresses set forth therein.

21. Truth-in-Leasing Compliance. Lessor, on behalf of the Lessee, shall (i) mail a copy of this Agreement to the Aircraft Registration Branch, Technical Section, of the FAA in Oklahoma City within 24 hours of its execution; (ii) notify the Farmingdale Flight Standards District Office at least 48 hours prior to the first flight by Lessor under this Agreement of the registration number of the Aircraft, and the location of the airport of departure and departure time of the first flight; and (iii) carry a copy of this Agreement onboard the Aircraft at all times when the Aircraft is being operated under this Agreement.

22. TRUTH IN LEASING STATEMENT UNDER FAR SECTION 91.23 :

(A) LESSOR HEREBY CERTIFIES THAT THE AIRCRAFT HAS BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91 DURING THE 12-MONTH PERIOD PRECEDING THE DATE OF EXECUTION OF THIS AGREEMENT. THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED IN COMPLIANCE WITH THE MAINTENANCE AND INSPECTION REQUIREMENTS OF FAR PART 91 FOR ALL OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT.

(B) MSG SPORTS & ENTERTAINMENT, LLC, 2 PENN PLAZA, NEW YORK, NEW YORK 10121, HEREBY CERTIFIES THAT IT IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT FOR ALL OPERATIONS UNDER THIS AGREEMENT.

(C) EACH PARTY HEREBY CERTIFIES THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

(D) THE PARTIES UNDERSTAND THAT AN EXPLANATION OF THE FACTORS BEARING ON OPERATIONAL CONTROL AND THE PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

IN WITNESS WHEREOF , Lessor and Lessee have executed this Time Sharing Agreement effective as of the date first above written.

LESSOR:

MSG SPORTS & ENTERTAINMENT, LLC

By: /s/ Donna Coleman

Name: Donna Coleman

Title: EVP & Chief Financial Officer

LESSEE:

/s/ Andrew Lustgarten

Andrew Lustgarten

TIME SHARING AGREEMENT

THIS TIME SHARING AGREEMENT is entered into effective as of the 15th day of December, 2017, by and between MSG SPORTS & ENTERTAINMENT, LLC, a Delaware limited liability corporation with a place of business at 2 Penn Plaza, New York, New York 10121 ("Lessor"), and ANDREW LUSTGARTEN, with a mailing address c/o of The Madison Square Garden Company, 2 Penn Plaza, New York, NY 10121 ("Lessee").

W I T N E S S E T H :

WHEREAS, Lessor is the lessee and the operator of a Gulfstream Aerospace G-V aircraft, manufacturer's serial number 639 , United States registration N501CV (the "Aircraft"); and

WHEREAS, Lessor has engaged fully-qualified and credentialed flight crew to operate the Aircraft; and

WHEREAS, Lessor has agreed to lease the Aircraft, with flight crew, to Lessee on a "time sharing" basis as defined in Section 91.501(c)(1) of the Federal Aviation Regulations ("FAR") upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing premises, and the covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Lessor and Lessee, intending to be legally bound, hereby agree as follows:

1. Lease of Aircraft. Lessor agrees to lease the Aircraft to Lessee pursuant to the provisions of FAR Section 91.501(b)(6) and Section 91.501(c)(1) and this Agreement, and to provide a fully-qualified and credentialed flight crew for all flights to be conducted hereunder during the Term (as defined in Section 13) hereof. The parties acknowledge and agree that this Agreement did not result in any way from any direct or indirect advertising, holding out or soliciting on the part of Lessor or any person purportedly acting on behalf of Lessor. Lessor and Lessee intend that the lease of the Aircraft effected by this Agreement shall be treated as a "wet lease" pursuant to which Lessor provides transportation services to Lessee in accordance with FAR Section 91.501(b)(6) and Section 91.501(c)(1) .

2. Payment for Use of Aircraft. Lessee shall pay Lessor the following listed actual expenses of each flight (the "Reimbursement Amount") conducted under this Agreement (i.e. non-business flights for which reimbursement is required in accordance with Lessor's policies), not to exceed the maximum amount legally payable for such flight under FAR Section 91.501(d)(1)-(10):

- (a) fuel, oil, lubricants and other additives;
- (b) travel expenses of crew, including food, lodging and ground transportation;
- (c) hangar and tie-down costs away from the Aircraft's base of operation;
- (d) additional insurance obtained for the specific flight at the request of Lessee;
- (e) landing fees, airport taxes and similar assessments;
- (f) customs, foreign permit and similar fees directly related to the flight;
- (g) in-flight food and beverages;
- (h) in-flight telecommunication expenses;
- (i) passenger ground transportation; and
- (j) flight planning and weather contract services.

Notwithstanding the foregoing, in the event that any income is required to be imputed to you with respect to personal use of the Aircraft, calculated using the Standard Industry Fare Level method in accordance with Internal Revenue Service Regulation §1.61-21, the amount payable by you pursuant to this Section 2 shall be

reduced by the amount necessary so that the total out of pocket cost to you, including taxes owed as a result of imputed income, is no greater than the Reimbursement Amount.

3. Operational Control of Aircraft. Lessor and Lessee intend and agree that on all flights conducted under this Agreement, Lessor shall have complete and exclusive operational control over the Aircraft, its flight crews and maintenance, and complete and exclusive possession, command and control of the Aircraft. Lessor shall have complete and exclusive responsibility for scheduling, dispatching and flight following of the Aircraft on all flights conducted under this Agreement, which responsibility includes the sole and exclusive right over initiating, conducting and terminating such flights. Lessee shall have no responsibility for scheduling, dispatching or flight following on any flight conducted under this Agreement, nor any right over initiating, conducting or terminating any such flight. Nothing in this Agreement is intended or shall be construed so as to convey to Lessee any operational control over, or possession, command and control of, the Aircraft, all of which are expressly retained by Lessor.

4. Scheduling.

(a) Lessee will provide Lessor with requests for flight time and proposed flight schedules as far in advance of any given flight as possible. Lessee or the designated authorized representative(s) of Lessee shall submit scheduling requests under this Agreement to the designated authorized representative(s) of Lessor. Requests for flight time shall be in such form (whether oral or written) mutually convenient to, and agreed upon by, the parties. In addition to proposed schedules and flight times, Lessee shall upon request provide Lessor with the following information for each proposed flight prior to scheduled departure: (i) proposed departure point; (ii) destination; (iii) date and time of flight; (iv) the number of anticipated passengers; (v) the nature and extent of luggage to be carried; (vi) the date and time of a return flight, if any; and (vii) any other pertinent information concerning the proposed flight that Lessor or the flight crew may request.

(b) Subject to Aircraft and crew availability and to any usage limitations established by Lessor, Lessor shall use its good faith efforts, consistent with Lessor's approved policies, in order to accommodate the needs of Lessee, to avoid conflicts in scheduling, and to enable Lessee to enjoy the benefits of this Agreement; however, Lessee acknowledges and agrees that notwithstanding anything in this Agreement to the contrary, (i) Lessor shall have sole and exclusive final authority over the scheduling of the Aircraft; and (ii) the needs of Lessor for the Aircraft shall take precedence over Lessee's rights and Lessor's obligations under this Agreement.

(c) Although every good faith effort shall be made to avoid its occurrence, any flight scheduled under this Agreement is subject to cancellation by either party without incurring liability to the other party. In the event that cancellation is necessary, the canceling party shall provide the maximum notice practicable.

5. Billing. Lessor shall pay all expenses relating to the operation of the Aircraft under this Agreement (in accordance with Section 2 hereof) on a monthly basis. As soon as possible after the end of each monthly period during the Term, Lessor shall provide to Lessee an invoice showing all use of the Aircraft by Lessee under this Agreement during that month and a complete accounting detailing all amounts payable by Lessee pursuant to Section 2 for that month, including such detail supporting all expenses paid or incurred by Lessor for which reimbursement is sought as Lessee may reasonably request. Lessee shall pay all amounts due to Lessor under this Section 5 not later than 30 days after receipt of the invoice therefor.

6. Maintenance of Aircraft. Lessor shall be solely responsible for securing maintenance, preventive maintenance and inspections of the Aircraft (utilizing an inspection program listed in FAR Section 91.409(f)), and shall take such requirements into account in scheduling the Aircraft hereunder.

7. Flight Crew.

(a) Lessor shall employ or engage and as between Lessor and Lessee shall be responsible for the payment of all salaries, benefits and/or compensation for a fully - qualified flight crew with appropriate credentials to conduct each flight undertaken under this Agreement. All flight crewmembers shall be included on any insurance policies that Lessor is required to maintain hereunder.

(b) The qualified flight crew provided by Lessor shall exercise all of its duties and responsibilities with regard to the safety of each flight conducted hereunder in accordance with applicable FAR's.

The Aircraft shall be operated under the standards and policies established by Lessor. Final authority to initiate or terminate each flight, and otherwise to decide all matters relating to the safety of any given flight or requested flight, shall rest with the pilot-in-command of that flight. The flight crew may, in its sole discretion, terminate any flight, refuse to commence any flight, or take any other action that, in the judgment of the pilot-in-command, is necessitated by considerations of safety. No such termination or refusal to commence by the pilot-in-command shall create or support any liability for loss, injury, damage or delay in favor of Lessee or any other person. Lessor shall not be liable to Lessee or any other person for loss, injury or damage occasioned by the delay or failure to furnish the Aircraft and flight crew pursuant to this Agreement for any reason.

8. Insurance.

(a) At all times during the Term of this Agreement, Lessor shall maintain at its sole cost and expense (i) comprehensive aircraft and liability insurance against bodily injury and property damage claims, including, without limitation, contractual liability, premises damage, personal property liability, personal injury liability, death and property damage liability, public and passenger legal liability coverage, in an amount not less than \$100,000,000 for each single occurrence and (ii) hull insurance for the full replacement cost of the aircraft.

(b) Any policies of aircraft and liability insurance carried in accordance with this Section 8 and any policies taken out in substitution or replacement of any such policies (i) shall name Lessee and his employees, agents, licensees, servants and guests as additional insured; (ii) shall provide for 30 days written notice to Lessee by such insurer of cancellation, change, non-renewal or reduction (seven days in the case of war risk and allied perils coverage or such shorter period as is customarily available in the industry); (iii) shall provide that in respect of the interests of Lessee in such policies, the insurance shall not be invalidated by any action or inaction of Lessor regardless of any breach or violation of any warranties, declarations or conditions contained in such policies by or binding upon Lessor; and (iv) shall permit the use of the Aircraft by Lessor for compensation or hire to the extent permitted under applicable law. Each such policy shall be primary insurance, not subject to any co-insurance clause and shall be without right of contribution from any other insurance.

(c) Lessor shall use reasonable commercial efforts to provide such additional insurance coverage for specific flights under this Agreement, if any, as Lessee may request in writing. Lessee also acknowledges that any trips scheduled to the European Union may require Lessor to purchase additional insurance to comply with local regulations. The cost of all additional flight-specific insurance shall be borne by Lessee as set forth in Section 2(d) hereof.

(d) Each party agrees that it will not do any act or voluntarily suffer or permit any act to be done whereby any insurance required hereunder shall or may be suspended, impaired or defeated. In no event shall Lessor suffer or permit the Aircraft to be used or operated under this Agreement without such insurance being fully in effect.

(e) Lessor shall ensure that worker's compensation insurance with all-states coverage is provided for the Aircraft's crew and maintenance personnel.

(f) Lessor shall deliver certificates of insurance to Lessee with respect to the insurance required or permitted to be provided by it hereunder not later than the first flight of the Aircraft under this Agreement and upon the renewal date of each policy.

9. Taxes. Lessee shall be responsible for paying, and Lessor shall be responsible for collecting from Lessee and paying over to the appropriate authorities, all applicable Federal transportation taxes and sales, use or other excise taxes imposed by any governmental authority in connection with any use of the Aircraft by Lessee hereunder. Each party shall indemnify the other party against any and all claims, liabilities, costs and expenses (including attorney's fees as and when incurred) arising out of its breach of this undertaking.

10. Lessee's Representations and Warranties. Lessee represents and warrants that:

(a) He will not use the Aircraft for the purposes of providing transportation of passengers or cargo in air commerce for compensation or hire or for common carriage.

(b) He shall refrain from incurring any mechanic's or other liens in connection with inspection, preventive maintenance, maintenance or storage of the Aircraft, and shall not attempt to convey,

mortgage, assign, lease or in any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien.

(c) He shall not lien or otherwise encumber or create or place any lien or other encumbrance of any kind whatsoever, on or against the Aircraft for any reason. He also will ensure that no liens or encumbrances of any kind whatsoever are created or placed against the Aircraft for claims against Lessee or by Lessee.

(d) He will abide by and conform to all laws, governmental and airport orders, rules and regulations, as shall be imposed upon the lessee of an aircraft under a time sharing agreement, and applicable company policies of Lessor.

11. Lessor's Representations and Warranties. Lessor represents and warrants that it will abide by and conform to all such laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the operation and use of the Aircraft pursuant to this Agreement.

12. Disclaimer of Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, LESSOR HAS MADE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT, INCLUDING ANY WITH RESPECT TO ITS CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR TO ANY OTHER PERSON FOR ANY INCIDENTAL, CONSEQUENTIAL OR SPECIAL DAMAGES, HOWEVER ARISING.

13. Term. The term of this Agreement (the "Term") shall commence on the effective date hereof and, unless terminated in accordance with the provisions hereof, shall remain in full force and effect for so long as you remain employed by The Madison Square Garden Company or any of its subsidiaries. Notwithstanding the foregoing, either party shall have the right to terminate this Agreement for any reason or no reason by written notice given to the other party not less than 30 days prior to the proposed termination date.

14. Limitation of Liability. Lessee, for himself and on behalf of his agents, guests, invitees, licensees, servants and employees, covenants and agrees that the insurance described in Section 8 hereof shall be the sole recourse for any and all liabilities, claims, demands, suits, causes of action, losses, penalties, fines, expenses or damages, including attorneys' fees, court costs and witness fees, attributable to the use, operation or maintenance of the Aircraft pursuant to this Agreement or performance of or failure to perform any obligation under this Agreement.

15. Relationship of Parties. Lessor is strictly an independent contractor lessor/provider of transportation services with respect to Lessee. Nothing in this Agreement is intended, nor shall it be construed so as, to constitute the parties as partners or joint venturers or principal and agent. All persons furnished by Lessor for the performance of the operations and activities contemplated by this Agreement shall at all times and for all purposes be considered Lessor's employees or agents.

16. Governing Law; Severability. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York, without regard to its choice of law rules. If any provision of this Agreement conflicts with any statute or rule of law of the State of New York, or is otherwise unenforceable, such provision shall be deemed null and void only to the extent of such conflict or unenforceability, and shall be deemed separate from, and shall not invalidate, any other provision of this Agreement.

17. Amendment. This Agreement may not be amended, supplemented, modified or terminated, or any of its terms varied, except by an agreement in writing signed by each of the parties hereto.

18. Counterparts. This Time Sharing Agreement may be executed in counterparts, each of which shall, for all purposes, be deemed an original and all such counterparts, taken together, shall constitute one and the same agreement, even though all parties may not have executed the same counterpart. Each party may transmit its signature by facsimile, and such faxed signature shall have the same force and effect as an original signature.

19. Successors and Assigns. This Time Sharing Agreement shall be binding upon the parties hereto, and their respective heirs, executors, administrators, other legal representatives, successors and assigns, and shall inure to the benefit of the parties hereto, and, except as otherwise provided herein, to their respective heirs,

executors, administrators, other legal representatives, successors and permitted assigns. Lessee agrees that he shall not directly or indirectly sublease, assign, transfer, pledge or hypothecate this Agreement or any part hereof (including any assignment or transfer pursuant to the laws of intestacy) without the prior written consent of Lessor, which may be given or withheld by Lessor in its sole and absolute discretion.

20. Notices. All notices or other communications delivered or given under this Agreement shall be in writing and shall be deemed to have been duly given if hand delivered, sent by certified or registered mail, return receipt requested, or nationally-utilized overnight delivery service, or confirmed facsimile transmission, as the case may be. Such notices shall be addressed to the parties at the addresses set forth above, or to such other address as may be designated by any party in a writing delivered to the other in the manner set forth in this Section 20. In the case of notices to Lessor, a copy of each such notice shall be sent to MSG Sports & Entertainment, 2 Penn Plaza, New York, New York 10121, attention: General Counsel. Notices sent by certified or registered mail shall be deemed received three business days after being mailed. All other notices shall be deemed received on the date delivered. Routine communications may be made by e-mail or fax to the addresses set forth therein.

21. Truth-in-Leasing Compliance. Lessor, on behalf of the Lessee, shall (i) mail a copy of this Agreement to the Aircraft Registration Branch, Technical Section, of the FAA in Oklahoma City within 24 hours of its execution; (ii) notify the Farmingdale Flight Standards District Office at least 48 hours prior to the first flight by Lessor under this Agreement of the registration number of the Aircraft, and the location of the airport of departure and departure time of the first flight; and (iii) carry a copy of this Agreement onboard the Aircraft at all times when the Aircraft is being operated under this Agreement.

22. TRUTH IN LEASING STATEMENT UNDER FAR SECTION 91.23 :

(A) LESSOR HEREBY CERTIFIES THAT THE AIRCRAFT HAS BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91 DURING THE 12-MONTH PERIOD PRECEDING THE DATE OF EXECUTION OF THIS AGREEMENT. THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED IN COMPLIANCE WITH THE MAINTENANCE AND INSPECTION REQUIREMENTS OF FAR PART 91 FOR ALL OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT.

(B) MSG SPORTS & ENTERTAINMENT, LLC, 2 PENN PLAZA, NEW YORK, NEW YORK 10121, HEREBY CERTIFIES THAT IT IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT FOR ALL OPERATIONS UNDER THIS AGREEMENT.

(C) EACH PARTY HEREBY CERTIFIES THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

(D) THE PARTIES UNDERSTAND THAT AN EXPLANATION OF THE FACTORS BEARING ON OPERATIONAL CONTROL AND THE PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

IN WITNESS WHEREOF , Lessor and Lessee have executed this Time Sharing Agreement effective as of the date first above written.

LESSOR:

MSG SPORTS & ENTERTAINMENT, LLC

By: /s/ Donna Coleman

Name: Donna Coleman

Title: EVP & Chief Financial Officer

LESSEE:

/s/ Andrew Lustgarten

Andrew Lustgarten

OPTION AGREEMENT

Dear [Participant Name]:

Pursuant to the 2015 Employee Stock Plan (the “Plan”) of The Madison Square Garden Company (the “Company”), on [Date] (the “Effective Date”) you have been awarded nonqualified options (the “Options”) to purchase _____ shares of the Company’s Class A Common Stock, par value \$.01 per share (“Class A Common Stock”) at a price of \$ _____ per share. The Award is granted subject to the terms and conditions set forth below and in the Plan.

Capitalized terms used but not defined in this agreement (this “Agreement”) have the meanings given to them in the Plan. The Options are granted subject to the terms and conditions set forth below:

1. *Vesting*. Your Options will vest and become exercisable in accordance with Appendix 1, provided, that you have remained in the continuous employ of the Company or one of its Subsidiaries from the Effective Date through the applicable vesting date(s).
 2. *Exercise*. You may exercise the Options that become vested and exercisable by following such procedures as established by the Company, specifying the number of shares of Class A Common Stock as to which the Options are being exercised (the “Exercise Notice”). Unless the Compensation Committee of the Board of Directors of the Company (the “Committee”) chooses to settle such exercise in cash, shares of Class A Common Stock, or a combination thereof pursuant to Paragraph 3, you will be required to deliver to the Company, or such person as the Company may designate, within such time period as the Company may require, payment in full of the exercise price and any taxes due on account of such exercise.
 3. *Option Spread*. Upon receipt of the Exercise Notice, the Committee may elect, in lieu of issuing shares of Class A Common Stock, to settle the exercise covered by such notice by paying you an amount equal to the product obtained by multiplying (i) the excess of the Fair Market Value of one (1) share of Class A Common Stock on the date of exercise over the per share exercise price of the Options (the “Option Spread”) by (ii) the number of shares of Class A Common Stock specified in the Exercise Notice. The amount payable to you in these circumstances may be paid by the Company either in cash or in shares of Class A Common Stock having a Fair Market Value equal to the Option Spread, or a combination thereof, as the Company shall determine. Class A Common Stock used to pay the Option Spread pursuant to this Paragraph 3 will be valued at the Fair Market Value as of the day the Exercise Notice is received by the Company.
 4. *Expiration*. The Options will terminate automatically and without further notice on _____, or at any of the following dates, if earlier:
 - (A) _____ with respect to those Options which are then unexercisable, the date upon which you are no longer employed by the Company or any of its Subsidiaries, unless as a result of your death, in which case, subject to execution and non-revocation of a release of claims if required pursuant to the terms of an applicable employment agreement between you and the Company, all of your Options granted under this Agreement shall become immediately exercisable;
 - (B) _____ with respect to those Options which are then exercisable, (1) in the event of a termination of your employment by the Company or its Subsidiary without Cause (other than due to your Disability) or your resignation of employment from the Company and its Subsidiaries (other than due to Retirement, in which case the Options will remain exercisable until _____), ninety (90) days following the date upon which you are no longer employed by the Company or any of its Subsidiaries or (2) in the event of your death or a termination of your employment with the Company and its Subsidiaries due to Disability, the first anniversary of your death or the date upon which you are no longer employed by the Company or any of its Subsidiaries, as applicable; or
 - (C) _____ with respect to all your then outstanding Options, whether exercisable or unexercisable, the date upon which your employment with the Company is terminated for Cause.
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5. *Definitions* . For purposes of this Agreement:

(A) “Cause” means, as determined by the Committee, your (i) commission of an act of fraud, embezzlement, misappropriation, willful misconduct, gross negligence or breach of fiduciary duty against the Company or an Affiliate, or (ii) commission of any act or omission that results in a conviction, plea of no contest, plea of *nolo contendere* , or imposition of unadjudicated probation for any crime involving moral turpitude or any felony.

(B) “Disability” means your inability to perform for six (6) continuous months substantially all the essential duties of your occupation, as determined by the Committee.

(C) “Retirement” means the voluntary termination by you of your employment with the Company and its Subsidiaries at such time as (i) you have attained at least the age of fifty-five (55) and (ii) you have been employed by the Company or its Subsidiaries for at least five (5) years in the aggregate, *provided that* the Company may nevertheless decide, in its sole discretion, not to treat your termination of employment as a “Retirement” hereunder. Treatment of your termination of employment as a “Retirement” hereunder shall be further subject to your execution (and the effectiveness) of a “retirement agreement” to the Company’s satisfaction, including, without limitation (to the extent desired by the Company), non-compete, non-disparagement, non-solicitation, confidentiality and further cooperation obligations/restrictions on you as well as a general release by you of the Company and its Subsidiaries. The above definition of “Retirement” is solely for purposes of this Agreement and shall not, in any way, create or imply any obligations of the Company or any of its Subsidiaries (under any other agreement or otherwise) with respect to any such termination of your employment.

6. *Change of Control/Going Private Transaction* . As set forth in Appendix 2 attached hereto, the Options may be affected in the event of a Change of Control or a going private transaction (each as defined in Appendix 2 attached hereto) of the Company.

7. *Tax Representations and Tax Withholding* . You hereby acknowledge that you have reviewed with your own tax advisors the federal, state and local tax consequences of exercising the Options and receiving shares of Class A Common Stock and cash. You hereby represent to the Company that you are relying solely on such advisors and not on any statements or representations of the Company, its Affiliates or any of their respective agents. If, in connection with the exercise of the Options, the Company is required to withhold any amounts by reason of any federal, state or local tax, such withholding shall be effected in accordance with Section 16 of the Plan.

8. *Section 409A*. It is the Company’s intent that payments under this Agreement are exempt from Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and that the Agreement be administered accordingly. Notwithstanding anything to the contrary contained in this Agreement, if and to the extent that any payment or benefit under this Agreement is determined by the Company to constitute “non-qualified deferred compensation” subject to Section 409A of the Code (“Section 409A”) and is payable to you by reason of your termination of employment, then (a) such payment or benefit shall be made or provided to you only upon a “separation from service” as defined for purposes of Section 409A under applicable regulations and (b) if you are a “specified employee” (within the meaning of Section 409A and as determined by the Company), such payment or benefit shall not be made or provided before the date that is six months after the date of your separation from service (or your earlier death).

9. *Transfer Restrictions* . You may not transfer, assign, pledge or otherwise encumber the Options, other than to the extent provided in the Plan.

10. *Non-Qualification as ISO* . The Options are not intended to qualify as “incentive stock options” within the meaning of Section 422A of the Code.

11. *Securities Law Acknowledgments* . You hereby acknowledge and confirm to the Company that (i) you are aware that the shares of Class A Common Stock are publicly-traded securities and (ii) the shares of Class A Common Stock issuable upon exercise of the Options may not be sold or otherwise transferred unless such sale or transfer is registered under the Securities Act of 1933, as amended, and the securities laws of any applicable state or other jurisdiction, or is exempt from such registration.

12. *Governing Law* . This Agreement shall be deemed to be made under, and in all respects shall be interpreted, construed and governed by and in accordance with, the laws of the State of New York.

13. *Jurisdiction and Venue* . You hereby irrevocably submit to the jurisdiction of the courts of the State of New York and the Federal courts of the United States of America located in the Southern District and Eastern District of the State of New York in respect of the interpretation and enforcement of the provisions of this Agreement, and hereby waive, and agree not to assert, as a defense that you are not subject thereto or that the venue thereof may not be appropriate. You hereby agree that mailing of process or other papers in connection with any such action or proceeding in any manner as may be permitted by law shall be valid and sufficient service thereof.

14. *Right of Offset* . You hereby agree that the Company shall have the right to offset against its obligation to deliver shares of Class A Common Stock, cash or other property under this Agreement to the extent that it does not constitute “non-qualified deferred compensation” pursuant to Section 409A, any outstanding amounts of whatever nature that you then owe to the Company or a Subsidiary of the Company.

15. *The Committee* . For purposes of this Agreement, the term “Committee” means the Compensation Committee of the Board of Directors of the Company or any replacement committee established under, and as more fully defined in, the Plan.

16. *Committee Discretion* . The Committee has full discretion with respect to any actions to be taken or determinations to be made in connection with this Agreement, and its determinations shall be final, binding and conclusive.

17. *Amendment* . The Committee reserves the right at any time to amend the terms and conditions set forth in this Agreement, except that the Committee shall not make any amendment or revision in a manner unfavorable to you (other than if immaterial), without your consent. No consent shall be required for amendments made pursuant to Section 12 of the Plan, except that, for purposes of Section 19 of the Plan, Section 6 and Appendix 2 of this Agreement are deemed to be “terms of an Award Agreement expressly referring to an Adjustment Event.” Any amendment of this Agreement shall be in writing and signed by an authorized member of the Committee or a person or persons designated by the Committee.

18. *Options Subject to the Plan* . The Options granted by this Agreement are subject to the Plan.

19. *Entire Agreement* . Except for any employment agreement between you and the Company or any of its Affiliates in effect as of the date of the grant hereof (as such employment agreement may be modified, renewed or replaced, *provided that* such modification, renewal or replacement shall not extend the time any Options may be exercised beyond the time provided herein or in such original employment agreement), this Agreement and the Plan constitute the entire understanding and agreement of you and the Company with respect to the Options covered hereby and supersede all prior understandings and agreements. In the event of a conflict among the documents with respect to the terms and conditions of the Options covered hereby, the documents will be accorded the following order of authority: the terms and conditions of the Plan will have highest authority followed by the terms and conditions of your employment agreement, if any, followed by the terms and conditions of this Agreement.

20. *Successors and Assigns* . The terms and conditions of this Agreement shall be binding upon, and shall inure to the benefit of, the Company and its successors and assigns.

21. *Waiver* . No waiver by the Company at any time of any breach by you of, or compliance with, any term or condition of this Agreement or the Plan to be performed by you shall be deemed a waiver of the same, any similar or any dissimilar term or condition at the same or at any prior or subsequent time.

22. *Severability* . The terms or conditions of this Agreement shall be deemed severable and the invalidity or unenforceability of any term or condition hereof shall not affect the validity or enforceability of the other terms and conditions set forth herein.

23. *Exclusion from Compensation Calculation* . By acceptance of this Agreement, you shall be considered in agreement that all shares of Class A Common Stock and cash received upon each exercise of the Options shall be considered special incentive compensation and will be exempt from inclusion as “wages” or “salary” in pension, retirement, life insurance and other employee benefits arrangements of the Company and its Subsidiaries. In addition, each of your beneficiaries shall be deemed to be in agreement that all such shares of Class A Common Stock and cash will be exempt from inclusion in “wages” or “salary” for purposes of calculating benefits of any life insurance coverage sponsored by the Company or any of its Subsidiaries.

24. *No Right to Continued Employment* . Nothing contained in this Agreement or the Plan shall be construed to confer on you any right to continue in the employ of the Company or any of its Subsidiaries, or derogate from the right of the Company or any Subsidiary, as applicable, to retire, request the resignation of, or discharge you, at any time, with or without cause.

25. *Subsidiaries*. For purposes of this Agreement, “*Subsidiaries*” shall mean any entities that are controlled, directly or indirectly, by the Company, or in which the Company owns, directly or indirectly, more than 50% of the equity interests.

26. *Headings* . The headings in this Agreement are for purposes of convenience only and are not intended to define or limit the construction of the terms and conditions of this Agreement.

27. *Effective Date* . Upon execution by you, this Agreement shall be effective from and as of the Effective Date.

28. *Signatures* . Execution of this Agreement by the Company may be in the form of an electronic or similar signature, and such signature shall be treated as an original signature for all purposes.

[Remainder of the page intentionally left blank]

THE MADISON SQUARE GARDEN COMPANY

By:

Name:

Title:

By your electronic signature, you (i) acknowledge that a complete copy of the Plan and an executed original of this Agreement have been made available to you and (ii) agree to all of the terms and conditions set forth in the Plan and this Agreement.

APPENDIX 1
TO
OPTION AGREEMENT

APPENDIX 2

TO

OPTION AGREEMENT

1. In the event of a “Change of Control” or a “going private transaction,” as defined below, your entitlement to exercise the Options shall be as follows:

a. If the Company or the “surviving entity,” as defined below, has shares of common stock (or partnership units) traded on a national stock exchange or on the over-the-counter market as reported on New York Stock Exchange or any other stock exchange, the Committee shall, to the extent that the Options have not been exercised and have not expired (the “Outstanding Options”), no later than the effective date of the transaction which results in a Change of Control or going private transaction, either (i) convert your rights in the Outstanding Options into a right to receive an amount of cash equal to (a) the number of common shares subject or relating to the Outstanding Options multiplied by (b) the excess of (x) the “offer price per share,” the “acquisition price per share” or the “merger price per share,” each as defined below, whichever of such amounts is applicable, over (y) the exercise price of the shares subject or relating to the Outstanding Options, or (ii) arrange to have the surviving entity grant to you in substitution for your Outstanding Options an award of options for shares of common stock (or partnership units) of the surviving entity on the same terms with a value equivalent to the Outstanding Options and which will, in the good faith determination of the Committee, provide you with an equivalent profit potential, as determined in a manner compliant with Section 409A.

b. If the Company or the surviving entity does not have shares of common stock (or partnership units) traded on a national stock exchange or on the over-the-counter market as reported on New York Stock Exchange or any other stock exchange, the Committee shall convert your rights in the Outstanding Options into a right to receive an amount of cash equal to the amount calculated as per Paragraph 1(a)(i) above.

c. The cash award provided in Section 1(a)(i) or 1(b) shall become payable to you, and the substitute options of the surviving entity provided in Section 1(a)(ii) will become exercisable (1) with respect to the Outstanding Options that were not exercisable on the effective date of the Change of Control or going private transaction, as the case may be, at the earlier of (a) the date on which the Outstanding Options would otherwise have become exercisable hereunder had they continued in effect or (b) the date on which (i) your employment with the Company or the surviving entity is terminated by the Company or the surviving entity other than for Cause, if such termination occurs within three (3) years of the Change of Control or going private transaction, (ii) your employment with the Company or the surviving entity is terminated by you for “good reason,” as defined below, if such termination occurs within three (3) years of the Change of Control or going private transaction or (iii) your employment with the Company or the surviving entity is terminated by you for any reason at least six (6) months, but not more than nine (9) months after the effective date of the Change of Control or going private transaction; provided that clause (iii) herein shall not apply in the event that your rights in the Outstanding Options are converted into a right to receive an amount of cash in accordance with Section 1(a)(i), or (2) with respect to the Outstanding Options that were exercisable on the effective date of the Change of Control or going private transaction, the substitute options shall become exercisable immediately and the cash awards shall become payable promptly. The amount payable in cash shall be payable together with interest from the effective date of the Change of Control or going private transaction until the date of payment at (a) the weighted average cost of capital of the Company immediately prior to the effectiveness of the Change of Control or going private transaction, or (b) if the Company (or the surviving entity) sets aside the funds in a trust or other funding arrangement, the actual earnings of such trust or other funding arrangement.

For the avoidance of doubt, any Options that are “underwater” as of a Change of Control or going private transaction (i.e., the exercise price equals or exceeds the “offer price per share,” the “acquisition price per share” or the “merger price per share,” as applicable), may be cancelled for no consideration as of the consummation of the Change of Control or going private transaction.

2. As used herein,

“Acquisition price per share” shall mean the greater of (i) the highest price per share stated on the Schedule 13D or any amendment thereto filed by the holder of twenty percent (20%) or more of the Company’s voting power which gives rise to the Change of Control or going private transaction, and (ii) the highest fair market value per share of common stock during the ninety-day period ending on the date of such Change of Control or going private transaction.

“Going private transaction” means a transaction involving the purchase of Company securities described in Rule 13e-3 to the Securities and Exchange Act of 1934.

“Good reason” means

(i) without your express written consent any reduction in your base salary or bonus potential, or any material impairment or material adverse change in your working conditions (as the same may from time to time have been improved or, with your written consent, otherwise altered, in each case, after the Effective Date) at any time after or within ninety (90) days prior to a Change of Control, including, without limitation, any material reduction of your other compensation, executive perquisites or other employee benefits (measured, where applicable, by level or participation or percentage of award under any plans of the Company), or material impairment or material adverse change of your level of responsibility, authority, autonomy or title, or to your scope of duties;

(ii) any failure by the Company to comply with any of the provisions of this Agreement, other than an insubstantial or inadvertent failure remedied by the Company, promptly after receipt of notice thereof given by you;

(iii) the Company’s requiring you to be based at any office or location more than thirty-five (35) miles from your location immediately prior to such event except for travel reasonably required in the performance of your responsibilities; or

(iv) any failure by the Company to obtain the assumption and agreement to perform this Agreement by a successor as contemplated by Paragraph 1, if applicable.

“Merger price per share” shall mean, in the case of a merger, consolidation, sale, exchange or other disposition of assets that results in a Change of Control or going private transaction (a “Merger”), the greater of (i) the fixed or formula price for the acquisition of shares of common stock occurring pursuant to the Merger, and (ii) the highest fair market value per share of common stock during the ninety-day period ending on the date of such Change of Control or going private transaction. Any securities or property which are part or all of the consideration paid for shares of common stock pursuant to the Merger shall be valued in determining the merger price per share at the higher of (A) the valuation placed on such securities or property by the Company, person or other entity which is a party with the Company to the Merger, or (B) the valuation placed on such securities or property by the Committee.

“Surviving Entity” means the entity that owns, directly or indirectly, after consummation of any transaction, substantially all of the Company’s assets (as constituted immediately prior to such transaction). If any such entity is at least majority-owned, directly or indirectly, by any entity (a “parent entity”) which has shares of common stock (or partnership units) traded on a national stock exchange or the over-the-counter market, as reported on the New York Stock Exchange or any other stock exchange, then such parent entity shall be deemed to be the Surviving Entity provided that if there shall be more than one such parent entity, the parent entity closest to ownership of the Company’s assets shall be deemed to be the Surviving Entity.

“Offer price per share” shall mean, in the case of a tender offer or exchange offer which results in a Change of Control or going private transaction (an “Offer”), the greater of (i) the highest price per share of common stock paid pursuant to the Offer, or (ii) the highest fair market value per share of common stock during the ninety-day period ending on the date of a Change of Control or going private transaction. Any securities or property which are part or all of the consideration paid for shares of common stock in the Offer shall be

valued in determining the Offer Price per share at the higher of (A) the valuation placed on such securities or property by the Company, person or other entity making such offer or (B) the valuation placed on such securities or property by the Committee.

“Change of Control” means the acquisition, in a transaction or a series of related transactions, by any person or group, other than Charles F. Dolan or members of the immediate family of Charles F. Dolan or trusts for the benefit of Charles F. Dolan or his immediate family (or an entity or entities controlled by any of them) or any employee benefit plan sponsored or maintained by the Company, of the power to direct the management of the Company or substantially all its assets (as constituted immediately prior to such transaction or transactions).

FIRST AMENDMENT
TO CREDIT AND GUARANTY AGREEMENT

This **FIRST AMENDMENT TO CREDIT AND GUARANTY AGREEMENT** (this “**Amendment**”) is entered into as of May 19, 2017, by and among **TAO GROUP OPERATING LLC**, a Delaware limited liability company (“**Company**”), **TAO GROUP INTERMEDIATE HOLDINGS LLC**, a Delaware limited liability company (“**Holdings**”), certain Subsidiaries of Company as Guarantors, the Lenders identified on the signature pages hereto and **GOLDMAN SACHS SPECIALTY LENDING GROUP, L.P.**, a Delaware limited partnership (“**GSSLG**”), as Administrative Agent for the Lenders (together with its permitted successors and assigns in such capacity, “**Administrative Agent**”) and as Collateral Agent for the Lenders (together with its permitted successors and assigns in such capacity, “**Collateral Agent**”).

W I T N E S S E T H

WHEREAS, the Credit Parties, the Lenders and GSSLG, as Administrative Agent, Collateral Agent and Lead Arranger, are parties to that certain Credit and Guaranty Agreement, dated as of January 31, 2017 (the “**Existing Agreement**”; the Existing Agreement, as amended by this Amendment, the “**Amended Agreement**”; and as the Amended Agreement may hereafter be amended, restated, amended and restated, joined, supplemented and/or otherwise modified from time to time, the “**Credit Agreement**”); and

WHEREAS, the Credit Parties have requested that Administrative Agent and the Lenders amend certain terms of the Existing Agreement as set forth herein, and Administrative Agent and the Lenders are willing to amend certain terms of the Existing Agreement as set forth herein, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Defined Terms. Each capitalized term used herein and not defined herein shall have the meaning ascribed to such term in the Amended Agreement.

2. Amendment to the Existing Agreement. Effective as of the Effective Date (as defined below), the Existing Agreement is hereby amended as follows:

(a) Section 1.01. The definition of “Excluded Securities” contained in Section 1.01 of the Existing Agreement is hereby amended by (i) deleting the word “and” at the end of subsection (e) thereof, (ii) deleting the period at the end of subsection (f) thereof and replacing it with “; and”, and (iii) adding a new subsection (g) thereafter to read as follows:

“(g) any L/C Collateral Note for so long as such L/C Collateral Note continues to serve as collateral to secure any of the Restricted

Parties' reimbursement obligations under any Third Party Letter of Credit issued by a Third Party L/C Issuer."

(b) Section 1.01. The definition of "L/C Revolving Loan" contained in Section 1.01 of the Existing Agreement is hereby amended and restated in its entirety to read as follows:

"**L/C Revolving Loan**" means any Revolving Loan made by Lenders to the Company solely for the purpose of providing L/C Cash Collateral or acquiring any L/C Collateral Note, to the extent permitted by Sections 6.01, 6.02 and 6.07, as applicable, for so long as the proceeds of such L/C Revolving Loan continues to serve as L/C Cash Collateral or the L/C Collateral Note acquired with the proceeds of such L/C Revolving Loan continues to serve as collateral to secure any of the Restricted Parties' reimbursement obligations under any Third Party Letter of Credit, as applicable, subject to Section 2.07(a). In no event shall the aggregate outstanding principal amount of L/C Revolving Loans exceed \$4,000,000 at any time."

(c) Section 1.01. Section 1.01 of the Existing Agreement is hereby amended by adding the following defined terms in their proper alphabetical order:

"**L/C Collateral Note**" means any promissory note issued by a Third Party L/C Issuer (or an Affiliate of a Third Party L/C Issuer) in favor of a Restricted Party in a principal amount not to exceed the face value of the related Third Party Letter of Credit, which promissory note is pledged as collateral to secure any of the Restricted Parties' reimbursement obligations under any Third Party Letter of Credit issued by such Third Party L/C Issuer, to the extent both such Third Party Letter of Credit is permitted by Section 6.01(k) and such L/C Collateral Note is permitted by Section 6.07(r)."

"**L/C Rate**" means, subject to Section 2.23, (i) from the Closing Date until the date that is two (2) Business Days after the date on which Administrative Agent shall have received the Compliance Certificate and the financial statements required to be delivered pursuant to Sections 5.01(b) and 5.01(d) for the fourth full Fiscal Quarter ending after the Closing Date, a percentage, per annum, equal to 8.00%, and (ii) thereafter, a percentage, per annum, determined by reference to the Leverage Ratio in effect from time to time as set forth below:

Leverage Ratio	L/C Rate
greater than or equal to 2.00:1.00	8.00%

Leverage Ratio	L/C Rate
less than 2.00:1.00	7.50%

No change in the L/C Rate shall be effective until two (2) Business Days after the date on which Administrative Agent shall have received the applicable financial statements pursuant to Section 5.01(b), together with a Compliance Certificate calculating the Leverage Ratio pursuant to Section 5.01(d). At any time Company has not submitted to Administrative Agent the applicable information as and when required under Section 5.01(b) or (d), the L/C Rate shall be determined as if the Leverage Ratio were in excess of 2.00:1.00. Within one Business Day of receipt of the applicable information under Section 5.01(d), Administrative Agent shall give each Lender facsimile or telephonic notice (confirmed in writing) of the L/C Rate in effect from such date. Without limitation of any other provision of this Agreement or any other remedy available to Administrative Agent or Lenders under any of the Credit Documents, to the extent that any financial statements or any information contained in any Compliance Certificate delivered pursuant to Sections 5.01(b) or 5.01(d) shall be incorrect in any material respect and Company or any other Credit Party shall deliver to Administrative Agent and/or Lenders corrected financial statements or other corrected information in a Compliance Certificate (or otherwise), Administrative Agent may (and at the direction of Requisite Lenders shall) recalculate the L/C Rate based upon such corrected financial statements or such other corrected information, and, upon written notice thereof to Company, the L/C Rate Loans (if any) shall bear interest based upon such recalculated L/C Rate retroactively from the date of delivery of the erroneous financial statements or other erroneous information in question; provided that such retroactive recalculation shall apply only for the account of Lenders holding the applicable L/C Rate Loans at the time the applicable payment was received and shall cease to apply upon the payment in full of the Loans and the termination of this Agreement. For the avoidance of doubt, only L/C Revolving Loans may bear interest at the L/C Rate.”

(d) Section 2.02(b)(i). Section 2.02(b)(i) of the Existing Agreement is hereby amended by adding the following words immediately after the phrase “Revolving Loans that are Base Rate Loans”:

“or L/C Revolving Loans”

(e) Section 2.02(b)(ii). Section 2.02(b)(ii) of the Existing Agreement is hereby amended by adding the following words immediately after the phrase “in the case of a Revolving Loan that is a Base Rate Loan”:

“or an L/C Revolving Loan”

(f) Section 2.05. Section 2.05 of the Existing Agreement is hereby amended by adding the following words immediately after the phrase “used to serve as L/C Cash Collateral”:

“or to acquire any L/C Collateral Note”

(g) Section 2.07(a). Section 2.07(a) of the Existing Agreement is hereby amended and restated in its entirety to read as follows:

“(a) Except as otherwise set forth herein, each Class of Loan shall bear interest on the unpaid principal amount thereof from the date made through repayment (whether by acceleration or otherwise) thereof as follows:

- (i) if a Base Rate Loan, at the Base Rate plus the Applicable Margin;
- (ii) if a LIBOR Rate Loan, at the Adjusted LIBOR Rate plus the Applicable Margin; or
- (iii) if an L/C Revolving Loan, at the L/C Rate.

Notwithstanding anything to the contrary contained herein, (a) but subject to Section 2.07(h), in no event shall (i) the Adjusted LIBOR Rate be less than 1.00% per annum or (ii) the Base Rate be less than 4.00% per annum and (b) subject to Section 2.09, all L/C Revolving Loans (in an aggregate outstanding principal amount not to exceed \$4,000,000 at any time) shall bear interest at the L/C Rate for so long as the proceeds of such L/C Revolving Loan continues to serve as L/C Cash Collateral or the L/C Collateral Note acquired with the proceeds of such L/C Revolving Loan continues to serve as collateral to secure any of the Restricted Parties’ reimbursement obligations under any Third Party Letter of Credit, as applicable; provided, however, in the event that any portion of any L/C Revolving Loans are applied to reimburse the applicable Third Party L/C Issuer for obligations with respect to the applicable Third Party Letter of Credit, the Company shall promptly provide written notice thereof to Administrative Agent and, thereafter, the portion of such L/C Revolving Loans so applied to reimburse the applicable Third Party L/C Issuer shall automatically be converted to a LIBOR Rate Loan or Base Rate Loan, as selected by Company in a Conversion/Continuation Notice, with such interest accruing retrospectively to the date on which such proceeds of L/C Revolving Loans were applied to reimburse the applicable Third

Party L/C Issuer (it being agreed that if Company shall fail to deliver a Conversion/Continuation Notice within three (3) Business Days after providing the foregoing notification to Administrative Agent, then such portion of L/C Revolving Loans so applied shall automatically be converted to a LIBOR Rate Loan with an Interest Period of one month). For the avoidance of doubt, only L/C Revolving Loans may bear interest at the L/C Rate.”

(h) Section 2.07(c). Section 2.07(c) of the Existing Agreement is hereby amended by deleting the second sentence thereof and replacing it with the following:

“In the event Company fails to specify between a Base Rate Loan or a LIBOR Rate Loan in the applicable Funding Notice or Conversion/Continuation Notice (or in the relevant notice that a portion of any L/C Revolving Loan was applied to reimburse the applicable Third Party L/C Issuer, as provided in Section 2.07(a) above), such Loan (if outstanding as a Base Rate Loan) will be automatically converted into a LIBOR Rate Loan with an Interest Period of one month on the last day of the then current month for such Loan (or if outstanding as a LIBOR Rate Loan will remain as, or (if not then outstanding) will be made as, a LIBOR Rate Loan with an Interest Period of one month).”

(i) Section 2.12(a)(i)(1). Section 2.12(a)(i)(1) of the Existing Agreement is hereby amended by adding the following words immediately after the phrase “with respect to Base Rate Loans”:

“or L/C Revolving Loans”

(j) Section 2.12(a)(ii)(1). Section 2.12(a)(ii)(1) of the Existing Agreement is hereby amended by adding the following words immediately after the phrase “in the case of Base Rate Loans”:

“and L/C Revolving Loans”

(k) Section 2.13(h). Section 2.13(h) of the Existing Agreement is hereby amended and restated in its entirety to read as follows:

“(h) L/C Cash Collateral. Within five (5) Business Days of receipt by any Restricted Party or any of their respective Restricted Subsidiaries of any Cash proceeds with respect to the release of any Third Party L/C Issuer’s Lien on its L/C Cash Collateral or L/C Collateral Note, as applicable, which was funded in whole or in part with the proceeds of any L/C Revolving Loan, Company shall prepay the L/C Revolving Loans in accordance with Section 2.14(a) in an aggregate amount equal to the *pro rata* portion of such Cash proceeds attributable to the portion of such L/C Cash Collateral or L/C Collateral Note funded with the proceeds of any L/C Revolving Loan.”

(l) Section 2.14(a). Section 2.14(a) of the Existing Agreement is hereby amended and restated in its entirety to read as follows:

“(a) Application of Voluntary Prepayments of Revolving Loans and Mandatory Prepayments of Revolving Loans. Any voluntary prepayment of any Revolving Loan pursuant to Section 2.12 and any mandatory prepayment of any Revolving Loan pursuant to Section 2.13(f) shall be applied to repay outstanding Revolving Loans to the full extent thereof (without any reduction in the Revolving Commitments), together with accrued and unpaid interest thereon. Any mandatory prepayment of any L/C Revolving Loan pursuant to Section 2.13(h) and any voluntary prepayment of any L/C Revolving Loan pursuant to Section 2.12 shall be applied to repay outstanding L/C Revolving Loans to the fullest extent thereof, together with accrued and unpaid interest thereon.”

(m) Section 2.14(b). Section 2.14(b) of the Existing Agreement is hereby amended by adding the following parenthetical immediately after the phrase “pursuant to Section 2.13”:

“(other than Section 2.13(f))”

(n) Section 6.2(o). Section 6.02(o) of the Existing Agreement is hereby amended and restated in its entirety to read as follows:

“(o) Liens on L/C Cash Collateral or L/C Collateral Notes securing Indebtedness or other reimbursement obligations in respect of any Third Party Letter of Credit permitted pursuant to Section 6.01(k).”

(o) Section 6.07. Section 6.07 of the Existing Agreement is hereby amended by (i) deleting the word “and” at the end of subsection (p), (ii) deleting the period at the end of subsection (q) and replacing it with “; and”, and (iii) adding a new subsection (r) thereafter to read as follows:

“(r) Investments in L/C Collateral Notes in an aggregate principal amount not to exceed, at any time, the lesser of (i) \$4,000,000 and (ii) the aggregate face amount of all outstanding Third Party Letters of Credit permitted pursuant to Section 6.01(k) at such time which are not otherwise secured by L/C Cash Collateral.”

(p) Section 10.24(b). Section 10.24(b) of the Existing Agreement is hereby amended by deleting the term “Excluded Subsidiary” and replacing it with “Immaterial Subsidiary”.

3. Conditions Precedent to Amendment. The satisfaction of or waiver of each of the following shall constitute conditions precedent to the effectiveness of this Amendment and each and every provision hereof (the date of such effectiveness being herein called the “**Effective Date**”):

(a) Administrative Agent shall have received this Amendment duly and validly executed by the parties hereto, in form and substance satisfactory to Administrative Agent.

(b) Before and after giving effect to this Amendment, the representations and warranties contained in the Existing Agreement, this Amendment and the other Credit Documents shall be true and correct in all material respects on and as of the Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

(c) Before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing as of the Effective Date.

4. Governing Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW) THEREOF.

5. Representations and Warranties. Each Credit Party hereby represents and warrants to Administrative Agent, the Collateral Agent, and the Lenders that:

(a) The representations and warranties in the Existing Agreement and the other Credit Documents are true and correct in all material respects on and as of the Effective Date to the same extent as though made on and as of that date, except to the extent that such representations and warranties specifically relate to an earlier date, in which case, such representations and warranties are true and correct in all material respects as of such earlier date.

(b) The execution, delivery and performance of this Amendment are within such Credit Party's limited liability company or corporate powers, have been duly authorized by all necessary limited liability company or corporate action on the part of such Credit Party, and are not in contravention of the terms of such Credit Party's Organizational Documents.

(c) This Amendment has been duly executed and delivered by such Credit Party, and this Amendment and the Amended Agreement constitute the legal, valid and binding obligation of such Credit Party, enforceable against such Credit Party in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights

generally or by equitable principles relating to enforceability and general principles of equity.

(d) The execution, delivery and performance of this Amendment by such Credit Party and the consummation of the transactions contemplated hereby do not and will not violate any law, governmental rule or regulation applicable to such Credit Party, or any order, judgment or decree of any court or other agency of a government binding on such Credit Party, or any Contractual Obligation of any Credit Party, except as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(e) Before and after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing as of the Effective Date.

(f) Since the date of the most recent balance sheet included in the financial statements delivered to Administrative Agent, no event, circumstance or change has occurred that has caused or evidences, either individually or in the aggregate, a Material Adverse Effect.

6. Entire Agreement; Effect of Amendment.

(a) This Amendment, and the terms and provisions hereof, constitute the entire agreement among the parties pertaining to the subject matter hereof and supersede any and all prior or contemporaneous amendments relating to the subject matter hereof. There are no oral agreements among the parties pertaining to the subject matter hereof. Each of the Existing Agreement and the other Credit Documents (each as amended, modified or waived hereby) shall be and remain in full force and effect in accordance with its terms and hereby is ratified and confirmed in all respects. The execution, delivery, and performance of this Amendment shall not, except as expressly set forth herein, operate as a consent to, as a waiver of or as an amendment of, any right, power, or remedy of any Agent or Lender, as in effect prior to the date hereof. To the extent any express terms or provisions of this Amendment conflict with those of the Existing Agreement or other Credit Documents, the terms and provisions of this Amendment shall control.

(b) Except as expressly provided in Section 2 above, all of the other terms, provisions and conditions of the Existing Agreement and the other Credit Documents shall remain and continue in full force and effect. Each of the Credit Parties is hereby notified that irrespective of (i) any waivers previously granted by any Agent or Lender regarding the Existing Agreement and the Credit Documents, (ii) any previous failures or delays of any Agent or the Lenders in exercising any right, power or privilege under the Existing Agreement or the Credit Documents or (iii) any previous failures or delays of any Agent or the Lenders in the monitoring or in the requiring of compliance by any Credit Party with the duties, obligations, and agreements of any Credit Party in the Existing Agreement and the Credit Documents, hereafter, each Credit Party will be expected to comply strictly with its duties, obligations and agreements under the Credit Agreement and the other Credit Documents. Except as expressly provided above, nothing contained in this Amendment or any other communication between any Agent and/or

Lenders and the Credit Parties shall be a waiver of any past, present or future violation, Default or Event of Default of the Credit Parties under the Credit Agreement or any Credit Documents. Similarly, each of the Agent and the Lenders hereby expressly reserves any rights, privileges, and remedies under the Credit Agreement and each Credit Document that any Agent or the Lenders may have with respect to each violation, Default or Event of Default, and any failure by any Agent or the Lenders to exercise any right, privilege or remedy as a result of the violation set forth above shall not directly or indirectly in any way whatsoever either (i) impair, prejudice or otherwise adversely affect the rights of any Agent or the Lenders at any time to exercise any right, privilege or remedy in connection with the Credit Agreement or any Credit Documents, (ii) amend or alter any provision of the Credit Agreement or any Credit Documents or any other contract or instrument, or (iii) constitute any course of dealing or other basis for altering any obligation of the Credit Parties or any rights, privilege or remedy of any Agent or the Lenders under the Credit Agreement or any Credit Documents or any other contract or instrument. Nothing in this Amendment shall be construed to be a consent by any Agent or the Lenders to any prior, existing or future violations of the Credit Agreement or any Credit Document or to any other transaction involving the Credit Parties.

7. Counterparts; Electronic Execution. This Amendment is a Credit Document. This Amendment may be executed in any number of counterparts (and by the different parties hereto in different counterparts), each of which when so executed and delivered shall be deemed an original, but all of such counterparts together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by facsimile, PDF copy or other electronic transmission shall be effective as delivery of an original manually executed counterpart of this Amendment.

8. Further Assurances. Each Credit Party agrees to take such action and execute, acknowledge and deliver, at its sole cost and expense, such agreements, instruments or other documents as may be reasonably necessary to carry out the intent of this Amendment.

9. Consent and Ratification of Guarantors. Each of the undersigned Guarantors hereby (a) consents to the transactions contemplated by this Amendment; (b) acknowledges and reaffirms its obligations owing to Administrative Agent, the Collateral Agent, and each Lender under any Credit Document (as amended, modified or waived hereby) to which it is a party; and (c) agrees that each of the Credit Documents (as amended, modified or waived hereby) to which it is a party is and shall remain in full force and effect. Although each of the undersigned Guarantors has been informed of the matters set forth herein and has acknowledged and agreed to same, it understands that Administrative Agent, the Collateral Agent, and the Lenders have no obligation to inform it of such matters in the future or to seek its acknowledgment or agreement to future amendments, and nothing herein shall create such a duty.

10. Miscellaneous .

(a) Upon the effectiveness of this Amendment, each reference in the Existing Agreement to “this Agreement”, “hereunder”, “herein”, “hereof” or words of like import referring to the Existing Agreement shall mean and refer to the Amended Agreement.

(b) Upon the effectiveness of this Amendment, each reference in the Credit Documents to the “Credit Agreement”, “thereunder”, “therein”, “thereof” or words of like import referring to the Existing Agreement shall mean and refer to the Amended Agreement.

(c) Company shall promptly reimburse Administrative Agent for actual and reasonable expenses incurred by Administrative Agent in connection with the preparation and execution of this Amendment (including, without limitation, reasonable and documented fees, expenses and disbursements of legal counsel to Agent) in accordance with Section 10.02 of the Credit Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

COMPANY:

TAO GROUP OPERATING LLC

By: /s/ Richard Wolf

Name: Richard Wolf

Title: Co-President

HOLDINGS:

TAO GROUP INTERMEDIATE HOLDINGS LLC

By: /s/ Richard Wolf

Name: Richard Wolf

Title: Co-President

[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]

GUARANTOR SUBSIDIARIES:

**11TH STREET HOSPITALITY LLC
289 HOSPITALITY, LLC
5 CHINESE BROTHERS LLC
55TH STREET HOSPITALITY HOLDINGS, LLC
57TH STREET HOSPITALITY GROUP, LLC
ALA HOSPITALITY LLC
ASIA CHICAGO MANAGEMENT LLC
ASIA FIVE EIGHT LLC
ASIA LAS VEGAS LLC
ASIA LOS ANGELES LLC
ASIA ONE SIX LLC
AVENUE HOSPITALITY GROUP, LLC
B&E LOS ANGELES LLC
BAYSIDE HOSPITALITY GROUP LLC
BD STANHOPE, LLC
BOWERY HOSPITALITY ASSOCIATES LLC
BUDDHA BEACH LLC
BUDDHA ENTERTAINMENT LLC
CHELSEA HOSPITALITY ASSOCIATES LLC
CHELSEA HOSPITALITY PARTNERS, LLC
CHINA MANAGEMENT, LLC
DEARBORN VENTURES LLC
GENCO LAND DEVELOPMENT CORP.
GUAPO BODEGA LAS VEGAS LLC
GUAPO BODEGA LLC
LOWER EAST SIDE HOSPITALITY LLC
MADISON ENTERTAINMENT ASSOCIATES LLC
NINTH AVENUE HOSPITALITY LLC
ROOF DECK AUSTRALIA, LLC
ROOF DECK ENTERTAINMENT LLC
RMC LICENSING LLC
RMNJ LICENSING LLC
RPC LICENSING LLC**

By: /s/ Richard Wolf

Name: Richard Wolf

Title: Co-President

GUARANTOR SUBSIDIARIES (Cont'd):

**SEVENTH AVENUE HOSPITALITY LLC
STANTON SURF CLUB LLC
STRATEGIC DREAM LOUNGE, LLC
STRATEGIC DREAM MIDTOWN BL, LLC
STRATEGIC DREAM MIDTOWN LL, LLC
STRATEGIC DREAM MIDTOWN RT, LLC
STRATEGIC DREAM RESTAURANT, LLC
STRATEGIC DREAM ROOFTOP, LLC
STRIP VIEW ENTERTAINMENT LLC
TAO GROUP MANAGEMENT LLC
TAO LICENSING LLC
TG HOSPITALITY GROUP, LLC
TSPW MANAGERS LA, LLC
VIP EVENT MANAGEMENT LLC
WPTS, LLC**

By: /s/ Richard Wolf

Name: Richard Wolf

Title: Co-President

GOLDMAN SACHS SPECIALTY LENDING GROUP, L.P. ,
as Administrative Agent and Collateral Agent

By: /s/ Stephen W. Hipp
Name: Stephen W. Hipp
Title: Senior Vice President

GOLDMAN SACHS SPECIALTY LENDING HOLDINGS, INC. ,
as a Lender

By: /s/ Stephen W. Hipp
Name: Stephen W. Hipp
Title: Senior Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]

PROVIDENCE DEPT FUND III LP , as a Lender

By: Providence Debt Fund III GP L.P., its general partner

By: Providence Debt Fund III Ultimate GP Ltd., its general partner

By: /s/ Bryan Martoken

Name: Bryan Martoken

Title: Director

BENEFIT STREET PARTNERS SMA-C SPV LP , as a Lender

By: Benefit Street Partners L.L.C., its investment advisor

By: /s/ Bryan Martoken

Name: Bryan Martoken

Title: Chief Financial Officer

BENEFIT STREET PARTNER SMA-C LP , as a Lender

By: Benefit Street Partners L.L.C., its investment advisor

By: /s/ Bryan Martoken

Name: Bryan Martoken

Title: Chief Financial Officer

[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]

BENEFIT STREET PARTNER SMA LM LP , as a Lender

By: Benefit Street Partners SMA LM GP L.P., its general partner

By: Benefit Street Partners SMA LM Ultimate GP LLC, its general partner

By: /s/ Bryan Martoken

Name: Bryan Martoken

Title: Director

BENEFIT STREET PARTNER CAPITAL OPPORTUNITY FUND SPV LLC , as a Lender

By: Benefit Street Partners Capital Opportunity Fund L.P., its managing member

By: Benefit Street Partners Capital Opportunity Fund GP L.P., its general partner

By: Benefit Street Partners Capital Opportunity Fund Ultimate GP LLC, its general partner

By: /s/ Bryan Martoken

Name: Bryan Martoken

Title: Director

**BENEFIT STREET PARTNER CAPITAL
OPPORTUNITY FUND LP** , as a Lender

By: Benefit Street Partners Capital Opportunity Fund GP L.P., its general partner

By: Benefit Street Partners Capital Opportunity Fund Ultimate GP LLC, its general partner

By: /s/ Bryan Martoken

Name: Bryan Martoken

Title: Director

[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]

FORTRESS CREDIT OPORTUNITIES III CLO LP , as a Lender

By: FCO III CLO GP LLC, its general partner

By: /s/ Constantine M. Dakolias

Name: Constantine M. Dakolias

Title: President

FORTRESS CREDIT OPORTUNITIES V CLO LIMITED , as a Lender

By: FCO V CLO CM LLC, its collateral manager

By: /s/ Constantine M. Dakolias

Name: Constantine M. Dakolias

Title: President

FORTRESS CREDIT OPORTUNITIES VII CLO LIMITED , as a Lender

By: FCO VII CLO CM LLC, its collateral manager

By: /s/ Constantine M. Dakolias

Name: Constantine M. Dakolias

Title: President

DRAWBRIDGE SPECIAL OPPORTUNITIES FUND LP , as a Lender

By: Drawbridge Special Opportunities GP LLC, its general partner

By: /s/ Constantine M. Dakolias

Name: Constantine M. Dakolias

Title: President

[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]

SECOND AMENDMENT
TO CREDIT AND GUARANTY AGREEMENT

This **SECOND AMENDMENT TO CREDIT AND GUARANTY AGREEMENT** (this “**Amendment**”) is entered into as of January 26, 2018, by and among **TAO GROUP OPERATING LLC**, a Delaware limited liability company (“**Company**”), **TAO Group Intermediate Holdings LLC**, a Delaware limited liability company (“**Holdings**”), certain Subsidiaries of Company as Guarantors, the Lenders identified on the signature pages hereto and **GOLDMAN SACHS SPECIALTY LENDING GROUP, L.P.**, a Delaware limited partnership (“**GSSLG**”), as Administrative Agent for the Lenders (together with its permitted successors and assigns in such capacity, “**Administrative Agent**”) and as Collateral Agent for the Lenders (together with its permitted successors and assigns in such capacity, “**Collateral Agent**”).

WITNESSETH

WHEREAS, the Credit Parties, the Lenders and GSSLG, as Administrative Agent, Collateral Agent and Lead Arranger, are parties to that certain Credit and Guaranty Agreement, dated as of January 31, 2017, as amended by the First Amendment thereto, dated as of May 19, 2017 (the “**Existing Agreement**”; the Existing Agreement, as amended by this Amendment, the “**Amended Agreement**”; and as the Amended Agreement may hereafter be amended, restated, amended and restated, joined, supplemented and/or otherwise modified from time to time, the “**Credit Agreement**”); and

WHEREAS, the Credit Parties have requested that Administrative Agent and the Lenders amend certain terms of the Existing Agreement as set forth herein, and Administrative Agent and the Lenders are willing to amend certain terms of the Existing Agreement as set forth herein, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Defined Terms. Each capitalized term used herein and not defined herein shall have the meaning ascribed to such term in the Amended Agreement.

2. Amendment to the Existing Agreement. Effective as of the Effective Date (as defined below), the Existing Agreement is hereby amended as follows:

(a) Section 1.01. The definition of “Excluded Property” contained in Section 1.01 of the Existing Agreement is hereby amended by adding the following words immediately after the phrase “(xii) Excluded Accounts”:

“(but not the proceeds of any Collateral deposited in any Excluded Account which is a zero balance Deposit Account)”

3. Conditions Precedent to Amendment. The satisfaction of or waiver of each of the following shall constitute conditions precedent to the effectiveness of this Amendment and each and every provision hereof (the date of such effectiveness being herein called the “**Effective Date**”):

(a) Administrative Agent shall have received this Amendment duly and validly executed by the parties hereto, in form and substance satisfactory to Administrative Agent.

(b) Before and after giving effect to this Amendment, the representations and warranties contained in the Existing Agreement, this Amendment and the other Credit Documents shall be true and correct in all material respects on and as of the Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

(c) Before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing as of the Effective Date.

4. Governing Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW) THEREOF.

5. Representations and Warranties. Each Credit Party hereby represents and warrants to Administrative Agent, the Collateral Agent, and the Lenders that:

(a) The representations and warranties in the Existing Agreement and the other Credit Documents are true and correct in all material respects on and as of the Effective Date to the same extent as though made on and as of that date, except to the extent that such representations and warranties specifically relate to an earlier date, in which case, such representations and warranties are true and correct in all material respects as of such earlier date.

(b) The execution, delivery and performance of this Amendment are within such Credit Party’s limited liability company or corporate powers, have been duly authorized by all necessary limited liability company or corporate action on the part of such Credit Party, and are not in contravention of the terms of such Credit Party’s Organizational Documents.

(c) This Amendment has been duly executed and delivered by such Credit Party, and this Amendment and the Amended Agreement constitute the legal, valid and binding obligation of such Credit Party, enforceable against such Credit Party in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors’ rights

generally or by equitable principles relating to enforceability and general principles of equity.

(d) The execution, delivery and performance of this Amendment by such Credit Party and the consummation of the transactions contemplated hereby do not and not violate any law, governmental rule or regulation applicable to such Credit Party, or any order, judgment or decree of any court or other agency of a government binding on such Credit Party, or any Contractual Obligation of any Credit Party, except as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(e) Before and after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing as of the Effective Date.

(f) Since the date of the most recent balance sheet included in the financial statements delivered to Administrative Agent, no event, circumstance or change has occurred that has caused or evidences, either individually or in the aggregate, a Material Adverse Effect.

6. Entire Agreement; Effect of Amendment.

(a) This Amendment, and the terms and provisions hereof, constitute the entire agreement among the parties pertaining to the subject matter hereof and supersede any and all prior or contemporaneous amendments relating to the subject matter hereof. There are no oral agreements among the parties pertaining to the subject matter hereof. Each of the Existing Agreement and the other Credit Documents (each as amended, modified or waived hereby) shall be and remain in full force and effect in accordance with its terms and hereby is ratified and confirmed in all respects. The execution, delivery, and performance of this Amendment shall not, except as expressly set forth herein, operate as a consent to, as a waiver of or as an amendment of, any right, power, or remedy of any Agent or Lender, as in effect prior to the date hereof. To the extent any express terms or provisions of this Amendment conflict with those of the Existing Agreement or other Credit Documents, the terms and provisions of this Amendment shall control.

(b) Except as expressly provided in Section 2 above, all of the other terms, provisions and conditions of the Existing Agreement and the other Credit Documents shall remain and continue in full force and effect. Each of the Credit Parties is hereby notified that irrespective of (i) any waivers previously granted by any Agent or Lender regarding the Existing Agreement and the Credit Documents, (ii) any previous failures or delays of any Agent or the Lenders in exercising any right, power or privilege under the Existing Agreement or the Credit Documents or (iii) any previous failures or delays of any Agent or the Lenders in the monitoring or in the requiring of compliance by any Credit Party with the duties, obligations, and agreements of any Credit Party in the Existing Agreement and the Credit Documents, hereafter, each Credit Party will be expected to comply strictly with its duties, obligations and agreements under the Credit Agreement and the other Credit Documents. Except as expressly provided above, nothing contained in this Amendment or any other communication between any Agent and/or Lenders and the Credit Parties shall be a waiver of any past, present or future violation, Default or Event

of Default of the Credit Parties under the Credit Agreement or any Credit Documents. Similarly, each of the Agent and the Lenders hereby expressly reserves any rights, privileges, and remedies under the Credit Agreement and each Credit Document that any Agent or the Lenders may have with respect to each violation, Default or Event of Default, and any failure by any Agent or the Lenders to exercise any right, privilege or remedy as a result of the violation set forth above shall not directly or indirectly in any way whatsoever either (i) impair, prejudice or otherwise adversely affect the rights of any Agent or the Lenders at any time to exercise any right, privilege or remedy in connection with the Credit Agreement or any Credit Documents, (ii) amend or alter any provision of the Credit Agreement or any Credit Documents or any other contract or instrument, or (iii) constitute any course of dealing or other basis for altering any obligation of the Credit Parties or any rights, privilege or remedy of any Agent or the Lenders under the Credit Agreement or any Credit Documents or any other contract or instrument. Nothing in this Amendment shall be construed to be a consent by any Agent or the Lenders to any prior, existing or future violations of the Credit Agreement or any Credit Document or to any other transaction involving the Credit Parties.

7. Counterparts; Electronic Execution. This Amendment is a Credit Document. This Amendment may be executed in any number of counterparts (and by the different parties hereto in different counterparts), each of which when so executed and delivered shall be deemed an original, but all of such counterparts together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by facsimile, PDF copy or other electronic transmission shall be effective as delivery of an original manually executed counterpart of this Amendment.

8. Further Assurances. Each Credit Party agrees to take such action and execute, acknowledge and deliver, at its sole cost and expense, such agreements, instruments or other documents as may be reasonably necessary to carry out the intent of this Amendment.

9. Consent and Ratification of Guarantors. Each of the undersigned Guarantors hereby (a) consents to the transactions contemplated by this Amendment; (b) acknowledges and reaffirms its obligations owing to Administrative Agent, the Collateral Agent, and each Lender under any Credit Document (as amended, modified or waived hereby) to which it is a party; and (c) agrees that each of the Credit Documents (as amended, modified or waived hereby) to which it is a party is and shall remain in full force and effect. Although each of the undersigned Guarantors has been informed of the matters set forth herein and has acknowledged and agreed to same, it understands that Administrative Agent, the Collateral Agent, and the Lenders have no obligation to inform it of such matters in the future or to seek its acknowledgment or agreement to future amendments, and nothing herein shall create such a duty.

10. Miscellaneous.

(a) Upon the effectiveness of this Amendment, each reference in the Existing Agreement to “this Agreement”, “hereunder”, “herein”, “hereof” or words of like import referring to the Existing Agreement shall mean and refer to the Amended Agreement.

(b) Upon the effectiveness of this Amendment, each reference in the Credit Documents to the “Credit Agreement”, “thereunder”, “therein”, “thereof” or words of like import referring to the Existing Agreement shall mean and refer to the Amended Agreement.

(c) Company shall promptly reimburse Administrative Agent for actual and reasonable expenses incurred by Administrative Agent in connection with the preparation and execution of this Amendment (including, without limitation, reasonable and documented fees, expenses and disbursements of legal counsel to Agent) in accordance with Section 10.02 of the Credit Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

COMPANY:

TAO GROUP OPERATING LLC

By: /s/ Richard Wolf

Name: Richard Wolf

Title: Co-President

HOLDINGS:

TAO GROUP INTERMEDIATE HOLDINGS LLC

By: /s/ Richard Wolf

Name: Richard Wolf

Title: Co-President

[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]

GUARANTOR SUBSIDIARIES:

**11TH STREET HOSPITALITY LLC
289 HOSPITALITY, LLC
5 CHINESE BROTHERS LLC
55TH STREET HOSPITALITY HOLDINGS, LLC
57TH STREET HOSPITALITY GROUP, LLC
ALA HOSPITALITY LLC
ASIA CHICAGO MANAGEMENT LLC
ASIA FIVE EIGHT LLC
ASIA LAS VEGAS LLC
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BUDDHA BEACH LLC
BUDDHA ENTERTAINMENT LLC
CHELSEA HOSPITALITY ASSOCIATES LLC
CHELSEA HOSPITALITY PARTNERS, LLC
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DEARBORN VENTURES LLC
GENCO LAND DEVELOPMENT CORP.
GUAPO BODEGA LAS VEGAS LLC
GUAPO BODEGA LLC
LOWER EAST SIDE HOSPITALITY LLC
MADISON ENTERTAINMENT ASSOCIATES LLC
NINTH AVENUE HOSPITALITY LLC
ROOF DECK AUSTRALIA, LLC
ROOF DECK ENTERTAINMENT LLC
RMC LICENSING LLC
RMNJ LICENSING LLC
RPC LICENSING LLC**

By: /s/ Richard Wolf

Name: Richard Wolf

Title: Co-President

GUARANTOR SUBSIDIARIES (Cont'd):

**SEVENTH AVENUE HOSPITALITY LLC
STANTON SURF CLUB LLC
STRATEGIC DREAM LOUNGE, LLC
STRATEGIC DREAM MIDTOWN BL, LLC
STRATEGIC DREAM MIDTOWN LL, LLC
STRATEGIC DREAM MIDTOWN RT, LLC
STRATEGIC DREAM RESTAURANT, LLC
STRATEGIC DREAM ROOFTOP, LLC
STRIP VIEW ENTERTAINMENT LLC
TAO GROUP MANAGEMENT LLC
TAO LICENSING LLC
TG HOSPITALITY GROUP, LLC
TSPW MANAGERS LA, LLC
VIP EVENT MANAGEMENT LLC
WPTS, LLC
WPTS RESTAURANT, LLC
STAY IN YOUR LANE HOLDINGS, LLC
MARQUEE BRAND HOLDINGS, LLC
TGPH RESTAURANT, LLC
TGPH NIGHTCLUB, LLC
SUITE SIXTEEN LLC
TAO PARK HOSPITALITY, LLC
TG HOSPITALITY LICENSING, LLC
MIAMI HOSPITALITY IP GROUP, LLC
MIAMI HOSPITALITY OPERATING GROUP, LLC**

By: /s/ Richard Wolf

Name: Richard Wolf

Title: Co-President

**GOLDMAN SACHS SPECIALTY LENDING
GROUP, L.P. ,**

as Administrative Agent and Collateral Agent

By: /s/ Stephen W. Hipp

Name: Stephen W. Hipp

Title: Authorized Signatory

**GOLDMAN SACHS SPECIALTY LENDING
HOLDINGS, INC. ,**

as a Lender

By: /s/ Stephen W. Hipp

Name: Stephen W. Hipp

Title: Authorized Signatory

PROVIDENCE DEBT FUND III LP , as a Lender

By: Providence Debt Fund III GP L.P., its general partner

By: Providence Debt Fund III Ultimate GP Ltd., its general partner

By: /s/ Bryan Martoken

Name: Bryan Martoken

Title: Director

BENEFIT STREET PARTNERS SMA-C SPV LP , as a Lender

By: Benefit Street Partners L.L.C., its investment advisor

By: /s/ Bryan Martoken

Name: Bryan Martoken

Title: Chief Financial Officer

BENEFIT STREET PARTNERS SMA-C LP , as a Lender

By: Benefit Street Partners L.L.C., its investment advisor

By: /s/ Bryan Martoken

Name: Bryan Martoken

Title: Chief Financial Officer

BENEFIT STREET PARTNERS SMA LM LP ,
as a Lender

By: Benefit Street Partners SMA LM GP L.P., its
general partner

By: Benefit Street Partners SMA LM Ultimate GP
LLC, its general partner

By: /s/ Bryan Martoken

Name: Bryan Martoken

Title: Director

**BENEFIT STREET PARTNERS CAPITAL
OPPORTUNITY FUND SPV LLC ,** as a Lender

By: Benefit Street Partners Capital Opportunity
Fund L.P., its managing member

By: Benefit Street Partners Capital Opportunity
Fund GP L.P., its general partner

By: Benefit Street Partners Capital Opportunity
Fund Ultimate GP LLC, its general partner

By: /s/ Bryan Martoken

Name: Bryan Martoken

Title: Director

**BENEFIT STREET PARTNERS CAPITAL
OPPORTUNITY FUND LP ,** as a Lender

By: Benefit Street Partners Capital Opportunity
Fund GP L.P., its general partner

By: Benefit Street Partners Capital Opportunity
Fund Ultimate GP LLC, its general partner

By: /s/ Bryan Martoken

Name: Bryan Martoken

Title: Director

**FORTRESS CREDIT OPPORUNTIES IX
CLO LIMITED** , as a Lender

By: FCOD CLO Management LLC, its collateral
manager

By: /s/ Constantine M. Dakolias
Name: Constantine M. Dakolias
Title: President

**FORTRESS CREDIT OPPORUNTIES V
CLO Limited** , as a Lender

By: FCO V CLO CM LLC, its collateral manager

By: /s/ Constantine M. Dakolias
Name: Constantine M. Dakolias
Title: President

**FORTRESS CREDIT OPPORUNTIES VII
CLO Limited** , as a Lender

By: FCO VII CLO CM LLC, its collateral manager

By: /s/ Constantine M. Dakolias
Name: Constantine M. Dakolias
Title: President

**DRAWBRIDGE SPECIAL OPPORTUNITIES
Fund LP** , as a Lender

By: Drawbridge Special Opportunities GP LLC, its
general partner

By: /s/ Constantine M. Dakolias
Name: Constantine M. Dakolias
Title: President

Certification

I, James L. Dolan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Madison Square Garden Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2018

/s/ James L. Dolan

James L. Dolan

Executive Chairman and Chief Executive Officer

Certification

I, Donna Coleman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Madison Square Garden Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2018

/s/ Donna Coleman

Donna Coleman

Executive Vice President and Chief Financial Officer

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of The Madison Square Garden Company (the “Company”), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2017 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2018

/s/ James L. Dolan

James L. Dolan

Executive Chairman and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of The Madison Square Garden Company (the “Company”), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2017 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2018

/s/ Donna Coleman

Donna Coleman

Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.