

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 March 31, 2019

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 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 ☒

Accelerated filer ☐

Non-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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock	MSG	New York Stock Exchange

Number of shares of common stock outstanding as of April 30, 2019:

Class A Common Stock par value \$0.01 per share — 19,228,993

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 March 31, 2019 (unaudited) and June 30, 2018	1
Consolidated Statements of Operations for the three and nine months ended March 31, 2019 and 2018 (unaudited)	3
Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended March 31, 2019 and 2018 (unaudited)	4
Consolidated Statements of Cash Flows for the nine months ended March 31, 2019 and 2018 (unaudited)	5
Consolidated Statements of Equity and Redeemable Noncontrolling Interests for the three and nine months ended March 31, 2019 and 2018 (unaudited)	7
Notes to Consolidated Financial Statements (unaudited)	11
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	47
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	73
<u>Item 4. Controls and Procedures</u>	73
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	74
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	74
<u>Item 5. Other Information</u>	74
<u>Item 6. Exhibits</u>	75

Item 1. Financial Statements**PART I – FINANCIAL INFORMATION**

THE MADISON SQUARE GARDEN COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	March 31, 2019	June 30, 2018
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,153,060	\$ 1,225,638
Restricted cash	29,033	30,982
Short-term investments	110,924	—
Accounts receivable, net	195,851	100,725
Net related party receivables	1,429	567
Prepaid expenses	55,065	28,761
Other current assets	69,189	28,996
Total current assets	1,614,551	1,415,669
Investments and loans to nonconsolidated affiliates	91,361	209,951
Property and equipment, net of accumulated depreciation and amortization of \$785,712 and \$713,357 as of March 31, 2019 and June 30, 2018, respectively	1,317,688	1,253,671
Amortizable intangible assets, net	226,949	243,806
Indefinite-lived intangible assets	175,985	175,985
Goodwill	392,513	392,513
Other assets	99,406	44,578
Total assets	\$ 3,918,453	\$ 3,736,173

See accompanying notes to consolidated financial statements.

THE MADISON SQUARE GARDEN COMPANY
CONSOLIDATED BALANCE SHEETS (Continued)
(in thousands, except per share data)

	March 31, 2019	June 30, 2018
	(Unaudited)	
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 24,776	\$ 28,939
Net related party payables, current	32,195	13,675
Current portion of long-term debt, net of deferred financing costs	12,097	4,365
Accrued liabilities:		
Employee related costs	152,026	123,992
Other accrued liabilities	205,047	180,272
Collections due to promoters	72,560	89,513
Deferred revenue	282,125	324,749
Total current liabilities	780,826	765,505
Related party payables, noncurrent	172	—
Long-term debt, net of deferred financing costs	90,984	101,335
Defined benefit and other postretirement obligations	39,492	49,240
Other employee related costs	63,907	53,501
Deferred tax liabilities, net	91,080	78,968
Other liabilities	71,277	56,905
Total liabilities	1,137,738	1,105,454
Commitments and contingencies (see Note 9)		
Redeemable noncontrolling interests	71,759	76,684
The Madison Square Garden Company Stockholders' Equity:		
Class A Common stock, par value \$0.01, 120,000 shares authorized; 19,229 and 19,136 shares outstanding as of March 31, 2019 and June 30, 2018, respectively	204	204
Class B Common stock, par value \$0.01, 30,000 shares authorized; 4,530 shares outstanding as of March 31, 2019 and June 30, 2018	45	45
Preferred stock, par value \$0.01, 15,000 shares authorized; none outstanding as of March 31, 2019 and June 30, 2018	—	—
Additional paid-in capital	2,830,411	2,817,873
Treasury stock, at cost, 1,219 and 1,312 shares as of March 31, 2019 and June 30, 2018, respectively	(207,790)	(223,662)
Retained earnings (accumulated deficit)	102,234	(11,059)
Accumulated other comprehensive loss	(37,187)	(46,918)
Total The Madison Square Garden Company stockholders' equity	2,687,917	2,536,483
Nonredeemable noncontrolling interests	21,039	17,552
Total equity	2,708,956	2,554,035
Total liabilities, redeemable noncontrolling interests and equity	\$ 3,918,453	\$ 3,736,173

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Revenues ^(a)	\$ 517,190	\$ 459,621	\$ 1,367,512	\$ 1,241,138
Operating expenses:				
Direct operating expenses ^(b)	310,792	299,420	821,510	735,440
Selling, general and administrative expenses ^(c)	138,949	121,447	391,205	346,934
Depreciation and amortization	28,936	30,429	88,792	91,519
Operating income	38,513	8,325	66,005	67,245
Other income (expense):				
Earnings (loss) in equity method investments	(2,881)	(678)	17,131	1,439
Interest income ^(d)	7,988	5,224	22,061	14,988
Interest expense	(4,405)	(3,965)	(13,614)	(11,474)
Miscellaneous income (expense), net	6,201	(440)	(2,895)	(2,678)
	6,903	141	22,683	2,275
Income from operations before income taxes	45,416	8,466	88,688	69,520
Income tax benefit (expense)	(11,253)	(652)	(12,605)	115,418
Net income	34,163	7,814	76,083	184,938
Less: Net income (loss) attributable to redeemable noncontrolling interests	(7)	389	(3,662)	522
Less: Net loss attributable to nonredeemable noncontrolling interests	(1,101)	(1,716)	(4,913)	(3,231)
Net income attributable to The Madison Square Garden Company's stockholders	\$ 35,271	\$ 9,141	\$ 84,658	\$ 187,647
Basic earnings per common share attributable to The Madison Square Garden Company's stockholders	\$ 1.48	\$ 0.39	\$ 3.56	\$ 7.94
Diluted earnings per common share attributable to The Madison Square Garden Company's stockholders	\$ 1.48	\$ 0.38	\$ 3.55	\$ 7.87
Weighted-average number of common shares outstanding:				
Basic	23,792	23,683	23,759	23,623
Diluted	23,881	23,809	23,868	23,843

^(a) Includes revenues from related parties of \$74,020 and \$42,376 for the three months ended March 31, 2019 and 2018, respectively, and \$145,766 and \$119,417 for the nine months ended March 31, 2019 and 2018, respectively.

^(b) Includes net charges from related parties of \$325 and \$262 for the three months ended March 31, 2019 and 2018, respectively, and \$814 and \$833 for the nine months ended March 31, 2019 and 2018, respectively.

^(c) Includes net charges to related parties of \$2,451 and \$1,048 for the three months ended March 31, 2019 and 2018, respectively, and \$5,892 and \$3,672 for the nine months ended March 31, 2019 and 2018, respectively.

^(d) Includes interest income from nonconsolidated affiliates of \$380 and \$1,259 for the three months ended March 31, 2019 and 2018, respectively, and \$2,714 and \$4,576 for the nine months ended March 31, 2019 and 2018, respectively.

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Net income	\$34,163	\$ 7,814	\$76,083	\$184,938
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	\$ 328	\$ 310	\$ 984	\$ 930
Amortization of prior service credit included in net periodic benefit cost	(1) 327	(10) 300	(4) 980	(28) 902
Cumulative translation adjustments	6,383	3,656	3,181	5,933
Net changes related to available-for-sale securities	—	802	—	(7,411)
Other comprehensive income (loss)	6,710	4,758	4,161	(576)
Comprehensive income	40,873	12,572	80,244	184,362
Less: Comprehensive income (loss) attributable to redeemable noncontrolling interests	(7)	389	(3,662)	522
Less: Comprehensive loss attributable to nonredeemable noncontrolling interests	(1,101)	(1,716)	(4,913)	(3,231)
Comprehensive income attributable to The Madison Square Garden Company's stockholders	\$41,981	\$13,899	\$88,819	\$187,071

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 76,083	\$ 184,938
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	88,792	91,519
Provision for (benefit from) deferred income taxes	12,112	(115,818)
Share-based compensation expense	45,984	36,892
Earnings in equity method investments	(17,131)	(1,439)
Purchase accounting adjustments associated with rent-related intangibles and deferred rent	3,197	3,474
Unrealized loss on equity investment with readily determinable fair value	2,405	—
Other non-cash adjustments	3,831	1,819
Change in assets and liabilities, net of acquisitions:		
Accounts receivable, net	(95,892)	(40,067)
Net related party receivables	(862)	1,137
Prepaid expenses and other assets	(58,665)	9,006
Accounts payable	(4,163)	2,700
Net related party payables	18,692	9,776
Accrued and other liabilities	48,013	(58,256)
Collections due to promoters	(16,953)	16,125
Deferred revenue	(8,099)	23,211
Net cash provided by operating activities	97,344	165,017
Cash flows from investing activities:		
Capital expenditures, net of acquisitions	(117,222)	(159,113)
Purchase of short-term investments	(112,735)	—
Payments for acquisition of assets	—	(6,000)
Payments for acquisition of businesses, net of cash acquired	—	(8,288)
Investments and loans to nonconsolidated affiliates	(51,807)	(11,132)
Proceeds from sale of nonconsolidated affiliate	125,000	—
Loan repayment received from nonconsolidated affiliates	—	2,600
Loan repayment received from subordinated debt	4,765	—
Cash paid for notes receivable	(7,761)	(1,500)
Net cash used in investing activities	(159,760)	(183,433)

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended	
	March 31,	
	2019	2018
Cash flows from financing activities:		
Repurchases of common stock	—	(11,830)
Taxes paid in lieu of shares issued for equity-based compensation	(19,525)	(33,589)
Noncontrolling interest holders capital contribution	5,560	3,000
Distributions to noncontrolling interest holders	(1,263)	(3,750)
Loans from noncontrolling interest holders	606	—
Principal repayment on long-term debt	(3,929)	—
Payment of contingent consideration	—	(4,000)
Payments for financing costs	—	(62)
Net cash used in financing activities	(18,551)	(50,231)
Effect of exchange rates on cash, cash equivalents and restricted cash	6,440	924
Net decrease in cash, cash equivalents and restricted cash	(74,527)	(67,723)
Cash, cash equivalents and restricted cash at beginning of period	1,256,620	1,272,114
Cash, cash equivalents and restricted cash at end of period	\$ 1,182,093	\$ 1,204,391
Non-cash investing and financing activities:		
Capital expenditures incurred but not yet paid	17,601	5,127
Tenant improvement paid by landlord	13,715	—
Share-based compensation capitalized in property and equipment	1,951	—
Accrued earn-out liability and other contingencies	—	4,573
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)

	Three Months Ended March 31, 2019									
	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total The Madison Square Garden Company Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests	
Balance as of December 31, 2018	\$ 249	\$2,812,880	\$(207,790)	\$ 66,963	\$ (43,897)	\$ 2,628,405	\$ 18,984	\$2,647,389	\$ 72,770	
Net income (loss)	—	—	—	35,271	—	35,271	(1,101)	34,170	(7)	
Other comprehensive income	—	—	—	—	6,710	6,710	—	6,710	—	
Comprehensive income (loss)						41,981	(1,101)	40,880	(7)	
Share-based compensation	—	17,531	—	—	—	17,531	—	17,531	—	
Contribution of joint venture interests	—	—	—	—	—	—	3,156	3,156	—	
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(1,004)	
Balance as of March 31, 2019	\$ 249	\$2,830,411	\$(207,790)	\$ 102,234	\$ (37,187)	\$ 2,687,917	\$ 21,039	\$2,708,956	\$ 71,759	

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2018									
	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total The Madison Square Garden Company Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests	
Balance as of December 31, 2017	\$ 249	\$2,838,120	\$(242,495)	\$ 27,693	\$ (39,449)	\$ 2,584,118	\$ 17,559	\$2,601,677	\$ 77,819	
Net income (loss)	—	—	—	9,141	—	9,141	(1,716)	7,425	389	
Other comprehensive income	—	—	—	—	4,758	4,758	—	4,758	—	
Comprehensive income (loss)						13,899	(1,716)	12,183	389	
Share-based compensation	—	10,076	—	—	—	10,076	—	10,076	—	
Tax withholding associated with shares issued for equity-based compensation	—	(21,357)	—	—	—	(21,357)	—	(21,357)	—	
Common stock issued under stock incentive plans	—	(17,938)	17,938	—	—	—	—	—	—	
Contribution of joint venture interests	—	—	—	—	—	—	3,996	3,996	—	
Balance as of March 31, 2018	\$ 249	\$2,808,901	\$(224,557)	\$ 36,834	\$ (34,691)	\$ 2,586,736	\$ 19,839	\$2,606,575	\$ 78,208	

See accompanying notes to consolidated financial statements.

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

Nine Months Ended March 31, 2019

	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, 2018	\$ 249	\$2,817,873	\$(223,662)	\$ (11,059)	\$ (46,918)	\$ 2,536,483	\$ 17,552	\$2,554,035	\$ 76,684
Adoption of ASU No. 2016-01	—	—	—	(5,570)	5,570	—	—	—	—
Adoption of ASC Topic 606	—	—	—	34,205	—	34,205	—	34,205	—
Net income (loss)	—	—	—	84,658	—	84,658	(4,913)	79,745	(3,662)
Other comprehensive income	—	—	—	—	4,161	4,161	—	4,161	—
Comprehensive income (loss)						88,819	(4,913)	83,906	(3,662)
Share-based compensation	—	47,935	—	—	—	47,935	—	47,935	—
Tax withholding associated with shares issued for equity-based compensation	—	(19,525)	—	—	—	(19,525)	—	(19,525)	—
Common stock issued under stock incentive plans	—	(15,872)	15,872	—	—	—	—	—	—
Contribution of joint venture interests	—	—	—	—	—	—	8,400	8,400	—
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(1,263)
Balance as of March 31, 2019	<u>\$ 249</u>	<u>\$2,830,411</u>	<u>\$(207,790)</u>	<u>\$ 102,234</u>	<u>\$ (37,187)</u>	<u>\$ 2,687,917</u>	<u>\$ 21,039</u>	<u>\$2,708,956</u>	<u>\$ 71,759</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)

Nine Months Ended March 31, 2018

	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)	—	—	—	187,647	—	187,647	(3,231)	184,416	522
Other comprehensive loss	—	—	—	—	(576)	(576)	—	(576)	—
Comprehensive income (loss)						187,071	(3,231)	183,840	522
Share-based compensation	—	36,921	—	—	—	36,921	—	36,921	—
Tax withholding associated with shares issued for equity-based compensation	—	(33,589)	—	—	—	(33,589)	—	(33,589)	—
Common stock issued under stock incentive plans	—	(29,350)	29,350	—	—	—	—	—	—
Repurchases of common stock	—	—	(11,830)	—	—	(11,830)	—	(11,830)	—
Contribution of joint venture interests	—	—	—	—	—	—	3,996	3,996	—
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(806)	(806)	(2,944)
Noncontrolling interests from acquisitions	—	—	—	—	—	—	8,182	8,182	—
Balance as of March 31, 2018	\$ 249	\$2,808,901	\$(224,557)	\$ 36,834	\$ (34,691)	\$ 2,586,736	\$ 19,839	\$2,606,575	\$ 78,208

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, including: TAO, Marquee, Lavo, Avenue, Beauty & Essex and Vandal. BCE produces New England’s premier live music festival, Boston Calling Music Festival. The MSG Entertainment segment also includes the Company’s original production — the *Christmas Spectacular Starring the Radio City Rockettes* (the “*Christmas 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 Hartford Wolf Pack of the American Hockey League (the “AHL”) and the Westchester Knicks of the NBA G League (the “NBAGL”). The professional sports franchises are collectively referred to herein as “the sports teams.” For all periods presented, MSG Sports also included the New York Liberty (the “Liberty”) of the Women’s National Basketball Association (the “WNBA”), which was sold in January 2019. 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 addition, the MSG Sports segment includes Counter Logic Gaming (“CLG”), a premier North American esports organization, which the Company acquired in July 2017, and Knicks Gaming, the Company’s franchise that competes in the NBA 2K League. CLG and Knicks Gaming are collectively referred to herein as “the esports teams,” and together with the sports teams, “the teams.”

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 Hulu 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. Additionally, TAO Group operates various restaurants, nightlife and hospitality venues under long-term leases and management contracts in New York, Las Vegas, Los Angeles, Chicago, 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 “2015 Distribution”), which occurred on September 30, 2015. See Note 1 to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2018 for more information regarding the 2015 Distribution to its common stockholders.

Potential Spin-off Transaction

On June 27, 2018, the Company announced that its board of directors (“Board”) has authorized the Company’s management to explore a possible spin-off that would create a separately-traded public company comprised of its sports businesses, including the New York Knicks and New York Rangers professional sports franchises (the “Sports Distribution”). On October 4, 2018, in connection with the Sports Distribution, a subsidiary of the Company submitted an initial Registration Statement on Form 10 with the U.S. Securities and Exchange Commission (“SEC”) (which has been amended). If the Company proceeds with the Sports Distribution, it would be structured as a tax-free transaction to the Company’s stockholders. Upon completion of the contemplated separation, record holders of the Company’s common stock would receive a pro-rata distribution, expected to be equivalent, in the aggregate, to an approximately two-thirds economic interest in the sports company. The remaining common stock, expected to be equivalent to an approximately one-third economic interest in the sports company, would be retained by the Company. There can be no assurance that the proposed transaction will be completed in the manner described above, or at all. The Company’s management is working to complete the proposed transaction in the second half of calendar year 2019. Completion of the transaction would be subject to various conditions, including certain league approvals, a private letter ruling from the Internal Revenue Service (“IRS”), receipt of a tax opinion from counsel and final Board approval. The Company will

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

maintain the current operating structure and will continue to report the financial results of its sports business in continuing operations until the Sports Distribution is completed.

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, 2018 (“fiscal year 2018”). 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 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 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. This impact has become more significant as a result of the adoption of ASC Topic 606 (as defined below).

Reclassifications

Certain reclassifications have been made in order to conform to the current period’s presentation. The reclassifications primarily relate to: (i) the presentation in the consolidated statement of cash flows for the prior year period in connection with the adoption of Accounting Standards Update (“ASU”) No. 2016-18, *Statement of Cash Flows: Restricted Cash*, (ii) the presentation of the non-service cost components of net periodic pension and postretirement benefit cost in the consolidated statement of operations for the prior year period in connection with the adoption of ASU No. 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, (iii) segregation of amounts due to promoters from deferred revenue in connection with the adoption of Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers (Topic 606)* (referred to herein as “ASC Topic 606”), and (iv) an indefinite-lived intangible asset that was previously reported under other assets. See Note 2 for further details related to the adoption of ASU No. 2016-18, ASU No. 2017-07, and ASC Topic 606.

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 sheets, 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 operations and consolidated statements of comprehensive income (loss), respectively. See Note 2 to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2018 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 calendar that ends on the last Sunday of the calendar year (containing 4-4-5 week calendar quarters). Accordingly, the Company’s results for the three months ended March 31, 2019 and 2018 include TAO Group’s operating results for 13 weeks from October 1, 2018 to December 30, 2018 and for 14 weeks from September 25, 2017 to December 31, 2017, respectively. The Company’s results for the nine months ended March 31, 2019 and 2018 include TAO Group’s operating results for 39 weeks from April 2, 2018 to December 30, 2018 and for 40 weeks from March 27, 2017 to December 31, 2017, respectively.

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

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, income tax, 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, 2018:

Revenue Recognition

Amounts due to third-party promoters of \$89,513, which were previously reported as Deferred revenue in the accompanying consolidated balance sheet as of June 30, 2018, are now reported as Collections due to promoters in the accompanying consolidated balance sheet. In addition, see *Recently Adopted Accounting Pronouncements* below for disclosure related to the transitional impact of adopting ASC Topic 606 and Note 3 for other disclosure required under ASC Topic 606.

Short-term investments

Short-term investments consist of investments that (i) have original maturities of greater than three months and (ii) the Company expects to convert into cash within one year. The Company currently has a pound-denominated time deposit that has an original maturity date of six months from inception. The Company classified this investment at the time of purchase as "held-to-maturity" and re-evaluates its classification quarterly based on whether the Company has the intent and ability to hold until maturity. This investment, which is recorded at cost and adjusted for accrued interest, approximates fair value. Cash inflows and outflows related to the sale and purchase of short-term investments are classified as investing activities in the Company's consolidated statements of cash flows.

Recently Issued Accounting Pronouncements**Recently Adopted Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. Subsequently, the FASB issued various updates related to ASC Topic 606 including: (i) ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, (ii) ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue versus Net)*, (iii) ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, (iv) ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients*, and (v) ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. The Company adopted ASC Topic 606 in the first quarter of fiscal year 2019 using the modified retrospective method for those contracts with customers which were not completed as of July 1, 2018. Results for reporting periods beginning after July 1, 2018 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting guidance under ASC Topic 605.

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

As a result of the adoption of ASC Topic 606, the Company now accounts for its performance obligations under suite license arrangements as a series and as a result, the related suite license fees for all years during the license term are aggregated for each license agreement and revenue is recognized proportionately when the underlying events at The Garden take place, as opposed to previously being recognized on a straight-line basis over the fiscal year under the prior standard.

In addition, the majority of the Company's local media rights revenue is now recognized over the course of the teams' regular seasons, which reflects the Company's progress towards satisfaction of its performance obligations under such arrangements, as opposed to previously being recognized on a straight-line basis over the fiscal year under the prior standard.

The Company also enters into arrangements with multiple performance obligations, such as multi-year sponsorship agreements. To the extent these arrangements provide for performance obligations that are consistent over the multi-year contractual term, such performance obligations generally meet the definition of a series as provided for under the provisions of ASC Topic 606. As a result, the contractual fees for all years during the contract term are aggregated and the related revenue is recognized proportionately as the underlying performance obligations are satisfied. In general, sponsorship revenue was previously recognized by treating each year of the arrangement as a discrete contract year, and as such the stated contract price was recognized in each year.

Furthermore, the timing of certain fulfillment costs associated with performance obligations, primarily professional sports teams' operating expenses, were also similarly impacted within the fiscal year.

The adoption of ASC Topic 606 had the following impact on revenues, operating expenses and operating income for the three and nine months ended March 31, 2019:

Three Months Ended March 31, 2019			
	As reported under ASC Topic 606	Changes due to the adoption of ASC Topic 606 ^(a)	Amounts without adoption of ASC Topic 606
Revenues	\$ 517,190	\$ (41,392)	\$ 475,798
Operating expenses:			
Direct operating expenses	310,792	4,518	315,310
Selling, general and administrative expenses	138,949	—	138,949
Depreciation and amortization	28,936	—	28,936
Operating income (loss)	\$ 38,513	\$ (45,910)	\$ (7,397)
Nine Months Ended March 31, 2019			
	As reported under ASC Topic 606	Changes due to the adoption of ASC Topic 606 ^(a)	Amounts without adoption of ASC Topic 606
Revenues	\$ 1,367,512	\$ (39,623)	\$ 1,327,889
Operating expenses:			
Direct operating expenses	821,510	2,182	823,692
Selling, general and administrative expenses	391,205	—	391,205
Depreciation and amortization	88,792	—	88,792
Operating income	\$ 66,005	\$ (41,805)	\$ 24,200

^(a) See Note 18 for the impact of the adoption of ASC Topic 606 on the Company's reportable segments results of operations.

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

In accordance with the new revenue recognition standard disclosure requirements, the following tables summarize the impact of adopting ASC Topic 606 on the Company's consolidated balance sheet as of July 1, 2018.

Consolidated Balance Sheet As of July 1, 2018			
	Amounts without the adoption of ASC Topic 606	Changes due to the adoption of ASC Topic 606	Adjusted under ASC Topic 606
ASSETS			
Current Assets:			
Other current assets	\$ 28,996	\$ 4,366	\$ 33,362
Total current assets	1,415,669	4,366	1,420,035
Total assets	\$ 3,736,173	\$ 4,366	\$ 3,740,539
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY			
Current Liabilities:			
Employee related costs	\$ 123,992	\$ 79	\$ 124,071
Other accrued liabilities	180,272	562	180,834
Deferred revenue	324,749	(30,480)	294,269
Total current liabilities	765,505	(29,839)	735,666
Total liabilities	1,105,454	(29,839)	1,075,615
The Madison Square Garden Company Stockholders' Equity:			
Retained Earnings (Accumulated deficit)	(11,059)	34,205	23,146
Total The Madison Square Garden Company stockholders' equity	2,536,483	34,205	2,570,688
Total equity	2,554,035	34,205	2,588,240
Total liabilities, redeemable noncontrolling interests and equity	\$ 3,736,173	\$ 4,366	\$ 3,740,539

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*, which 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. In February 2018, the FASB issued ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which clarifies certain aspects of the guidance issued in ASU No. 2016-01. Among other things, the amendment clarifies that an entity that uses the measurement alternative for equity securities without readily determinable fair values can change its measurement approach to fair value. Once the election is made, the measurement approach is irrevocable and the entity is required to apply the selected approach to that security and all identical or similar investments of the same issuer. This change in accounting is expected to create greater volatility in the Company's miscellaneous income (expense) in the future. The primary impact of the adoption of ASU No. 2016-01 and ASU No. 2018-03 relate to the Company's available-for-sale equity investment and resulted in unrecognized gains and losses from such investment being reflected in the Company's consolidated statements of operations beginning in fiscal year 2019. The Company adopted ASU No. 2016-01 and ASU No. 2018-03 in the first quarter of fiscal year 2019 and recorded a cumulative-effect adjustment to the balance sheet by reclassifying the balance of the Accumulated other comprehensive loss to Accumulated deficit of \$5,570 including income tax expense effect of \$3,104. See Notes 7 and 10 for more information on the Company's equity investment with readily determinable fair value in Townsquare Media, Inc. ("Townsquare").

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

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 how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company adopted this standard in the first quarter of fiscal year 2019 retrospectively. The adoption of this standard did not have an 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 the recognition of income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The Company adopted this standard in the first quarter of fiscal year 2019 on a modified retrospective basis. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

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 diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. This standard requires that a statement of cash flows explains the change during the period in total 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. The Company adopted this standard in the first quarter of fiscal year 2019 retrospectively and it resulted in a decrease to net cash flows provided by operating activities of \$6,163 for the nine months ended March 31, 2018. See Note 6 for a reconciliation of the cash, cash equivalents and restricted cash reported in the Company's consolidated balance sheets to the amounts as reported on the consolidated statements of cash flows.

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. The Company adopted this standard in the first quarter of fiscal year 2019. The adoption of this standard did not have an 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. 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. The Company adopted this standard in the first quarter of fiscal year 2019 retrospectively and elected the practical expedient allowed by ASU No. 2017-07 to utilize amounts disclosed in the Company's pension plans and other postretirement benefit plan (see Note 12) for the prior comparative period as the estimation basis for applying the retrospective presentation requirements. As a result, the Company recorded a prior period adjustment in the accompanying consolidated statements of operations for the three months ended March 31, 2018 to decrease Direct operating expenses and Selling, general and administrative expenses by \$286 and \$707, respectively, which was related to the non-service cost components of net periodic pension and postretirement benefit cost, with a corresponding adjustment of \$993 in Miscellaneous income (expense), net. For the nine months ended March 31, 2018, the Company recorded a prior period adjustment in the accompanying consolidated statements of operations to decrease Direct operating expenses and Selling, general and administrative expenses by \$809 and \$2,172, respectively, which was related to the non-service cost components of net periodic pension and postretirement benefit cost, with a corresponding adjustment of \$2,981 in Miscellaneous income (expense), net. For the three and nine months ended March 31, 2019, the non-service cost components of net periodic pension and postretirement benefit cost included under Miscellaneous income (expense), net in the accompanying consolidated statements of operations was \$1,077 and \$3,228, respectively.

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

In June 2018, the FASB issued ASU No. 2018-07, *Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which expands the scope of ASC Topic 718 to include all share-based payment transactions for acquiring goods and services from nonemployees. ASU No. 2018-07 specifies that ASC Topic 718 applies to all share-based payment transactions in which the grantor acquires goods and services to be used or consumed in its own operations by issuing share-based payment awards. ASU No. 2018-07 also clarifies that ASC Topic 718 does not apply to share-based payments used to effectively provide (i) financing to the issuer or (ii) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC Topic 606. The Company early adopted this standard in the third quarter of fiscal year 2019. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes existing guidance on accounting for leases in 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. In January 2018, the FASB issued ASU No. 2018-01, *Leases (Topic 842) — Land Easement Practical Expedient for Transition to Topic 842*, which provides a lessee or lessor the option to not assess at transition whether existing land easements, not currently accounted for as leases under the current lease guidance, should be treated as leases under the new standard. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2018-11, *Leases (Topic 842) Targeted improvements*, which provides an additional (and optional) transition method whereby the new lease standard is applied at the adoption date and recognized as an adjustment to retained earnings. The effective date and transition requirements for ASU No. 2018-01, ASU No. 2018-10 and ASU No. 2018-11 are the same as ASU No. 2016-02. This standard, as amended, 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. The Company plans to adopt this standard using the optional transition method allowed by ASU No. 2018-11, whereby the Company will initially apply the new leases standard at July 1, 2019, and will recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. 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 No. 2016-13, *Financial Instruments — Credit Losses*. ASU No. 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 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.

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

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement* as part of the FASB's broader disclosure framework project. ASU No. 2018-13 removes, modifies and adds certain disclosures providing greater focus on requirements that clearly communicate the most important information to the users of the financial statements with respect to fair value measurements. The standard is effective for the Company beginning in the first quarter of fiscal year 2021, with early adoption permitted. Most of the disclosure requirements in ASU No. 2018-13 would need to be applied on a retrospective basis except for the guidance related to (i) unrealized gains and loss included in other comprehensive income, (ii) disclosure related to range and weighted average Level 3 unobservable inputs and (iii) narrative disclosure requirements on measurement uncertainty, which are required to be applied on a prospective basis. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans — General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU No. 2018-14 removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and adds additional disclosures. The standard will be effective for the Company in the fourth quarter of fiscal year 2021, with early adoption permitted. The amendments in ASU No. 2018-14 are required to be applied retrospectively. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles — Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. ASU No. 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance also specifies that the balance sheet, income statement, and statement of cash flows presentation of capitalized implementation costs and the related amortization should align with the presentation of the hosting (service) element of the arrangement. The standard is effective for the Company in the first quarter of fiscal year 2021, with early adoption permitted. Entities have the option to apply the guidance prospectively to all implementation costs incurred after the date of adoption or retrospectively. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. ASU No. 2018-17 amends the variable interest entities ("VIE") guidance to align the evaluation of a decision maker's or service provider's fee in assessing a variable interest with the guidance in the primary beneficiary test. Specifically, indirect interests held by a related party that is under common control will now be considered on a proportionate basis, rather than in their entirety, when assessing whether the fee qualifies as a variable interest. The proportionate basis approach is consistent with the treatment of indirect interests held by a related party under common control when evaluating the primary beneficiary of a VIE. This effectively means that when a decision maker or service provider has an interest in a related party, regardless of whether they are under common control, it will consider that related party's interest in a VIE on a proportionate basis throughout the VIE model, for both the assessment of a variable interest and the determination of a primary beneficiary. The standard will be effective for the Company in the first quarter of fiscal year 2021, with early adoption permitted. The amendments in ASU No. 2018-17 are required to be applied retrospectively. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*. ASU No. 2018-18 clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under ASC Topic 606 when the counterparty is a customer. In addition, ASU No. 2018-18 precludes an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. The standard will be effective for the Company in the first quarter of fiscal year 2021, with early adoption permitted. The amendments in ASU No. 2018-18 are required to be applied retrospectively to the date when the Company initially adopted ASC Topic 606. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments — Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 — Financial Instruments*. This ASU provides narrow-scope amendments to help apply these recent standards. The transition requirements and effective date of this ASU will be effective for the Company in the first quarter of fiscal year 2021 with early adoption permitted for certain amendments. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

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

Note 3. Revenue Recognition**Contracts with Customers**

All revenue recognized in the consolidated statements of operations is considered to be revenue from contracts with customers in accordance with ASC Topic 606. For the three and nine months ended March 31, 2019, the Company did not have any impairment losses on receivables or contract assets arising from contracts with customers.

The Company recognizes revenue when, or as, performance obligations under the terms of a contract are satisfied, which generally occurs when, or as, control of promised goods or services are transferred to customers. Revenue is measured as the amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services ("transaction price"). To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price utilizing the most likely amount to which the Company expects to be entitled. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Estimates of variable consideration and the determination of whether to include such estimated amounts in the transaction price are based largely on an assessment of the Company's anticipated performance and all information that is reasonably available. The Company accounts for taxes collected from customers and remitted to governmental authorities on a net basis and excludes these amounts from revenues.

In addition, the Company defers certain costs to fulfill the Company's contracts with customers to the extent such costs relate directly to the contracts, are expected to generate resources that will be used to satisfy the Company's performance obligations under the contracts and are expected to be recovered through revenue generated under the contracts. Contract fulfillment costs are expensed as the Company satisfies the related performance obligations.

Arrangements with Multiple Performance Obligations

The Company has arrangements with multiple performance obligations, such as multi-year sponsorship agreements which may derive revenues for each of the Company's segments within a single arrangement. Payment terms for such arrangements can vary by contract, but payments are generally due in installments throughout the contractual term. The performance obligations included in each sponsorship agreement vary and may include various advertising benefits such as, but not limited to, signage at The Garden and the Company's other venues, digital advertising, event or property specific advertising, as well as non-advertising benefits such as suite licenses and event tickets. To the extent the Company's multi-year arrangements provide for performance obligations that are consistent over the multi-year contractual term, such performance obligations generally meet the definition of a series as provided for under the accounting guidance. If performance obligations are concluded to meet the definition of a series, the contractual fees for all years during the contract term are aggregated and the related revenue is recognized proportionately as the underlying performance obligations are satisfied.

The timing of revenue recognition for each performance obligation is dependent upon the facts and circumstances surrounding the Company's satisfaction of its respective performance obligation. The Company allocates the transaction price for such arrangements to each performance obligation within the arrangement based on the estimated relative standalone selling price of the performance obligation. The Company's process for determining its estimated standalone selling prices involves management's judgment and considers multiple factors including company specific and market specific factors that may vary depending upon the unique facts and circumstances related to each performance obligation. Key factors considered by the Company in developing an estimated standalone selling price for its performance obligations include, but are not limited to, prices charged for similar performance obligations, the Company's ongoing pricing strategy and policies, and consideration of pricing of similar performance obligations sold in other arrangements with multiple performance obligations.

The Company may incur costs such as commissions to obtain its multi-year sponsorship agreements. The Company assesses such costs for capitalization on a contract by contract basis. To the extent costs are capitalized, the Company estimates the useful life of the related contract asset which may be the underlying contract term or the estimated customer life depending on the facts and circumstances surrounding the contract. The contract asset is amortized over the estimated useful life.

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

Principal versus Agent Revenue Recognition

The Company reports revenue on a gross or net basis based on management's assessment of whether the Company acts as a principal or agent in the transaction. The determination of whether the Company acts as a principal or an agent in a transaction is based on an evaluation of whether the Company controls the good or service before transfer to the customer. When the Company concludes that it controls the good or service before transfer to the customer, the Company is considered a principal in the transaction and records revenue on a gross basis. When the Company concludes that it does not control the good or service before transfer to the customer but arranges for another entity to provide the good or service, the Company acts as an agent and records revenue on a net basis in the amount it earns for its agency service.

In connection with the 2015 Distribution, the Company entered into an advertising sales representation agreement with MSG Networks. Pursuant to the agreement, the Company has the exclusive right and obligation to sell advertising on behalf of MSG Networks. The Company is entitled to and earns commission revenue as the advertisements are aired on MSG Networks. Since the Company acts as an agent, the Company recognizes the advertising commission revenue on a net basis.

The Company's revenue recognition policies that summarize the nature, amount, timing and uncertainty associated with each of the Company's revenue sources are discussed further in each respective segment discussion below.

MSG Entertainment

The Company's MSG Entertainment segment earns event related revenues principally from the sale of tickets for events that the Company produces or promotes/co-promotes, and from venue license fees charged to third-party promoters for events held at the Company's venues that MSG Entertainment does not produce or promote/co-promote. The Company's performance obligations with respect to event-related revenues from the sale of tickets, venue license fees from third-party promoters, sponsorships, concessions and merchandise are satisfied at the point of sale or as the related event occurs.

MSG Entertainment's revenues also include revenue from the license of The Garden's suites. Suite license arrangements are generally multi-year fixed-fee arrangements that include annual fee increases. Payment terms for suite license arrangements can vary by contract, but payments are generally due in installments prior to each license year. The Company's performance obligation under such arrangements is to provide the licensee with access to the suite when events occur at The Garden. The Company accounts for the performance obligation under these types of arrangements as a series and, as a result, the related suite license fees for all years during the license term are aggregated and revenue is recognized proportionately over the license period as the Company satisfies the related performance obligation. Progress toward satisfaction of the Company's annual suite license performance obligations is measured as access to the suite is provided to the licensee for each event throughout the contractual term of the license.

The Company's MSG Entertainment segment also earns revenues from the sale of advertising in the form of venue signage and other forms of sponsorship, which are not related to any specific event. The Company's performance obligations with respect to this advertising are satisfied as the related benefits are delivered over the term of the respective agreements.

Revenues from dining, nightlife and hospitality offerings through TAO Group are recognized when food, beverages and/or services are provided to the customer as that is the point in which the related performance obligation is satisfied. In addition, management fee revenues which are earned in accordance with specific venue management agreements are recorded over the period in which the management services are performed as such depicts the measure of progress toward satisfaction of the Company's venue management performance obligations.

Amounts collected in advance of the Company's satisfaction of its contractual performance obligations are recorded as a contract liability within deferred revenue and are recognized as the Company satisfies the related performance obligations. Amounts collected in advance of events for which the Company is not the promoter or co-promoter do not represent contract liabilities and are recorded as collections due to promoters on the balance sheet.

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

MSG Sports

The Company's professional sports teams derive event-related revenues principally from ticket sales which are recognized as the related games occur. MSG Sports revenues also include revenue from the license of The Garden's suites. Suite license arrangements are generally multi-year fixed fee arrangements that include annual fee increases. Payment terms for suite license arrangements can vary by contract, but payments are generally due in installments prior to each license year. The Company's performance obligation under such arrangements is to provide the licensee with access to the suite when events occur at The Garden. The Company accounts for the performance obligation under these types of arrangements as a series and, as a result, the related suite license fees for all years during the license term are aggregated and revenue is recognized proportionately over the license period as the Company satisfies the related performance obligation. Progress toward satisfaction of the Company's suite license performance obligations is measured as access to the suite is provided to the licensee for each event throughout the contractual term of the license.

In addition to event-related revenue, MSG Sports maintains local media rights arrangements which provide for the licensing of team-related programming to MSG Networks. MSG Sports, pursuant to the terms of the agreements, receives such rights fees in equal monthly installments throughout each license year. The transaction price under these arrangements is variable in nature as certain credit provisions exist to the extent that the teams' games are unavailable for broadcast during an individual league season. The Company estimates the transaction price at the beginning of each fiscal year, which coincides with the annual contractual term. In estimating the transaction price, the Company considers the contractually agreed upon license fees as well as qualitative considerations with respect to the number of games expected to be available for broadcast by MSG Networks over the upcoming year. The resulting transaction price is allocated entirely to the rights provided for the related contract year and revenue is recognized using an output measure of progress toward satisfaction of the Company's performance obligations within the contract year, as the underlying benefits are conveyed to the licensee.

The Company's professional sports teams also derive revenue from the distribution of league-wide national and international television contracts and other league-wide revenue sources. The transaction price for each of these revenues is based upon the expected distribution values as communicated by the applicable league. The timing of revenue recognition is dependent on the nature of the underlying performance obligation, which is generally over time. Receipt of league-wide revenues generally occurs at the time of communication or according to a specified timeline.

MSG Sports also earns revenues from the sale of advertising in the form of venue signage and sponsorships, which are not related to any specific event. The Company's performance obligations with respect to this advertising are satisfied as the related benefits are delivered over the term of the respective agreements.

The Company's MSG Sports segment also derives revenue from live sporting events not related to the Company's teams. The Company's performance obligations with respect to event-related revenues from other live sporting events, including the sale of tickets, venue license fees earned in connection with other live sporting events that the Company does not produce or promote, sponsorships, concessions and merchandise are satisfied at the point of sale or as the related event occurs.

Amounts collected in advance of the Company's satisfaction of its contractual performance obligations are recorded as a contract liability within deferred revenue and are recognized as the Company satisfies the related performance obligations. Amounts collected in advance of events for which the Company is not the promoter or co-promoter do not represent contract liabilities and are recorded as collections due to promoters on the balance sheet.

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

Disaggregation of Revenue

The following table disaggregates the Company's revenue by major source and reportable segment based upon the timing of transfer of goods or services to the customer for the three and nine months ended March 31, 2019:

Three Months Ended March 31, 2019				
	MSG Entertainment	MSG Sports	Eliminations	Total
Event-related ^(a)	\$ 144,459	\$ 159,405	\$ (685)	\$ 303,179
Sponsorship, signage and suite licenses	17,666	66,714	(171)	84,209
League distributions	—	50,996	—	50,996
Local media rights fees from MSG Networks	—	66,073	—	66,073
Other ^(b)	4,327	8,406	—	12,733
Total revenues from contracts with customers	<u>\$ 166,452</u>	<u>\$ 351,594</u>	<u>\$ (856)</u>	<u>\$ 517,190</u>

Nine Months Ended March 31, 2019				
	MSG Entertainment	MSG Sports	Eliminations	Total
Event-related ^(a)	\$ 564,244	\$ 316,368	\$ (685)	\$ 879,927
Sponsorship, signage and suite licenses	57,658	149,875	(511)	207,022
League distributions	—	107,924	—	107,924
Local media rights fees from MSG Networks	—	130,244	—	130,244
Other ^(b)	24,017	18,378	—	42,395
Total revenues from contracts with customers	<u>\$ 645,919</u>	<u>\$ 722,789</u>	<u>\$ (1,196)</u>	<u>\$ 1,367,512</u>

^(a) Consists of (i) ticket sales and other ticket-related revenues, (ii) TAO Group's entertainment dining and nightlife offerings, (iii) food, beverage and merchandise sales, and (iv) venue license fees from third-party promoters.

^(b) Primarily consists of (i) advertising commission revenue from MSG Networks, (ii) managed venue revenues from TAO Group, and (iii) revenues from Obscura.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed receivables, contract assets and contract liabilities on the consolidated balance sheet. The following table provides information about contract balances from the Company's contracts with customers as of March 31, 2019 and July 1, 2018.

	March 31, 2019	July 1, 2018
Receivables from contracts with customers, net ^(a)	\$ 195,934	\$ 100,930
Contract assets, current ^(b)	32,454	4,366
Deferred revenue, including non-current portion ^(c)	296,392	304,501

^(a) Receivables from contracts with customers, which are reported in Accounts receivable, net and Net related party receivables in the Company's consolidated balance sheets, represent the Company's unconditional rights to consideration under its contracts with customers. As of March 31, 2019 and July 1, 2018, the Company's receivables from contracts with customers above included \$83 and \$205, respectively, related to various related parties. See Note 17 for further details on these related party arrangements.

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

- (b) *Contract assets, which are reported as Other current assets in the Company's consolidated balance sheets, primarily relate to the Company's rights to consideration for goods or services transferred to the customer, for which the Company does not have an unconditional right to bill as of the reporting date. Contract assets are transferred to accounts receivable once the Company's right to consideration becomes unconditional. As of March 31, 2019, the Company's contract assets above included \$20,780 of contract assets related to local media rights with MSG Networks. See Note 17 for further details on these related party arrangements.*
- (c) *Deferred revenue primarily relates to the Company's receipt of consideration from a customer in advance of the Company's transfer of goods or services to that customer. Deferred revenue is reduced and the related revenue is recognized once the underlying goods or services are transferred to the customer. Revenue recognized for the nine months ended March 31, 2019 relating to the deferred revenue balance as of July 1, 2018 was \$244,772.*

Transaction Price Allocated to the Remaining Performance Obligations

The following table depicts the estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2019. In developing the estimated revenue, the Company applies the allowable practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less. Additionally, the Company has elected to exclude variable consideration from its disclosure related to the remaining performance obligations under its local media rights arrangements with MSG Networks.

Fiscal year 2019 (remainder)	\$	42,384
Fiscal year 2020		207,438
Fiscal year 2021		170,701
Fiscal year 2022		128,453
Fiscal year 2023		74,898
Thereafter		172,613
	<u>\$</u>	<u>796,487</u>

Note 4. Team Personnel Transactions

Direct operating expenses in the accompanying consolidated statements of operations include net provisions for transactions relating to players and certain other team personnel of the Company's sports teams for waivers/contract termination costs, player trades and season-ending injuries ("Team personnel transactions"). Team personnel transactions were \$16,976 and \$7,119 for the three months ended March 31, 2019 and 2018, respectively, and \$57,063 and \$9,977 for the nine months ended March 31, 2019 and 2018, respectively. Team personnel transactions for the three and nine months ended March 31, 2018 are reported net of insurance recoveries of \$468.

Note 5. 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		Nine Months Ended	
	March 31,		March 31,	
	2019	2018	2019	2018
Weighted-average shares (denominator):				
Weighted-average shares for basic EPS	23,792	23,683	23,759	23,623
Dilutive effect of shares issuable under share-based compensation plans	89	126	109	220
Weighted-average shares for diluted EPS	23,881	23,809	23,868	23,843
Weighted-average anti-dilutive shares	449	94	340	37

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

Note 6. Cash, Cash Equivalents and Restricted Cash

The following table provides a summary of the amounts recorded as cash, cash equivalents and restricted cash.

	As of			
	March 31, 2019	June 30, 2018	March 31, 2018	June 30, 2017
Captions on the consolidated balance sheets:				
Cash and cash equivalents	\$ 1,153,060	\$ 1,225,638	\$ 1,176,554	\$ 1,238,114
Restricted cash ^(a)	29,033	30,982	27,837	34,000
Cash, cash equivalents and restricted cash on the consolidated statements of cash flows	<u>\$ 1,182,093</u>	<u>\$ 1,256,620</u>	<u>\$ 1,204,391</u>	<u>\$ 1,272,114</u>

^(a) See Note 2 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2018 for more information regarding the nature of restricted cash.

Note 7. Investments and Loans to Nonconsolidated Affiliates

The Company's investments and loans to nonconsolidated affiliates which are accounted for under the equity method of accounting, equity investments without readily determinable fair values and cost method of accounting in accordance with ASC Topic 323, *Investments - Equity Method and Joint Ventures*, ASC Topic 321, *Investments - Equity Securities* and ASC Topic 325, *Investments - Other*, respectively, consisted of the following:

	Ownership Percentage	Investment	Loan	Total
March 31, 2019				
Equity method investments:				
SACO Technologies Inc. ("SACO")	30%	\$ 44,533	\$ —	\$ 44,533
Tribeca Enterprises LLC ("Tribeca Enterprises") ^(a)	50%	7,074	20,625	27,699
Others		8,602	—	8,602
Equity investments without readily determinable fair values ^(b)		10,527	—	10,527
Total investments and loans to nonconsolidated affiliates		<u>\$ 70,736</u>	<u>\$ 20,625</u>	<u>\$ 91,361</u>
June 30, 2018				
Equity method investments:				
Azoff MSG Entertainment LLC ("AMSGE")	50%	\$ 101,369	\$ 63,500	\$ 164,869
Tribeca Enterprises ^(a)	50%	8,007	19,525	27,532
Others		6,977	—	6,977
Cost method investments ^(b)		10,573	—	10,573
Total investments and loans to nonconsolidated affiliates		<u>\$ 126,926</u>	<u>\$ 83,025</u>	<u>\$ 209,951</u>

^(a) In connection with the Company's investment in Tribeca Enterprises, the Company provides a \$17,500 revolving credit facility to Tribeca Enterprises. Pursuant to the terms, the Tribeca Enterprises revolving credit facility will be terminated on June 30, 2021. The loan outstanding include payments-in-kind ("PIK") interest of \$3,125 and \$2,025 as of March 31, 2019 and June 30, 2018, respectively. PIK interest owed does not reduce the availability under the revolving credit facility. The \$17,500 Tribeca Enterprises revolving credit facility was fully drawn as of March 31, 2019 and June 30, 2018.

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

^(b) *In accordance with the ASU No. 2016-01 and ASU No. 2018-03, that were adopted on July 1, 2018, the cost method accounting for equity investments was eliminated. Such investments are required to be presented at fair value. The Company has elected to account for its equity securities without readily determinable fair values that are carried at cost, adjusted for impairment and changes resulting from observable price fluctuations in orderly transactions for the identical or a similar investment of the same issuer ("Measurement Alternative"). The Company applies the Measurement Alternative, which is classified within Level III of the fair value hierarchy, on its equity investments without readily determinable fair values as of March 31, 2019 and July 1, 2018 and did not identify any adjustments.*

On December 5, 2018, the Company sold its 50% interest in AMSGE (renamed The Azoff Company) joint venture for \$125,000 to The Azoff Company Holdings ("Azoff Music"). The Company recorded a gain on the sale of its interest in AMSGE of \$3,227 (net of transaction costs of \$2,282), which is reported in Earnings (loss) in equity method investments in the accompanying consolidated statements of operations for the nine months ended March 31, 2019. The \$63,500 outstanding under the revolving credit facility previously extended by the Company to AMSGE was also converted to a subordinated term loan with a maturity date of September 20, 2021. This subordinated term loan was assumed by The Azoff Company Equity LLC, a newly-formed holding company that owns, directly or indirectly, the investments previously owned by AMSGE. This subordinated term loan bears interest at a floating rate, which at the option of The Azoff Company Equity LLC, is either (i) a base rate plus a margin of 1.25% per annum or (ii) six-month LIBOR plus a margin of 2.25% per annum. Azoff Music directly or through its affiliates will continue to provide consulting services to the Company, including with respect to the Forum and other venues (including MSG Spheres). See Note 10 for more information on this subordinated term loan receivable.

In July 2018, the Company acquired a 30% interest in SACO, a global provider of high-performance LED video lighting and media solutions for a total consideration of approximately \$47,244. The Company plans to utilize SACO as a preferred display technology provider for MSG Spheres and benefit from agreed upon commercial terms. The total consideration consisted of a \$42,444 payment at closing and a \$4,800 deferred payment, which was made in October 2018. As of the acquisition date, the carrying amount of the investment was greater than the Company's equity interest in the underlying net assets of SACO. As such, the Company allocated the difference to amortizable intangible assets of \$25,350 and is amortizing these intangible assets on a straight-line basis over the expected useful lives ranging from 6 to 12 years.

Equity Investment with Readily Determinable Fair Value

In addition to the investments discussed above, the Company holds an investment of 3,208 shares of the common stock of Townsquare. Townsquare is a leading media, entertainment and digital marketing solutions company that is listed on the New York Stock Exchange ("NYSE") under the symbol "TSQ." In accordance with ASC Topic 321, *Investments - Equity Securities*, this investment is measured at readily determinable fair value and is reported under Other assets in the accompanying consolidated balance sheet as of March 31, 2019 and June 30, 2018. See Note 10 for more information on the fair value of the investment in Townsquare.

Note 8. Goodwill and Intangible Assets

The carrying amounts of goodwill, by reportable segment, as of March 31, 2019 and June 30, 2018 are as follows:

MSG Entertainment	\$	165,558
MSG Sports		226,955
	\$	392,513

During the first quarter of fiscal year 2019, 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 as of the impairment test date.

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

The Company's indefinite-lived intangible assets as of March 31, 2019 and June 30, 2018 are as follows:

Sports franchises (MSG Sports segment)	\$	110,564
Trademarks (MSG Entertainment segment)		62,421
Photographic related rights (MSG Sports segment)		3,000
	<u>\$</u>	<u>175,985</u>

During the first quarter of fiscal year 2019, the Company performed its annual impairment test of identifiable indefinite-lived intangible assets and determined that there were no impairments identified as of the impairment test date.

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

March 31, 2019	Gross	Accumulated Amortization	Net
Trade names	\$ 101,830	\$ (10,956)	\$ 90,874
Venue management contracts	79,000	(8,746)	70,254
Favorable lease assets	54,253	(9,231)	45,022
Season ticket holder relationships	50,032	(46,708)	3,324
Non-compete agreements	11,400	(3,800)	7,600
Festival rights	8,080	(1,481)	6,599
Other intangibles	10,064	(6,788)	3,276
	<u>\$ 314,659</u>	<u>\$ (87,710)</u>	<u>\$ 226,949</u>

June 30, 2018	Gross	Accumulated Amortization	Net
Trade names	\$ 101,830	\$ (6,658)	\$ 95,172
Venue management contracts	79,000	(5,324)	73,676
Favorable lease assets	54,253	(5,686)	48,567
Season ticket holder relationships	50,032	(44,206)	5,826
Non-compete agreements	11,400	(2,266)	9,134
Festival rights	8,080	(1,078)	7,002
Other intangibles	10,064	(5,635)	4,429
	<u>\$ 314,659</u>	<u>\$ (70,853)</u>	<u>\$ 243,806</u>

Amortization expense for intangible assets, excluding the amortization of favorable lease assets of \$1,152 and \$1,219 for the three months ended March 31, 2019 and 2018, respectively, which is reported in rent expense, was \$4,252 and \$5,183 for the three months ended March 31, 2019 and 2018, respectively. For the nine months ended March 31, 2019 and 2018, amortization expense for intangible assets, excluding the amortization of favorable lease assets of \$3,545 and \$3,656 for the nine months ended March 31, 2019 and 2018, respectively, which is reported in rent expense, was \$13,312 and \$14,729 respectively.

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

Note 9. Commitments and Contingencies**Commitments**

As more fully described in Note 9 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2018, 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 Company venues, including TAO Group venues, and various corporate offices, and (iii) the revolving credit facility provided by the Company to Tribeca Enterprises (see Note 7). The Company did not have any material changes in its contractual obligations since the end of fiscal year 2018 other than activities in the ordinary course of business.

In connection with the TAO Group and CLG acquisitions, the Company has accrued deferred and 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 March 31, 2019.

Legal Matters

The Company is a defendant in various lawsuits. Although the outcome of these lawsuits cannot be predicted with certainty (including the extent of available insurance, if any), management does not believe that resolution of these 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 an equity investment with readily determinable fair value:

	Fair Value Hierarchy	March 31, 2019	June 30, 2018
Assets:			
Commercial Paper	I	\$ 179,916	\$ 147,098
Money market accounts	I	142,355	151,887
Time deposits	I	803,410	891,923
Equity investment with readily determinable fair value	I	18,351	20,756
Total assets measured at fair value		<u>\$ 1,144,032</u>	<u>\$ 1,211,664</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 amount of the Company's commercial paper, money market accounts and time deposits approximates fair value due to their short-term maturities.

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

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

	March 31, 2019		June 30, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Notes receivable, including interest accruals	\$ 11,916	\$ 11,916	\$ 4,116	\$ 4,116
Short-term investments ^(a)	110,924	110,924	—	—
Equity investment with readily determinable fair value ^(b)	18,351	18,351	20,756	20,756
Subordinated term loan receivable ^(c)	58,735	57,932	—	—
Liabilities				
Long-term debt, including current portion ^(d)	\$ 105,383	\$ 102,974	\$ 109,313	\$ 111,588

- ^(a) The Company's short-term investment is an U.K. pounds sterling denominated time deposit with a banking institution in London that has an original six-month maturity date from inception. See Note 2 for more information on this short-term investment.
- ^(b) Aggregate cost basis for the Company's equity investment with readily determinable fair value in Townsquare, including transaction costs, was \$23,222 as of March 31, 2019. The fair value of this investment is determined based on quoted market prices in an active market on the NYSE, which is classified within Level I of the fair value hierarchy. For the three and nine months ended March 31, 2019, the Company recorded an unrealized gain (loss) of \$5,261 and \$(2,405), respectively, as a result of changes in the market value related to this investment. The unrealized gain (loss) is reported in Miscellaneous income (expense), net in the accompanying consolidated statement of operations.
- ^(c) In connection with the sale of the Company's joint venture interest in AMSGE in December 2018, the \$63,500 outstanding balance under the revolving credit facility extended by the Company to AMSGE was converted to a subordinated term loan with a maturity date of September 20, 2021. The subordinated loan was assumed by an affiliate of AMSGE. During the three months ended March 31, 2019, the Company received a \$4,765 principal repayment. The Company's subordinated term loan receivable 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. See Note 7 for more information on this subordinated term loan receivable.
- ^(d) 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. See Note 11 for more information on this long-term debt.

Contingent Consideration Liabilities

In connection with the TAO Group and CLG acquisitions (see Note 3 and Note 10 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2018 for further details), the Company recorded certain deferred and contingent consideration liabilities at fair value as part of the preliminary purchase price allocation. As of March 31, 2019 and June 30, 2018, the fair value of deferred and contingent consideration liabilities in connection with the TAO Group and CLG acquisitions was \$8,195.

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

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. 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 March 31, 2019, 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 March 31, 2019.

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.

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 Revolving Credit Facility 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 Revolving Credit Facility, 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 Revolving Credit Facility; (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 in successive years and the facility has been renewed for a new term effective as of September 28, 2018. This facility was undrawn as of March 31, 2019.

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. 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 March 31, 2019, 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.

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

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 March 31, 2019.

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 qualified revenues are less than 17% of the maximum available amount under the Rangers Revolving Credit Facility.

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 Revolving Credit Facility 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 Revolving Credit Facility, 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 Revolving Credit Facility; (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 (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 December 30, 2018 (the most recent date at which compliance was assessed under the TAO Credit Facilities). The TAO Revolving Credit Facility was undrawn as of March 31, 2019.

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 December 30, 2018 was 10.38%. TAO Group made interest payments under the TAO Term Loan Facility of \$1,906 and \$3,423 for the thirteen weeks ended December 30, 2018 and for the fourteen weeks ended December 31, 2017, respectively (the periods for which TAO Group's operating results

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

are recorded in the Company's consolidated statements of operations for the three months ended March 31, 2019 and 2018). For the thirty-nine weeks ended December 30, 2018 and forty weeks ended December 31, 2017 (the periods for which TAO Group's operating results are recorded in the Company's consolidated statements of operations for the nine months ended March 31, 2019 and 2018), TAO Group made interest payments under the TAO Term Loan Facility of \$7,395 and \$8,561, respectively.

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 11 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2018 for more information regarding the Company's debt maturities for the TAO Term Loan Facility.

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 March 31, 2019 and June 30, 2018.

	March 31, 2019		
	TAO Term Loan Facility	Deferred Financing Costs	Total
Current portion of long-term debt, net of deferred financing costs ^(a)	\$ 12,430	\$ (939)	\$ 11,491
Long-term debt, net of deferred financing costs	92,953	(1,969)	90,984
Total	\$ 105,383	\$ (2,908)	\$ 102,475

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

	June 30, 2018		
	TAO Term Loan Facility	Deferred Financing Costs	Total
Current portion of long-term debt, net of deferred financing costs	\$ 5,304	\$ (939)	\$ 4,365
Long-term debt, net of deferred financing costs	104,009	(2,674)	101,335
Total	<u>\$ 109,313</u>	<u>\$ (3,613)</u>	<u>\$ 105,700</u>

^(a) In addition to the TAO Term Loan Facility disclosed above, the Company's Current portion of long-term debt, net of deferred financing costs in the accompanying consolidated balance sheet as of March 31, 2019 also include \$606 of short-term notes with respect to loans received by BCE from its noncontrolling interest holder during the nine months ended March 31, 2019.

The following table summarizes deferred financing costs, net of amortization, related to the Knicks Revolving Credit Facility, Rangers Revolving Credit Facility, and TAO Revolving Credit Facility as reported in the accompanying consolidated balance sheets as of March 31, 2019 and June 30, 2018.

	March 31, 2019	June 30, 2018
Other current assets	\$ 778	\$ 778
Other assets	1,323	1,906

Note 12. Pension Plans and Other Postretirement Benefit Plan

See Note 12 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2018 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").

Defined Benefit Pension Plans and Postretirement Benefit Plan

The following table presents components of net periodic benefit cost for the Pension Plans and Postretirement Plan included in the accompanying consolidated statements of operations for the three and nine months ended March 31, 2019 and 2018. Service cost is recognized in direct operating expenses and selling, general and administrative expenses. All other components of net periodic benefit cost are reported in Miscellaneous income (expense), net.

	Pension Plans		Postretirement Plan	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2019	2018	2019	2018
Service cost	\$ 20	\$ 21	\$ 28	\$ 31
Interest cost	1,473	1,306	58	45
Expected return on plan assets	(781)	(658)	—	—
Recognized actuarial loss	318	310	10	—
Amortization of unrecognized prior service credit	—	—	(1)	(10)
Net periodic benefit cost	<u>\$ 1,030</u>	<u>\$ 979</u>	<u>\$ 95</u>	<u>\$ 66</u>

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

	Pension Plans		Postretirement Plan	
	Nine Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2019	2018	2019	2018
Service cost	\$ 60	\$ 63	\$ 83	\$ 94
Interest cost	4,419	3,919	173	135
Expected return on plan assets	(2,344)	(1,975)	—	—
Recognized actuarial loss	954	930	30	—
Amortization of unrecognized prior service credit	—	—	(4)	(28)
Net periodic benefit cost	<u>\$ 3,089</u>	<u>\$ 2,937</u>	<u>\$ 282</u>	<u>\$ 201</u>

Defined Contribution Pension Plans

For the three and nine months ended March 31, 2019 and 2018, expenses related to the Savings Plans and Union Savings Plan included in the accompanying consolidated statements of operations are as follows:

Savings Plans				Union Savings Plan			
Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
March 31,		March 31,		March 31,		March 31,	
2019	2018	2019	2018	2019	2018	2019	2018
\$ 2,248	\$ 2,252	\$ 7,624	\$ 6,394	\$ 450	\$ 31	\$ 498	\$ 111

Note 13. Share-based Compensation

See Note 13 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2018 for more information regarding the Company's 2015 Employee Stock Plan (the "Employee Stock Plan") and its 2015 Stock Plan for Non-Employee Directors.

For the three months ended March 31, 2019 and 2018, share-based compensation expense, which was recognized in the consolidated statements of operations as a component of direct operating expenses or selling, general and administrative expenses, was \$15,580 and \$10,076, respectively. For the nine months ended March 31, 2019 and 2018, share-based compensation expense was \$45,984 and \$36,892, respectively. In addition, capitalized share-based compensation expense was \$1,951 for the three and nine months ended March 31, 2019.

Restricted Stock Units Award Activity

The following table summarizes activity related to the Company's restricted stock units and performance restricted stock units, collectively referred to as "RSUs," for the nine months ended March 31, 2019:

	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, 2018	212	271	\$ 192.41
Granted	145	153	\$ 305.40
Vested	(123)	(46)	\$ 184.65
Forfeited	(13)	(21)	\$ 231.66
Unvested award balance, March 31, 2019	<u>221</u>	<u>357</u>	<u>\$ 250.65</u>

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

The fair value of RSUs that vested during the nine months ended March 31, 2019 was \$51,207. Upon delivery, RSUs granted under the Employee Stock Plan were net share-settled to cover the required statutory tax withholding obligations. To fulfill the employees' required statutory tax withholding obligations for the applicable income and other employment taxes, 64 of these RSUs, with an aggregate value of \$19,525 were retained by the Company and the taxes paid are reflected as financing activity in the accompanying consolidated statement of cash flows for the nine months ended March 31, 2019.

The fair value of RSUs that vested during the nine months ended March 31, 2018 was \$74,582. The weighted-average fair value per share at grant date of RSUs granted during the nine months ended March 31, 2018 was \$211.15.

Stock Options Award Activity

The following table summarizes activity related to the Company's stock options for the nine months ended March 31, 2019:

	Number of Time Vesting Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Balance as of June 30, 2018	94	\$ 210.13		
Granted	449	\$ 349.57		
Balance as of March 31, 2019	543	\$ 325.47	7.31	\$ 7,788
Exercisable as of March 31, 2019	31	\$ 210.13	8.72	\$ 2,596

During the nine months ended March 31, 2019, the Company granted 449 stock options that consisted of market priced stock options and premium priced stock options. The exercise prices of the premium priced stock options were set at a 10% and a 25% premium from the closing stock price at the date of grant. These stock options vest ratably over four years and are being expensed on a straight-line basis over the vesting period. The maximum contractual term is 7.5 years. The Company calculated the fair value of the market priced options on the date of grant using the Black-Scholes option pricing model and the premium priced options using the Monte Carlo Simulation. The following are key assumptions used to calculate the weighted-average grant-date fair value of the stock options:

	Market Price	10% Premium	25% Premium
Weighted-average grant date fair value	\$ 79.99	\$ 69.33	\$ 55.64
Expected term	4.98 years	5.10 years	5.29 years
Expected volatility	22.11%	22.11%	22.11%
Risk-free interest rate	3.02%	3.11%	3.11%

The expected terms of the premium priced options were estimated using the simplified method but takes into account that the options are out-of-the-money at grant date and therefore likely to be exercised later. The risk-free interest rate for the premium priced options was determined using a 7.50 year rate, different from the 4.98 year rate used to determine the market priced stock options.

Note 14. Stock Repurchase Program

On September 11, 2015, the Company's Board 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 three and nine months ended March 31, 2019, the Company did not engage in any share repurchase activities under its share repurchase program. As of March 31, 2019, 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:

Three Months Ended March 31, 2019				
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Available-for-sale Securities ^(b)	Accumulated Other Comprehensive Loss
Balance as of December 31, 2018	\$ (40,193)	\$ (3,704)	\$ —	\$ (43,897)
Other comprehensive income before reclassifications	—	6,383	—	6,383
Amounts reclassified from accumulated other comprehensive loss ^(a)	327	—	—	327
Other comprehensive income	327	6,383	—	6,710
Balance as of March 31, 2019	\$ (39,866)	\$ 2,679	\$ —	\$ (37,187)
Three Months Ended March 31, 2018				
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Available- for-sale Securities	Accumulated Other Comprehensive Loss
Balance as of December 31, 2017	\$ (38,806)	\$ 2,277	\$ (2,920)	\$ (39,449)
Other comprehensive income before reclassifications	—	3,656	802	4,458
Amounts reclassified from accumulated other comprehensive loss ^(a)	300	—	—	300
Other comprehensive income	300	3,656	802	4,758
Balance as of March 31, 2018	\$ (38,506)	\$ 5,933	\$ (2,118)	\$ (34,691)
Nine Months Ended March 31, 2019				
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Available- for-sale Securities ^(b)	Accumulated Other Comprehensive Loss
Balance as of June 30, 2018	\$ (40,846)	\$ (502)	\$ (5,570)	\$ (46,918)
Reclassification of unrealized loss on available-for-sale securities	—	—	5,570	5,570
Other comprehensive income before reclassifications	—	3,181	—	3,181
Amounts reclassified from accumulated other comprehensive loss ^(a)	980	—	—	980
Other comprehensive income	980	3,181	—	4,161
Balance as of March 31, 2019	\$ (39,866)	\$ 2,679	\$ —	\$ (37,187)

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

	Nine Months Ended March 31, 2018			
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Unrealized Gain (Loss) 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	—	5,933	(7,411)	(1,478)
Amounts reclassified from accumulated other comprehensive loss ^(a)	902	—	—	902
Other comprehensive income (loss)	902	5,933	(7,411)	(576)
Balance as of March 31, 2018	\$ (38,506)	\$ 5,933	\$ (2,118)	\$ (34,691)

^(a) Amounts reclassified from accumulated other comprehensive loss represent the amortization of net actuarial loss and net unrecognized prior service credit included in net periodic benefit cost, which is reflected under Miscellaneous income (expense), net in the accompanying consolidated statements of operations (see Note 12).

^(b) As of July 1, 2018, upon adoption of ASU No. 2016-01, the Company recorded a transition adjustment to reclassify accumulated other comprehensive loss associated with its investment in Townsquare in the amount of \$2,466 pre-tax (\$5,570, net of tax) to accumulated deficit. See Notes 2 and 10 for more information on the Company's adoption of ASU No. 2016-01 related to its investment in Townsquare and its impact on the Company's operating results for the three and nine months ended March 31, 2019.

Note 16. Income Taxes

On December 22, 2017, the enactment of the Tax Cuts and Jobs Act ("TCJA") significantly changed U.S. tax law and included a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.

Income tax expense for the three months ended March 31, 2019 of \$11,253 differs from income tax expense derived from applying the statutory federal rate of 21% to pretax income primarily due to a decrease in valuation allowance of \$7,654, state income tax expense of \$6,515, tax expense of \$256 relating to noncontrolling interest, and the impact of nondeductible expenses of \$2,281.

Income tax expense for the nine months ended March 31, 2019 of \$12,605 differs from income tax expense derived from applying the statutory federal rate of 21% to pretax income primarily due to a decrease in valuation allowance of \$26,630, state income tax expense of \$14,062, excess tax benefit on share-based payment awards of \$5,793, tax expense of \$1,801 relating to noncontrolling interest, and tax expense of \$8,665 relating to nondeductible expenses.

For the fiscal year ended June 30, 2018, the Company used a blended statutory federal income rate of 28% based upon the number of days that it would be taxed at the former rate of 35% and the number of days it would be taxed at the new rate of 21%, effective January 1, 2018.

Income tax expense for the three months ended March 31, 2018 of \$652 differs from income tax expense derived from applying the blended statutory federal rate of 28% to pretax income primarily as a result of a decrease of \$2,787 in recorded federal and state valuation allowances, which offsets tax expense that would otherwise have been recorded in operating income, as well as a tax benefit of \$1,435 associated with the vesting of restricted stock units. These decreases were partially offset by the impact of state and local income taxes (net of federal benefit) of \$870, and tax expense of \$1,298 primarily related to non-deductible expenses.

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

Income tax benefit for the nine months ended March 31, 2018 of \$115,418 differs from 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 \$27,186 in Federal and state valuation allowance decreases recorded, which offsets the income tax expense attributable to most of the operating income, the impact of a change in state tax rates of \$3,110, and a tax benefit of \$1,435 associated with the vesting of restricted stock units. These decreases were partially offset by the impact of state and local income taxes (net of federal benefit) of \$7,365, and tax expense of \$2,535 primarily related to non-deductible expenses.

The Company was notified during the third quarter of fiscal year 2018 that the IRS was commencing an audit of the federal income tax return for the year ended June 30, 2016. The Company does not expect the audit to result in any material changes.

Note 17. Related Party Transactions

As of March 31, 2019, 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, as amended, collectively beneficially own all of the Company's outstanding Class B Common Stock and own approximately 2.9% 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 71.1% 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").

The Company has various agreements with MSG Networks, including media rights agreements covering the Knicks and the Rangers games, an advertising sales representation agreement, and a services agreement (the "Services Agreement"). Pursuant to the Services Agreement, which is effective July 1, 2018, the Company provides certain services to MSG Networks, such as information technology, accounts payable and payroll, human resources, and other corporate functions, as well as the executive support services described below, in exchange for service fees. MSG Networks similarly provides certain services to the Company, 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 is 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.

Effective July 1, 2018, the Company entered into various Aircraft Support Services Agreements (the "Support Agreements"), pursuant to which the Company provides certain aircraft support services to entities controlled by (i) the Company's Executive Chairman, Chief Executive Officer and a director, (ii) Charles F. Dolan, a director of the Company, and (iii) Patrick Dolan, the son of Charles F. Dolan and brother of James L. Dolan. On December 17, 2018, the Company terminated the agreement providing services to the entity controlled by Charles F. Dolan, and entered into a new agreement with Charles F. Dolan and certain of his children, specifically: Thomas C. Dolan (a director of the Company), Deborah Dolan-Sweeney, Patrick F. Dolan, Marianne Dolan Weber (a director of the Company), and Kathleen Dolan, which provides substantially the same services as the prior agreement for a new aircraft.

In connection with the Support Agreements, the Company, through a wholly-owned subsidiary, entered into reciprocal time sharing/dry lease agreements with each of (i) Quart 2C, LLC ("Q2C"), a company controlled by the Company's Executive Chairman, Chief Executive Officer and a director, and Kristin A. Dolan, his wife and a director of the Company, and (ii) Charles F. Dolan, a director of the Company, and Sterling Aviation, LLC, a company controlled by Charles F. Dolan (collectively, "CFD"), pursuant to which the Company has agreed from time to time to make its aircraft available to each of

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

Q2C and CFD, and Q2C and CFD have agreed from time to time to make their aircraft available to the Company. Pursuant to the terms of the agreements, Q2C and/or CFD may lease on a non-exclusive, “time sharing” basis, the Company’s Gulfstream Aerospace G550 aircraft (the “G550 Aircraft”). On December 17, 2018, in connection with the purchase of a new aircraft (as noted above), the Company replaced the dry lease agreement with CFD with a new dry lease agreement with Sterling2k LLC, an entity owned and controlled by Deborah Dolan-Sweeney, the daughter of CFD and the sister of the Company’s Executive Chairman and Chief Executive Officer, which provides for the Company’s usage of the new aircraft.

The Company, through a wholly-owned subsidiary, and each of MSG Networks and AMC 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 and/or AMC Networks for lease on a “time sharing” basis. Additionally, the Company, MSG Networks and AMC Networks have agreed on an allocation of the costs of certain helicopter use by its shared executives.

As of March 31, 2019, BCE had \$636 of notes payable, inclusive of accrued interest. See Note 11 for further information.

The Company also has certain arrangements with a nonconsolidated affiliate. See Note 7 for more information regarding an outstanding loan provided by the Company to its nonconsolidated affiliate. Additionally, the Company entered into certain commercial agreements with its nonconsolidated affiliates in connection with MSG Sphere. As of March 31, 2019, the Company recorded approximately \$4,100 of capital expenditures in connection with services provided to the Company under these agreements.

Revenues and Operating Expenses (Credits)

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 nine months ended March 31, 2019 and 2018:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Revenues	\$ 74,020	\$ 42,376	\$ 145,766	\$ 119,417
Operating expenses (credits):				
Corporate general and administrative expenses, net - MSG Networks	\$ (2,514)	\$ (2,551)	\$ (7,790)	\$ (7,501)
Consulting fees	—	1,014	1,792	3,043
Advertising expenses	403	268	749	898
Other operating expenses, net	(15)	483	171	721

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. As a result of the adoption of ASC Topic 606 in the current fiscal year, the Company recorded contract assets of \$20,780 in the accompanying consolidated balance sheet as of March 31, 2019, related to the media rights agreements.

In addition, the Company and Tribeca Enterprises have a service agreement pursuant to which the Company provides marketing inventory, advertising sales 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.

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

Corporate General and Administrative Expenses, net - MSG Networks

The Company's corporate overhead expenses that are charged to MSG Networks are primarily related to centralized functions, including executive compensation, finance, treasury, tax, internal audit, legal, information technology, human resources and risk management functions. Corporate general and administrative expenses, net - MSG Networks reflects charges from the Company to MSG Networks under the Services Agreement of \$2,563 and \$2,485, respectively, for the three months ended March 31, 2019 and 2018. For the nine months ended March 31, 2019 and 2018, corporate general and administrative expenses, net - MSG Networks reflects charges from the Company to MSG Networks under the Services Agreement of \$7,850 and \$7,457, respectively.

Consulting Fees

On December 5, 2018, the Company's joint venture interest in AMSGE was sold to Azoff Music, which resulted in the Company no longer being an owner of AMSGE (renamed The Azoff Company). Accordingly, The Azoff Company is not a related party of the Company, and thus the related party transactions disclosed herein that relate to AMSGE were recognized prior to December 5, 2018. Prior to the sale of AMSGE, the Company paid 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. The Company began amortizing this cost during the three months ended September 30, 2018. The carrying amount is included in other assets in the accompanying consolidated balance sheets as of March 31, 2019 and June 30, 2018.

Advertising Expenses

The Company incurs advertising expenses for services rendered by its related parties, primarily MSG Networks, most of which are 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 CFD and (ii) time sharing agreements with MSG Networks and AMC Networks.

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

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 ASC 280-10-50-1, which provides the definition of a reportable segment. In accordance with the FASB's 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, Hulu 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 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). Because it is based upon operating income (loss), adjusted operating income (loss) also excludes interest expense (including cash interest expense) and other non-operating income and expense items. Management believes that the exclusion of share-based compensation expense or benefit allows investors to better track the performance of the various operating units of the Company's business without regard to the settlement of an obligation that is not expected to be made in cash. 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.

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. Since adjusted operating income (loss) is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with similar titles used by other companies. The Company has presented the components that reconcile operating income (loss), the most directly comparable GAAP financial measure, to adjusted operating income (loss). In addition, the retrospective adoption of ASU No. 2017-07 resulted in an immaterial improvement in operating income (loss) and adjusted operating income (loss) for the three and nine months ended March 31, 2018 (see Note 2 for further detail).

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

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

Three Months Ended March 31, 2019						
	MSG Entertainment	MSG Sports	Corporate and Other	Purchase accounting adjustments	Inter-segment eliminations	Total
Revenues	\$ 166,452	\$ 351,594	\$ —	\$ —	\$ (856)	\$ 517,190
Direct operating expenses	108,982	200,849	101	1,031	(171)	310,792
Selling, general and administrative expenses ^(a)	54,255	52,383	32,842	88	(619)	138,949
Depreciation and amortization ^(b)	4,899	1,899	18,359	3,779	—	28,936
Operating income (loss)	\$ (1,684)	\$ 96,463	\$ (51,302)	\$ (4,898)	\$ (66)	\$ 38,513
Loss in equity method investments						(2,881)
Interest income						7,988
Interest expense						(4,405)
Miscellaneous income, net ^(c)						6,201
Income from operations before income taxes						\$ 45,416
Reconciliation of operating income (loss) to adjusted operating income (loss):						
Operating income (loss)	\$ (1,684)	\$ 96,463	\$ (51,302)	\$ (4,898)	\$ (66)	\$ 38,513
Add back:						
Share-based compensation	4,022	4,767	6,791	—	—	15,580
Depreciation and amortization	4,899	1,899	18,359	3,779	—	28,936
Other purchase accounting adjustments	—	—	—	1,119	—	1,119
Adjusted operating income (loss)	\$ 7,237	\$ 103,129	\$ (26,152)	\$ —	\$ (66)	\$ 84,148
Other information:						
Capital expenditures ^(d)	\$ 4,098	\$ 779	\$ 31,292	\$ —	\$ —	\$ 36,169

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

Three Months Ended March 31, 2018						
	MSG Entertainment	MSG Sports	Corporate and Other	Purchase accounting adjustments	Inter-segment eliminations	Total
Revenues	\$ 159,586	\$ 300,148	\$ —	\$ —	\$ (113)	\$ 459,621
Direct operating expenses	102,263	196,083	—	1,187	(113)	299,420
Selling, general and administrative expenses ^(a)	50,249	48,633	22,440	125	—	121,447
Depreciation and amortization ^(b)	4,686	1,789	19,065	4,889	—	30,429
Operating income (loss)	\$ 2,388	\$ 53,643	\$ (41,505)	\$ (6,201)	\$ —	\$ 8,325
Loss in equity method investments						(678)
Interest income						5,224
Interest expense						(3,965)
Miscellaneous expense, net ^(c)						(440)
Income from operations before income taxes						\$ 8,466
Reconciliation of operating income (loss) to adjusted operating income (loss):						
Operating income (loss)	\$ 2,388	\$ 53,643	\$ (41,505)	\$ (6,201)	\$ —	\$ 8,325
Add back:						
Share-based compensation	2,681	3,733	3,662	—	—	10,076
Depreciation and amortization	4,686	1,789	19,065	4,889	—	30,429
Other purchase accounting adjustments	—	—	—	1,312	—	1,312
Adjusted operating income (loss)	\$ 9,755	\$ 59,165	\$ (18,778)	\$ —	\$ —	\$ 50,142
Other information:						
Capital expenditures ^(d)	\$ 9,302	\$ 1,479	\$ 20,648	\$ —	\$ —	\$ 31,429

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

Nine Months Ended March 31, 2019						
	MSG Entertainment	MSG Sports	Corporate and Other	Purchase accounting adjustments	Inter-segment eliminations	Total
Revenues	\$ 645,919	\$ 722,789	\$ —	\$ —	\$ (1,196)	\$ 1,367,512
Direct operating expenses	383,781	434,882	160	3,198	(511)	821,510
Selling, general and administrative expenses ^(a)	155,681	147,913	87,439	669	(497)	391,205
Depreciation and amortization ^(b)	13,150	5,825	56,576	13,241	—	88,792
Operating income (loss)	\$ 93,307	\$ 134,169	\$ (144,175)	\$ (17,108)	\$ (188)	\$ 66,005
Earnings in equity method investments						17,131
Interest income						22,061
Interest expense						(13,614)
Miscellaneous expense, net ^(c)						(2,895)
Income from operations before income taxes						\$ 88,688
Reconciliation of operating income (loss) to adjusted operating income (loss):						
Operating income (loss)	\$ 93,307	\$ 134,169	\$ (144,175)	\$ (17,108)	\$ (188)	\$ 66,005
Add back:						
Share-based compensation	10,823	12,357	22,804	—	—	45,984
Depreciation and amortization	13,150	5,825	56,576	13,241	—	88,792
Other purchase accounting adjustments	—	—	—	3,867	—	3,867
Adjusted operating income (loss)	\$ 117,280	\$ 152,351	\$ (64,795)	\$ —	\$ (188)	\$ 204,648
Other information:						
Capital expenditures ^(d)	\$ 18,435	\$ 2,909	\$ 95,878	\$ —	\$ —	\$ 117,222

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

	Nine Months Ended March 31, 2018					
	MSG Entertainment	MSG Sports	Corporate and Other	Purchase accounting adjustments	Inter-segment eliminations	Total
Revenues	\$ 595,083	\$ 646,168	\$ —	\$ —	\$ (113)	\$ 1,241,138
Direct operating expenses	354,792	377,233	41	3,487	(113)	735,440
Selling, general and administrative expenses <i>(a)</i>	139,697	139,504	67,584	149	—	346,934
Depreciation and amortization <i>(b)</i>	13,209	5,544	58,954	13,812	—	91,519
Operating income (loss)	\$ 87,385	\$ 123,887	\$ (126,579)	\$ (17,448)	\$ —	\$ 67,245
Earnings in equity method investments						1,439
Interest income						14,988
Interest expense						(11,474)
Miscellaneous expense, net <i>(c)</i>						(2,678)
Income from operations before income taxes						\$ 69,520
Reconciliation of operating income (loss) to adjusted operating income (loss):						
Operating income (loss)	\$ 87,385	\$ 123,887	\$ (126,579)	\$ (17,448)	\$ —	\$ 67,245
Add back:						
Share-based compensation	9,633	11,874	15,385	—	—	36,892
Depreciation and amortization	13,209	5,544	58,954	13,812	—	91,519
Other purchase accounting adjustments	—	—	—	\$ 3,636	\$ —	3,636
Adjusted operating income (loss)	\$ 110,227	\$ 141,305	\$ (52,240)	\$ —	\$ —	\$ 199,292
Other information:						
Capital expenditures <i>(d)</i>	\$ 20,415	\$ 3,038	\$ 135,660	\$ —	\$ —	\$ 159,113

- ^(a) Corporate and Other's selling, general and administrative expenses primarily consist of unallocated corporate general and administrative costs, including expenses associated with the Company's business development initiatives.
- ^(b) Corporate and Other principally includes depreciation and amortization of The Garden, Hulu 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) Miscellaneous income (expense), net for the three and nine months ended March 31, 2019 reflected \$5,261 and (\$2,405), respectively, of unrealized gain (loss) for the Company's investment in Townsquare in connection with the prospective adoption of ASU No. 2016-01. In addition, miscellaneous income (expense), net for the three and nine months ended March 31, 2019 and 2018 also reflected non-service cost components of net periodic pension and postretirement benefit cost in

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

connection with the retrospective adoption of ASU No. 2017-07. See Note 2 for further details on the Company's adoption of ASU No. 2017-07.

- (d) Substantially all of Corporate and Other's capital expenditures for the three and nine months ended March 31, 2019 are related to the Company's planned MSG Spheres in Las Vegas and London. MSG Entertainment's capital expenditures for the nine months ended March 31, 2019 are primarily associated with the opening of a new TAO Group venue. Substantially all of Corporate and Other's capital expenditures for the nine months ended March 31, 2018 are related to the purchase of land in London and the Company's planned MSG Spheres in Las Vegas and London. MSG Entertainment's capital expenditures for the nine months ended March 31, 2018 are primarily associated with certain investments with respect to Radio City Music Hall and capital expenditures made by TAO Group.

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.

Supplemental Information — Adoption Impact of ASC Topic 606 by Reportable Segment

The adoption of ASC Topic 606 has the following impacts on revenues, operating expenses and operating income (loss) for the three and nine months ended March 31, 2019:

	Three Months Ended March 31, 2019						
	MSG Entertainment	MSG Sports	Corporate and Other	Purchase accounting adjustments	Inter-segment eliminations	Total	
As reported under ASC Topic 606:							
Revenues	\$ 166,452	\$ 351,594	\$ —	\$ —	\$ (856)	\$ 517,190	
Direct operating expenses	108,982	200,849	101	1,031	(171)	310,792	
Selling, general and administrative expenses	54,255	52,383	32,842	88	(619)	138,949	
Depreciation and amortization	4,899	1,899	18,359	3,779	—	28,936	
Operating income (loss)	\$ (1,684)	\$ 96,463	\$ (51,302)	\$ (4,898)	\$ (66)	\$ 38,513	
Changes due to the adoption of ASC Topic 606 ^(a)							
Revenues	\$ 3,878	\$ (45,270)	\$ —	\$ —	\$ —	\$ (41,392)	
Direct operating expenses	4,388	130	—	—	—	4,518	
Selling, general and administrative expenses	—	—	—	—	—	—	
Depreciation and amortization	—	—	—	—	—	—	
Operating income (loss)	\$ (510)	\$ (45,400)	\$ —	\$ —	\$ —	\$ (45,910)	
Amounts without the adoption of ASC Topic 606							
Revenues	\$ 170,330	\$ 306,324	\$ —	\$ —	\$ (856)	\$ 475,798	
Direct operating expenses	113,370	200,979	101	1,031	(171)	315,310	
Selling, general and administrative expenses	54,255	52,383	32,842	88	(619)	138,949	
Depreciation and amortization	4,899	1,899	18,359	3,779	—	28,936	
Operating income (loss)	\$ (2,194)	\$ 51,063	\$ (51,302)	\$ (4,898)	\$ (66)	\$ (7,397)	

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

Nine Months Ended March 31, 2019						
	MSG Entertainment	MSG Sports	Corporate and Other	Purchase accounting adjustments	Inter-segment eliminations	Total
As reported under ASC Topic 606:						
Revenues	\$ 645,919	\$ 722,789	\$ —	\$ —	\$ (1,196)	\$ 1,367,512
Direct operating expenses	383,781	434,882	160	3,198	(511)	821,510
Selling, general and administrative expenses	155,681	147,913	87,439	669	(497)	391,205
Depreciation and amortization	13,150	5,825	56,576	13,241	—	88,792
Operating income (loss)	\$ 93,307	\$ 134,169	\$ (144,175)	\$ (17,108)	\$ (188)	\$ 66,005
Changes due to the adoption of ASC Topic 606 ^(a)						
Revenues	\$ 17,423	\$ (57,046)	\$ —	\$ —	\$ —	\$ (39,623)
Direct operating expenses	20,103	(17,921)	—	—	—	2,182
Selling, general and administrative expenses	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	—	—
Operating income (loss)	\$ (2,680)	\$ (39,125)	\$ —	\$ —	\$ —	\$ (41,805)
Amounts without the adoption of ASC Topic 606						
Revenues	\$ 663,342	\$ 665,743	\$ —	\$ —	\$ (1,196)	\$ 1,327,889
Direct operating expenses	403,884	416,961	160	3,198	(511)	823,692
Selling, general and administrative expenses	155,681	147,913	87,439	669	(497)	391,205
Depreciation and amortization	13,150	5,825	56,576	13,241	—	88,792
Operating income (loss)	\$ 90,627	\$ 95,044	\$ (144,175)	\$ (17,108)	\$ (188)	\$ 24,200

^(a) Other than the changes to the operating income (loss) as shown above, the adoption of ASC Topic 606 did not impact other components of the reconciliation of operating income (loss) to adjusted operating income (loss), such as share-based compensation and purchase accounting adjustments. See Note 2 for additional information regarding the adoption of ASC Topic 606.

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 within the meaning of the Private Securities Litigation Reform Act of 1995. 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," "MSG," or the "Company"), including, luxury tax payments or receipts, possible impacts from the timing and cost of new venue construction, the potential Sports Distribution, and the adoption of ASC Topic 606. See "Part I—Item 1. Business" of our Annual Report on Form 10-K for the year ended June 30, 2018 and Note 1 to the consolidated financial statements included in "Part I—Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for further discussion of the Sports Distribution. 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* 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, Las Vegas and London metropolitan areas where we have business activities;
- 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, costs and timing 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 (each a "CBA") 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 and/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 our esports businesses;
- 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;

[Table of Contents](#)

- the operating and financial performance of our strategic acquisitions and investments, including those we do not control;
- 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 any government plans to redesign New York City’s Pennsylvania Station;
- business, reputational and litigation risk if there is a loss, disclosure or misappropriation of stored personal information or other breaches of our network 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 related transfer restrictions on our common stock;
- the tax free treatment of the 2015 Distribution;
- whether or not we pursue and complete the Sports Distribution and, if so, its impact on our business, financial condition and results of operations; and
- the factors described under “Risk Factors” in our Annual Report on Form 10-K for the year ended June 30, 2018.

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, 2018, 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, including: TAO, Marquee, Lavo, Avenue, Beauty & Essex and Vandal. BCE produces New England’s premier live music festival, Boston Calling Music Festival. The MSG Entertainment segment also includes the Company’s original production — the *Christmas Spectacular*.

MSG Sports includes the Company’s professional sports franchises: the Knicks of the NBA, the Rangers of the NHL, the Hartford Wolf Pack of the AHL, and the Westchester Knicks of the NBAGL. For all periods presented, MSG Sports also included the Liberty of the WNBA, which was sold in January 2019. 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. The MSG Sports segment also includes CLG, a premier North American esports organization, which the Company acquired in July 2017, and Knicks Gaming, the Company’s franchise that competes in the NBA 2K League.

[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 Hulu 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. Additionally, TAO Group operates various restaurants, nightlife and hospitality venues under long-term leases and management contracts in New York, Las Vegas, Los Angeles, Chicago, Australia and Singapore.

Factors Affecting Results of Operations

Adoption of ASC Topic 606, Revenue From Contracts With Customers

The Company's consolidated and segment operating results for the three and nine months ended March 31, 2019 were impacted by the adoption of ASC Topic 606. As a result, the Company's revenues were higher by \$41,392 and direct operating expenses were lower by \$4,518 for the three months ended March 31, 2019. For the nine months ended March 31, 2019, the Company's revenues were higher by \$39,623 and direct operating expenses were lower by \$2,182.

The impact of the adoption of ASC Topic 606 on MSG Entertainment's operating results resulted in a net decrease in revenues of \$3,878 for the three months ended March 31, 2019 and a net decrease in revenues of \$17,423 for the nine months ended March 31, 2019, primarily associated with event-related revenues and venue-related sponsorship and signage, partially offset by suite license fee revenues. In addition, the adoption of ASC Topic 606 resulted in a decrease in direct operating expenses of \$4,388 for the three months ended March 31, 2019 and a decrease in direct operating expenses of \$20,103 for the nine months ended March 31, 2019, primarily associated with event-related direct operating expenses.

For the MSG Sports' operating results, the adoption of ASC Topic 606 resulted in a net increase in revenues of \$45,270 for the three months ended March 31, 2019 and a net increase in revenues of \$57,046 for the nine months ended March 31, 2019, primarily associated with local media rights fees from MSG Networks, season tickets-related revenues, suite license fee revenues, national media rights fees from NBA and NHL, and professional sports teams' sponsorship and signage revenues. In addition, the adoption of ASC Topic 606 resulted in a net decrease in direct operating expenses of \$130 for the three months ended March 31, 2019 and a net increase in direct operating expenses of \$17,921 for the nine months ended March 31, 2019, primarily associated with certain fulfillment costs associated with performance obligations in professional sports teams' operating expenses.

Prior year period results have not been adjusted to reflect the adoption of ASC Topic 606 and, therefore, the Company's consolidated and segment operating results for the three and nine months ended March 31, 2019 are not directly comparable to results for the three and nine months ended March 31, 2018.

Under ASC Topic 606, the suite license revenues for the Company's MSG Entertainment and MSG Sports segments are now recognized proportionately as events at The Garden take place, as opposed to being recognized on a straight-line basis over the fiscal year under the prior standard. In addition, the majority of local media rights revenue is now recognized over the course of the regular season, as opposed to being recognized on a straight-line basis over the fiscal year under the prior standard.

In addition, the timing of certain fulfillment costs associated with performance obligations, primarily professional sports teams' operating expenses, were also similarly impacted within the fiscal year.

See Notes 2 and 3 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for further discussion of the adoption of ASC Topic 606.

[Table of Contents](#)

Renewal of a Ticketing Agreement

The Company's consolidated and segment operating results for the three and nine months ended March 31, 2019 were impacted by the recognition of revenue for events that took place during previous periods as the result of the renewal of the agreement with the Company's ticketing platform provider during the quarter ended March 31, 2019. The following table presents the impact on the Company's consolidated revenues, operating income and adjusted operating income for the three and nine months ended March 31, 2019 from events in the prior periods as a result of the ticketing agreement renewal.

	Three Months Ended March 31, 2019	Nine Months Ended March 31, 2019
MSG Entertainment segment	\$ 3,700	\$ 1,800
MSG Sports segment	4,600	2,900
Total MSG	\$ 8,300	\$ 4,700

Obscura's Operating Results

The results of operations of the Company and the MSG Entertainment segment for the three and nine months ended March 31, 2019 include Obscura's results of operations. Due to the timing of the Obscura acquisition on November 20, 2017, the Company's results for the nine months ended March 31, 2018 did not include full comparable periods of Obscura's operating results.

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 nine months ended March 31, 2019 compared to the three and nine months ended March 31, 2018 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 nine months ended March 31, 2019 compared to the nine months ended March 31, 2018, 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 2019. 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, 2018 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 financial statements of the Company included therein.

[Table of Contents](#)
Results of Operations
Comparison of the Three Months Ended March 31, 2019 versus the Three Months Ended March 31, 2018
Consolidated Results of Operations

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

	Three Months Ended March 31,		Change	
	2019	2018	Amount	Percentage
Revenues	\$ 517,190	\$ 459,621	\$ 57,569	13 %
Direct operating expenses	310,792	299,420	11,372	4 %
Selling, general and administrative expenses	138,949	121,447	17,502	14 %
Depreciation and amortization	28,936	30,429	(1,493)	(5)%
Operating income	38,513	8,325	30,188	NM
Other income (expense):				
Loss in equity method investments	(2,881)	(678)	(2,203)	NM
Interest income, net	3,583	1,259	2,324	185 %
Miscellaneous income (expense)	6,201	(440)	6,641	NM
Income from operations before income taxes	45,416	8,466	36,950	NM
Income tax expense	(11,253)	(652)	(10,601)	NM
Net income	34,163	7,814	26,349	NM
Less: Net income (loss) attributable to redeemable noncontrolling interests	(7)	389	(396)	NM
Less: Net loss attributable to nonredeemable noncontrolling interests	(1,101)	(1,716)	615	36 %
Net income attributable to The Madison Square Garden Company's stockholders	\$ 35,271	\$ 9,141	\$ 26,130	NM

NM — Percentage is not meaningful

The following is a summary of changes in our segments' operating results for the three months ended March 31, 2019 as compared to the prior year period.

Our results for the three months ended March 31, 2019 were not directly comparable to our results for the prior year period due to the adoption of ASC Topic 606 and the impact of the renewal of the Company's ticketing agreement. See "Factors Affecting Results of Operations" for a more detailed discussion.

Changes attributable to	Revenues	Direct operating expenses	Selling, general and administrative expenses	Depreciation and amortization	Operating income (loss)
MSG Entertainment segment ^(a)	\$ 6,866	\$ 6,719	\$ 4,006	\$ 213	\$ (4,072)
MSG Sports segment ^(a)	51,446	4,766	3,750	110	42,820
Corporate and Other	—	101	10,402	(706)	(9,797)
Purchase accounting adjustments	—	(156)	(37)	(1,110)	1,303
Inter-segment eliminations	(743)	(58)	(619)	—	(66)
	\$ 57,569	\$ 11,372	\$ 17,502	\$ (1,493)	\$ 30,188

^(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 March 31, 2019 increased \$10,402, or 46%, to \$32,842 as compared to the prior year period. The increase was primarily due to higher employee compensation and related benefits, inclusive of share-based compensation, and professional fees including costs associated with the Company's business development initiatives and the proposed Sports Distribution.

Depreciation & amortization

Depreciation and amortization for the three months ended March 31, 2019 decreased \$1,493, or 5%, to \$28,936 as compared to the prior year period. The decrease was primarily due to certain assets being fully depreciated and amortized, partially offset by depreciation and amortization associated with a new venue in entertainment dining and nightlife offerings in the current year period.

Operating loss - Corporate and Other

Operating loss in Corporate and Other for the three months ended March 31, 2019 increased \$9,797, or 24%, to \$51,302 as compared to the prior year period. The increase was primarily due to higher selling, general and administrative expenses, as discussed above, partially offset by lower depreciation and amortization. Lower depreciation and amortization reflected certain assets being fully depreciated and amortized in The Garden and the Forum. 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 March 31, 2019 increased \$2,203 to \$2,881 as compared to the prior year period. The year-over-year increase was primarily due to the amortization of basis difference attributable to intangible assets for the new investments in the current year period as well as the absence of net earnings in the current year period as a result of the sale of the Company's interest in AMSGE in December 2018.

Interest income, net

Net interest income for the three months ended March 31, 2019 increased \$2,324 to \$3,583 as compared to the prior year period primarily due to higher interest income earned by the Company as a result of higher interest rates.

Miscellaneous income (expense)

Net miscellaneous income for the three months ended March 31, 2019 increased \$6,641 to \$6,201 as compared to the prior year period. The increase was primarily due to the unrealized gain related to the Company's investment in Townsquare. As a result of the adoption of ASU No. 2016-01 during the first quarter of fiscal year 2019, the change in fair value of the investment in Townsquare is now recognized in net income. 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 the adoption of ASU No. 2016-01.

Income taxes

See Note 16 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for discussions of the Company's income taxes.

[Table of Contents](#)

Adjusted operating income

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

	Three Months Ended March 31,		Change	
	2019	2018	Amount	Percentage
Operating income	\$ 38,513	\$ 8,325	\$ 30,188	NM
Share-based compensation	15,580	10,076		
Depreciation and amortization ^(a)	28,936	30,429		
Other purchase accounting adjustments	1,119	1,312		
Adjusted operating income	<u>\$ 84,148</u>	<u>\$ 50,142</u>	<u>\$ 34,006</u>	<u>68%</u>

^(a) Depreciation and amortization includes purchase accounting adjustments of \$3,779 and \$4,889 for the three months ended March 31, 2019 and 2018, respectively.

Adjusted operating income for the three months ended March 31, 2019 increased \$34,006, or 68%, to \$84,148 as compared to the prior year period. The net increase was attributable to the following:

Decrease in adjusted operating income of the MSG Entertainment segment	\$ (2,518)
Increase in adjusted operating income of the MSG Sports segment	43,964
Other net decreases	(7,374)
Inter-segment eliminations	(66)
	<u>\$ 34,006</u>

Other net decreases were primarily due to higher employee compensation and related benefits and professional fees including costs associated with the Company's business development initiatives and the proposed Sports Distribution.

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

For the three months ended March 31, 2019, the Company recorded \$7 of net loss attributable to redeemable noncontrolling interests and \$1,101 of net loss attributable to nonredeemable noncontrolling interests as compared to \$389 of net income attributable to redeemable noncontrolling interests and \$1,716 of net loss attributable to nonredeemable noncontrolling interests for the three months ended March 31, 2018. 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.

[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 (loss) to adjusted operating income for the Company's MSG Entertainment segment.

	Three Months Ended		Change	
	March 31,		Amount	Percentage
	2019	2018		
Revenues	\$ 166,452	\$ 159,586	\$ 6,866	4 %
Direct operating expenses	108,982	102,263	6,719	7 %
Selling, general and administrative expenses	54,255	50,249	4,006	8 %
Depreciation and amortization	4,899	4,686	213	5 %
Operating income (loss)	\$ (1,684)	\$ 2,388	\$ (4,072)	NM
Reconciliation to adjusted operating income:				
Share-based compensation	4,022	2,681		
Depreciation and amortization	4,899	4,686		
Adjusted operating income	\$ 7,237	\$ 9,755	\$ (2,518)	(26)%

NM — Percentage is not meaningful

The comparability of the results of operations for the three months ended March 31, 2019 to the prior year period was impacted by the new revenue recognition standard and the renewal of the Company's ticketing agreement. See "*Factors Affecting Results of Operations*" for more information.

Revenues

Revenues for the three months ended March 31, 2019 increased \$6,866, or 4%, to \$166,452 as compared to the prior year period. The net increase was attributable to the following:

Increase in revenues associated with entertainment dining and nightlife offerings	\$ 5,000
Increase in revenues from the presentation of the <i>Christmas Spectacular</i>	3,730
Increase in event-related revenues at the Beacon Theatre	3,427
Increase in event-related revenues at The Chicago Theatre	3,039
Increase in event-related revenues at the Forum	1,425
Increase in venue-related sponsorship and signage and suite license fee revenues	1,345
Increase in event-related revenues at The Garden	653
Decrease in event-related revenues at Hulu Theater at Madison Square Garden	(6,594)
Decrease in event-related revenues at Radio City Music Hall, excluding the <i>Christmas Spectacular</i>	(4,349)
Other net decreases	(810)
	<u>\$ 6,866</u>

The increase in revenues associated with entertainment dining and nightlife offerings was primarily due to the impact of the opening of a new venue, partially offset by the impact of the current year period containing 13 weeks of operations as compared to 14 weeks during the prior year period, due to the timing of the retail calendar.

The increase in revenues from the presentation of the *Christmas Spectacular* was primarily due to higher ticket-related revenue, mainly as a result of more performances in the current year period and the recognition of revenue associated with performances that took place in previous periods as a result of the ticketing agreement renewal. The increase was partially offset by lower average per-show paid attendance in the current year period as compared to the prior year period. The Company had 13 performances of the production in the third quarter of fiscal year 2019 as compared to three performances in the third quarter of fiscal year 2018 due to an extension of the show's run announced in December 2018.

[Table of Contents](#)

The increase in event-related revenues at the Beacon Theatre was due to additional events held at the venue and higher per event revenue 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 held at the venue and higher per event revenue during the current year period as compared to the prior year period.

The increase in event-related revenues at the Forum was primarily due to additional events held at the venue during the current year period as compared to the prior year period and the recognition of revenue associated with events that took place in previous periods as a result of the ticketing agreement renewal. The increase was partially offset by lower per event revenue and the impact of the new revenue recognition standard in the current year period.

The increase in venue-related sponsorship and signage and suite license fee revenues was primarily due to (i) the impact of the new revenue recognition standard in the current year period, (ii) rate increases in suite licenses, and (iii) higher sponsorship and signage revenues primarily due to increased sales of existing sponsorship and signage inventory.

The increase in event-related revenues at The Garden was primarily due to additional events held at the venue during the current year period as compared to the prior year period and the recognition of revenue associated with events that took place in previous periods as a result of the ticketing agreement renewal. The increase was largely offset by lower per event revenue during the current year period as compared to the prior year period (including the impact of a large-scale event held during the prior year period) and the impact of the new revenue recognition standard in the current year period.

The decrease in event-related revenues at Hulu Theater at Madison Square Garden was primarily due to fewer events held at the venue and lower per event revenue during the current year period as compared to the prior year period.

The decrease in event-related revenues at Radio City Music Hall, excluding the *Christmas Spectacular*, was primarily due to fewer events held at the venue during the current year period as compared to the prior year period partially offset by higher per event revenue during the current year period as compared to the prior year period.

Other net decreases reflected the impact of the expiration of the booking agreement with the Wang Theatre in February 2019.

Direct operating expenses

Direct operating expenses for the three months ended March 31, 2019 increased \$6,719, or 7%, to \$108,982 as compared to the prior year period. The net increase was attributable to the following:

Increase in direct operating expenses associated with entertainment dining and nightlife offerings	\$	7,766
Increase in direct operating expenses associated with the presentation of the <i>Christmas Spectacular</i>		3,001
Increase in event-related direct operating expenses at The Chicago Theatre		2,429
Increase in event-related direct operating expenses at the Beacon Theatre		1,433
Increase in direct operating expenses associated with Obscura		1,238
Increase in venue operating costs		714
Decrease in event-related direct operating expenses at Hulu Theater at Madison Square Garden		(3,940)
Decrease in event-related direct operating expenses at The Garden		(3,868)
Decrease in event-related direct operating expenses at Radio City Music Hall, excluding the <i>Christmas Spectacular</i>		(2,237)
Decrease in event-related direct operating expenses at the Forum		(843)
Other net increases		1,026
	\$	6,719

The increase in direct operating expenses associated with entertainment dining and nightlife offerings was primarily due to the costs associated with the opening of a new venue, inclusive of the increases in employee compensation and related benefits, costs of food and beverage and performer costs, as well as the impact of certain costs being reported as direct operating expenses during the current year period as compared to being reported as selling, general and administrative expenses during the prior year period.

[Table of Contents](#)

The increase in direct operating expenses associated with the presentation of the *Christmas Spectacular* was primarily due to more performances during the current year period as compared to the prior year period. The Company had 13 performances of the production in the third quarter of fiscal year 2019 as compared to three performances in the third quarter of fiscal year 2018 due to an extension of the show's run announced in December of 2018.

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

The increase in direct operating expenses associated with Obscura was primarily due to an increase in employee compensation and related benefits, inclusive of severance related costs.

The increase in venue operating costs reflects higher labor costs at Radio City Music Hall during the current year period as compared to the prior year period.

The decrease in event-related direct operating expenses at Hulu Theater at Madison Square Garden was primarily due to fewer events held at the venue and lower per event expenses during the current year period as compared to the prior year period.

The decrease in event-related direct operating expenses at The Garden was due to lower per event expenses during the current year period as compared to the prior year period (including the impact of a large-scale event held during the prior year period) and the impact of the new revenue recognition standard in the current year period. The decrease was partially offset by additional events held at the venue during the current year period as compared to the prior year period.

The decrease in event-related direct operating expenses at Radio City Music Hall, excluding the *Christmas Spectacular*, was primarily due to fewer events held at the venue during the current year period as compared to the prior year period.

The decrease in event-related direct operating expenses at the Forum was due to lower per event expenses held at the venue during the current year period as compared to the prior year period and the impact of the new revenue recognition standard in the current year period. The decrease was largely 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 three months ended March 31, 2019 increased \$4,006, or 8%, to \$54,255 as compared to the prior year period. The increase was primarily due to (i) an increase in professional fees, (ii) higher employee compensation and related benefits, inclusive of share-based compensation, and (iii) an increase in corporate general and administrative costs, partially offset by the impact of certain costs being reported as direct operating expenses during the current year period as compared to being reported as selling, general and administrative expenses during the prior year period.

Operating income (loss)

Operating loss for the three months ended March 31, 2019 was \$1,684 as compared to operating income of \$2,388 in the prior year period. The change was primarily due to higher direct operating expenses and selling, general and administrative expenses, partially offset by an increase in revenues, as discussed above.

Adjusted operating income

Adjusted operating income for the three months ended March 31, 2019 decreased \$2,518, or 26%, to \$7,237 as compared to the prior year period primarily due to higher direct operating expenses and selling, general and administrative expenses, excluding the impact of share-based compensation. The decrease was partially offset by an increase in revenue, as discussed above.

[Table of Contents](#)
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			
	March 31,		Change	
	2019	2018	Amount	Percentage
Revenues	\$ 351,594	\$ 300,148	\$ 51,446	17%
Direct operating expenses	200,849	196,083	4,766	2%
Selling, general and administrative expenses	52,383	48,633	3,750	8%
Depreciation and amortization	1,899	1,789	110	6%
Operating income	\$ 96,463	\$ 53,643	\$ 42,820	80%
Reconciliation to adjusted operating income:				
Share-based compensation	4,767	3,733		
Depreciation and amortization	1,899	1,789		
Adjusted operating income	\$ 103,129	\$ 59,165	\$ 43,964	74%

The comparability of the results of operations for the three months ended March 31, 2019 to the prior year period was impacted by the new revenue recognition standard and the renewal of the Company's ticketing agreement. See "Factors Affecting Results of Operations" for more information.

Revenues

Revenues for the three months ended March 31, 2019 increased \$51,446, or 17%, to \$351,594 as compared to the prior year period. The net increase was attributable to the following:

Increase in local media rights fees from MSG Networks	\$ 30,990
Increase in professional sports teams' pre/regular season ticket-related revenues	10,643
Increase in suite license fee revenues	9,299
Increase in professional sports teams' pre/regular season food, beverage and merchandise sales	2,718
Increase in revenues from league distributions	2,622
Decrease in event-related revenues from other live sporting events	(5,703)
Other net increases	877
	<u>\$ 51,446</u>

The increase in local media rights fees from MSG Networks was primarily due to the impact of the new revenue recognition standard in the current year period, and to a lesser extent, contractual rate increases.

The increase in professional sports teams' pre/regular season ticket-related revenues was primarily due to (i) the impact of the new revenue recognition standard in the current year period, (ii) the Knicks and Rangers playing more games at The Garden during the current year period as compared to the prior year period, and (iii) the recognition of revenue for games played in previous periods as a result of the ticketing agreement renewal, partially offset by lower average Knicks and Rangers per-game revenue. The Knicks played six more regular season games and the Rangers played two more regular season games at The Garden during the current year period as compared to the prior year period.

The increase in suite license fee revenue was primarily due to the impact of the new revenue recognition standard in the current year period, rate increases and the Knicks and Rangers playing more games 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 more 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.

[Table of Contents](#)

The decrease in event-related revenues from other live sporting events was due to the absence of a large-scale event held during the prior year period at The Garden and fewer events during the current year period as compared to the prior year period, partially offset by higher per event revenue.

Direct operating expenses

Direct operating expenses for the three months ended March 31, 2019 increased \$4,766, or 2%, to \$200,849 as compared to the prior year period. The net increase was attributable to the following:

Increase in net provisions for certain team personnel transactions	\$	9,857
Increase in other team operating expenses not discussed elsewhere in this table		2,358
Increase in professional sports teams' pre/regular season expense associated with food, beverage and merchandise sales		2,345
Increase in net provisions for league revenue sharing expense (excluding playoffs) and NBA luxury tax		1,498
Decrease in team personnel compensation		(7,214)
Decrease in event-related expenses associated with other live sporting events		(4,200)
Other net increases		122
	\$	4,766

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

	Three Months Ended		
	March 31,		
	2019	2018	Increase
Net provisions for certain team personnel transactions	\$ 16,976	\$ 7,119	\$ 9,857
Net provisions for league revenue sharing expense (excluding playoffs) and NBA luxury tax	25,707	24,209	1,498

Team personnel transactions for the three months ended March 31, 2019 reflected provisions, net of recoveries recorded in the current year period associated with prior period team personnel provisions, recorded for (i) player waivers/contract terminations of \$12,379, (ii) player trades of \$4,055, and (iii) season-ending player injuries of \$542. Team personnel transactions for the three months ended March 31, 2018 reflected provisions recorded for (i) season-ending player injuries of \$4,273, which was net of insurance recoveries of \$468, (ii) player trades of \$1,682, and (iii) player waivers/contract terminations of \$1,164.

The increase in net provisions for league revenue sharing expense (excluding playoffs) and NBA luxury tax reflected higher provisions for league revenue sharing expense of \$1,118 and lower estimated NBA luxury tax credit of \$380. Higher league revenue sharing expense primarily reflected higher estimated NHL revenue sharing expense for the 2018-19 season, adjustments to prior seasons' revenue sharing expense and the impact of the new revenue recognition standard in the current year period, partially offset by lower estimated NBA revenue sharing expense for the 2018-19 season and higher estimated net player escrow recoveries. The Knicks were not a luxury tax payer for the 2017-18 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 March 31, 2019 would not result in the team being a luxury tax payer for the 2018-19 season and the estimated luxury tax receipt is currently anticipated to be higher than the luxury tax receipt for the 2017-18 season. The actual amounts for the 2018-19 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.

The increase in other team operating expenses was primarily due to (i) higher day-of-event costs, primarily driven by the Knicks and Rangers playing more games at The Garden during the current year period as compared to the prior year period, (ii) an increase in league assessments, and (iii) the result of timing of recognition due to the impact of the new revenue recognition standard in the current year period, partially offset by lower player insurance costs.

The increase in professional sports teams' pre/regular season expense associated with food, beverage and merchandise sales was primarily due to the Knicks and Rangers playing more games at The Garden during the current year period as compared to the prior year period.

[Table of Contents](#)

The decrease in team personnel compensation was primarily due to the impact of roster changes at the Company's sports teams and the result of timing of recognition due to the impact of the new revenue recognition standard for fulfillment costs in the current year period.

The decrease in event-related expenses associated with other live sporting events was primarily due to the absence of a large-scale event held during the prior year period at The Garden and fewer events 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 March 31, 2019 increased \$3,750, or 8%, to \$52,383 as compared to the prior year period primarily due to (i) an increase in employee compensation and related benefits, inclusive of share-based compensation, (ii) higher marketing costs, and (iii) an increase in corporate general and administrative costs, partially offset by other decreases.

Operating income

Operating income for the three months ended March 31, 2019 increased \$42,820, or 80%, to \$96,463 as compared to the prior year period primarily due to an increase in revenues, partially offset by higher direct operating expenses and an increase in selling, general and administrative expenses, as discussed above.

Adjusted operating income

Adjusted operating income for the three months ended March 31, 2019 increased \$43,964, or 74%, to \$103,129 as compared to the prior year period due to an increase in revenues, partially offset by higher direct operating expenses and an increase in selling, general and administrative expenses as discussed above, excluding share-based compensation.

[Table of Contents](#)
Comparison of the Nine Months Ended March 31, 2019 versus the Nine Months Ended March 31, 2018
Consolidated Results of Operations

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

	Nine Months Ended March 31,		Change	
	2019	2018	Amount	Percentage
Revenues	\$ 1,367,512	\$ 1,241,138	\$ 126,374	10 %
Direct operating expenses	821,510	735,440	86,070	12 %
Selling, general and administrative expenses	391,205	346,934	44,271	13 %
Depreciation and amortization	88,792	91,519	(2,727)	(3)%
Operating income	66,005	67,245	(1,240)	(2)%
Other income (expense):				
Earnings in equity method investments	17,131	1,439	15,692	NM
Interest income, net	8,447	3,514	4,933	140 %
Miscellaneous expense, net	(2,895)	(2,678)	(217)	(8)%
Income from operations before income taxes	88,688	69,520	19,168	28 %
Income tax benefit (expense)	(12,605)	115,418	(128,023)	(111)%
Net income	76,083	184,938	(108,855)	(59)%
Less: Net income (loss) attributable to redeemable noncontrolling interests	(3,662)	522	(4,184)	NM
Less: Net loss attributable to nonredeemable noncontrolling interests	(4,913)	(3,231)	(1,682)	(52)%
Net income attributable to The Madison Square Garden Company's stockholders	\$ 84,658	\$ 187,647	\$ (102,989)	(55)%

NM — Percentage is not meaningful

The following is a summary of changes in our segments' operating results for the nine months ended March 31, 2019 as compared to the prior year period.

Our results for the nine months ended March 31, 2019 were not directly comparable to our results for the prior year period due to the adoption of ASC Topic 606, the renewal of the Company's ticketing agreement and the timing of the Obscura acquisition. See "Factors Affecting Results of Operations" for a more detailed discussion.

Changes attributable to	Revenues	Direct operating expenses	Selling, general and administrative expenses	Depreciation and amortization	Operating income (loss)
MSG Entertainment segment ^(a)	\$ 50,836	\$ 28,989	\$ 15,984	\$ (59)	\$ 5,922
MSG Sports segment ^(a)	76,621	57,649	8,409	281	10,282
Corporate and Other	—	119	19,855	(2,378)	(17,596)
Purchase accounting adjustments	—	(289)	520	(571)	340
Inter-segment eliminations	(1,083)	(398)	(497)	—	(188)
	\$ 126,374	\$ 86,070	\$ 44,271	\$ (2,727)	\$ (1,240)

^(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 nine months ended March 31, 2019 increased \$19,855, or 29%, to \$87,439 as compared to the prior year period. The increase was primarily due to (i) higher employee compensation and related benefits, inclusive of share-based compensation, (ii) costs associated with the proposed Sports Distribution, and (iii) the inclusion of Obscura's selling, general and administrative costs.

Depreciation & amortization

Depreciation and amortization for the nine months ended March 31, 2019 decreased \$2,727, or 3%, to \$88,792 as compared to the prior year period. The decrease was primarily due to certain assets being fully depreciated and amortized, partially offset by depreciation and amortization for a new venue of entertainment dining and nightlife offerings in the current year period.

Operating loss - Corporate and Other

Operating loss in Corporate and Other for the nine months ended March 31, 2019 increased \$17,596, or 14%, to \$144,175 as compared to the prior year period. The increase was primarily due to higher selling, general and administrative expenses as discussed above, partially offset by lower depreciation and amortization. Lower depreciation and amortization reflects certain assets being fully depreciated and amortized in The Garden. 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 in equity method investments

Earnings in equity method investments for the nine months ended March 31, 2019 increased \$15,692 to \$17,131 as compared to the prior year period. The increase was due to (i) the improvement in the net earnings attributable to the Company's investees, (ii) the gain on the sale of an AMSGE investment prior to the Company's sale of its interest in AMSGE, and (iii) a gain on the sale of the Company's interest in AMSGE during the current year period as compared to the prior year period. The increase was partially offset by the amortization of basis difference attributable to intangible assets for the new investments in the current year period.

Interest income, net

Net interest income for the nine months ended March 31, 2019 increased \$4,933 to \$8,447 as compared to the prior year period primarily due to higher interest income earned by the Company as a result of higher interest rates, partially offset by higher interest expense incurred under the TAO Term Loan Facility due to changes in interest rate.

Income taxes

See Note 16 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for discussions of the Company's income taxes.

Adjusted operating income

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

	Nine Months Ended		Change	
	2019	2018	Amount	Percentage
Operating income	\$ 66,005	\$ 67,245	\$ (1,240)	(2)%
Share-based compensation	45,984	36,892		
Depreciation and amortization ^(a)	88,792	91,519		
Other purchase accounting adjustments	3,867	3,636		
Adjusted operating income	\$ 204,648	\$ 199,292	\$ 5,356	3 %

^(a) Depreciation and amortization includes purchase accounting adjustments of \$13,241 and \$13,812 for the nine months ended March 31, 2019 and 2018, respectively.

[Table of Contents](#)

Adjusted operating income for the nine months ended March 31, 2019 increased \$5,356, or 3%, to \$204,648 as compared to the prior year period. The net increase was attributable to the following:

Increase in adjusted operating income of the MSG Entertainment segment	\$	7,053
Increase in adjusted operating income of the MSG Sports segment		11,046
Other net decreases		(12,555)
Inter-segment eliminations		(188)
	\$	<u>5,356</u>

Other net decreases were primarily due to (i) costs associated with the proposed Sports Distribution, (ii) higher employee compensation and related benefits, and (iii) the inclusion of Obscura's selling, general and administrative costs.

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

For the nine months ended March 31, 2019, the Company recorded \$3,662 of net loss attributable to redeemable noncontrolling interests and \$4,913 of net loss attributable to nonredeemable noncontrolling interests as compared to \$522 of net income attributable to redeemable noncontrolling interests and \$3,231 of net loss attributable to nonredeemable noncontrolling interests for the nine months ended March 31, 2018. 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.

[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.

	Nine Months Ended		Change	
	March 31,			
	2019	2018	Amount	Percentage
Revenues	\$ 645,919	\$ 595,083	\$ 50,836	9 %
Direct operating expenses	383,781	354,792	28,989	8 %
Selling, general and administrative expenses	155,681	139,697	15,984	11 %
Depreciation and amortization	13,150	13,209	(59)	— %
Operating income	\$ 93,307	\$ 87,385	\$ 5,922	7 %
Reconciliation to adjusted operating income:				
Share-based compensation	10,823	9,633		
Depreciation and amortization	13,150	13,209		
Adjusted operating income	\$ 117,280	\$ 110,227	\$ 7,053	6 %

The comparability of the results of operations for the nine months ended March 31, 2019 to the prior year period was impacted by the new revenue recognition standard, the renewal of the Company's ticketing agreement and the timing of the Obscura acquisition. See *"Factors Affecting Results of Operations"* for more information.

Revenues

Revenues for the nine months ended March 31, 2019 increased \$50,836, or 9%, to \$645,919 as compared to the prior year period. The net increase was attributable to the following:

Increase in event-related revenues at The Garden	\$ 16,569
Increase in revenues from the presentation of the <i>Christmas Spectacular</i>	14,375
Increase in venue-related sponsorship and signage and suite license fee revenues	8,980
Inclusion of revenues from Obscura	7,319
Increase in event-related revenues at The Chicago Theatre	7,284
Increase in revenues associated with entertainment dining and nightlife offerings	6,201
Increase in event-related revenues at the Beacon Theatre	5,289
Decrease in event-related revenues at Hulu Theater at Madison Square Garden	(10,206)
Decrease in event-related revenues at Radio City Music Hall, excluding the <i>Christmas Spectacular</i>	(5,244)
Other net increases	269
	<u>\$ 50,836</u>

The increase in event-related revenues at The Garden was primarily due to additional events held at the venue and higher per event revenue during the current year period as compared to the prior year period. The increase was partially offset by the impact of a large-scale event held during the prior year period and the impact of the new revenue recognition standard in the current year period.

The increase in revenues from the presentation of the *Christmas Spectacular* was primarily due to (i) higher ticket-related revenue mainly as a result of higher average ticket prices, (ii) an increase in paid attendance in the current year period as compared to the prior year period, and (iii) the recognition of revenue associated with performances that took place in previous periods as a result of the ticketing agreement renewal. The Company had 210 performances of the production in fiscal year 2019, as compared to 200 performances in fiscal year 2018 due to an extension of the show's run announced in December 2018. For fiscal year 2019, more than one million tickets were sold, representing a mid-single digit percentage increase as compared to the prior year period.

[Table of Contents](#)

The increase in venue-related sponsorship and signage and suite license fee revenues was due to (i) increased sales of existing sponsorship and signage inventory, (ii) the impact of the new revenue recognition standard in the current year period, and (iii) rate increases in suite licenses.

Revenues from Obscura are included as a result of its acquisition by the Company on November 20, 2017. The current year period includes revenues from Obscura for nine months as compared to approximately four months (from November 20, 2017 to March 31, 2018) during the prior year period. Revenues from Obscura principally relate to creative, experiential productions for third parties.

The increase in event-related revenues at The Chicago Theatre was primarily due to additional events held at the venue and higher per event revenue during the current year period as compared to the prior year period. The increase was partially offset by the impact of the new revenue recognition standard in the current year period.

The increase in revenues associated with entertainment dining and nightlife offerings was primarily due to the impact of the opening of a new venue, partially offset by the impact of the current year period containing 39 weeks of operations as compared to 40 weeks during the prior year period, due to the timing of the retail calendar.

The increase in event-related revenues at the Beacon Theatre was primarily due to additional events held at the venue and higher per event revenue during the current year period as compared to the prior year period. The increase was partially offset by the impact of the new revenue recognition standard in the current year period.

The decrease in event-related revenues at Hulu Theater at Madison Square Garden was primarily due to lower per event revenue and fewer events held at the venue during the current year period as compared to the prior year period.

The decrease in event-related revenues at Radio City Music Hall, excluding the *Christmas Spectacular*, was primarily due to fewer events held at the venue during the current year period as compared to the prior year period. The decrease was partially offset by higher per event revenue during the current year period as compared to the prior year period.

Direct operating expenses

Direct operating expenses for the nine months ended March 31, 2019 increased \$28,989, or 8%, to \$383,781 as compared to the prior year period. The net increase was attributable to the following:

Increase in direct operating expenses associated with entertainment dining and nightlife offerings	\$	13,933
Inclusion of direct operating expenses from Obscura		7,725
Increase in direct operating expenses associated with the presentation of the <i>Christmas Spectacular</i>		5,730
Increase in event-related direct operating expenses at The Chicago Theatre		5,204
Increase in venue operating costs		2,328
Increase in event-related direct operating expenses at the Beacon Theatre		1,728
Increase in direct operating expenses associated with venue-related sponsorship and signage and suite licenses		1,411
Decrease in event-related direct operating expenses at the Forum		(5,923)
Decrease in event-related direct operating expenses at Hulu Theater at Madison Square Garden		(4,716)
Decrease in event-related direct operating expenses at Radio City Music Hall, excluding the <i>Christmas Spectacular</i>		(1,124)
Other net increases		2,693
	\$	<u>28,989</u>

The increase in direct operating expenses associated with entertainment dining and nightlife offerings was primarily due to the costs associated with the opening of a new venue inclusive of the increases in employee compensation and related benefits, in costs of food and beverage and performer costs, as well as the impact of certain costs being reported as direct operating expenses during the current year period as compared to being reported as selling, general and administrative expenses during the prior year period.

Direct operating expenses from Obscura are included as a result of its acquisition by the Company on November 20, 2017. The current year period included direct operating expenses from Obscura for nine months as compared to approximately four months (from November 20, 2017 to March 31, 2018) during the prior year period. Direct operating expenses from Obscura principally relate to creative, experiential productions for third parties.

[Table of Contents](#)

The increase in direct operating expenses associated with the presentation of the *Christmas Spectacular* was primarily due to (i) higher labor costs, (ii) higher costs associated with more performances in the current year period, (iii) costs related to show enhancements, and (iv) higher marketing expenses during the current year period as compared to the prior year period. The Company had 210 performances of the production in fiscal year 2019, as compared to 200 performances in fiscal year 2018 due to an extension of the show's run announced in December 2018.

The increase in event-related direct operating expenses at The Chicago Theatre was primarily due to additional events held at the venue and higher per event expenses during the current year period as compared to the prior year period. The increase was partially offset by the impact of the new revenue recognition standard in the current year period.

The increase in venue operating costs reflected higher labor costs and higher repair and maintenance costs at the Company's venues, as well as higher real estate taxes at Radio City Music Hall during the current year period as compared to the prior year period.

The increase in event-related direct operating expenses at the Beacon Theatre was primarily due to additional events held at the venue and higher per event expenses during the current year period as compared to the prior year period. The increase was partially offset by the impact of the new revenue recognition standard in the current year period.

The increase in direct operating expenses associated with the venue-related sponsorship and signage and suite licenses was primarily due to increased sales of existing sponsorship inventory.

The decrease in event-related direct operating expenses at the Forum was primarily due to the impact of the new revenue recognition standard in the current year period and lower per event expenses during the current year period as compared to the prior year period. The decrease was partially offset by additional events held at the venue during the current year period as compared to the prior year period.

The decrease in event-related direct operating expenses at Hulu Theater at Madison Square Garden was primarily due to fewer events held at the venue and lower per event expenses during the current year period as compared to the prior year period.

The decrease in event-related direct operating expenses at Radio City Music Hall, excluding the *Christmas Spectacular*, was primarily due to fewer events held at the venue during the current year period as compared to the prior year period as well as the impact of the new revenue recognition standard in the current year period. The decrease was partially offset by higher per event expenses during the current year period as compared to the prior year period.

[Selling, general and administrative expenses](#)

Selling, general and administrative expenses for the nine months ended March 31, 2019 increased \$15,984, or 11%, to \$155,681 as compared to the prior year period. The increase was primarily due to (i) inclusion of Obscura's selling, general and administrative costs, (ii) higher professional fees, (iii) an increase in employee compensation and related benefits, (iv) higher venue pre-opening costs associated with entertainment dining and nightlife offerings, (v) an increase in corporate general and administrative costs, and (vi) higher marketing costs, partially offset by other decreases inclusive of the impact from certain costs being reported as direct operating expenses during the current year period as compared to being reported as selling, general and administrative expenses during the prior year period.

[Operating income](#)

Operating income for the nine months ended March 31, 2019 increased \$5,922, or 7%, to \$93,307 as compared to the prior year period due to an increase in revenues, partially offset by higher direct operating expenses and an increase in selling, general and administrative expenses, as discussed above.

[Adjusted operating income](#)

Adjusted operating income for the nine months ended March 31, 2019 increased \$7,053, or 6%, to \$117,280 as compared to the prior year period due to an increase in revenues, partially offset by higher direct operating expenses and an increase in selling, general and administrative expenses as discussed above, excluding share-based compensation.

[Table of Contents](#)

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.

	Nine Months Ended		Change	
	March 31,		Amount	Percentage
	2019	2018		
Revenues	\$ 722,789	\$ 646,168	\$ 76,621	12%
Direct operating expenses	434,882	377,233	57,649	15%
Selling, general and administrative expenses	147,913	139,504	8,409	6%
Depreciation and amortization	5,825	5,544	281	5%
Operating income	\$ 134,169	\$ 123,887	\$ 10,282	8%
Reconciliation to adjusted operating income:				
Share-based compensation	12,357	11,874		
Depreciation and amortization	5,825	5,544		
Adjusted operating income	\$ 152,351	\$ 141,305	\$ 11,046	8%

The comparability of the results of operations for the nine months ended March 31, 2019 to the prior year period was impacted by the new revenue recognition standard and the renewal of the Company's ticketing agreement. See "*Factors Affecting Results of Operations*" for more information.

Revenues

Revenues for the nine months ended March 31, 2019 increased \$76,621, or 12%, to \$722,789 as compared to the prior year period. The net increase was attributable to the following:

Increase in local media rights fees from MSG Networks	\$ 24,976
Increase in revenues from league distributions	19,987
Increase in professional sports teams' pre/regular season ticket-related revenues	14,261
Increase in suite license fee revenues	11,767
Increase in professional sports teams' sponsorship and signage revenues and ad sales commissions	5,306
Increase in event-related revenues from other live sporting events	751
Decrease in professional sports teams' pre/regular season food, beverage and merchandise sales	(2,039)
Other net increases	1,612
	<u>\$ 76,621</u>

The increase in local media rights fees from MSG Networks was primarily due to the impact of the new revenue recognition standard in the current year period, and to a lesser extent, contractual rate increases.

The increase in revenues from league distributions included the impact of the new revenue recognition standard in the current year period and timing.

The increase in professional sports teams' pre/regular season ticket-related revenues was primarily due to the impact of the new revenue recognition standard in the current year period and the recognition of revenue associated with games played in previous periods as a result of the ticketing agreement renewal, partially offset by lower average Rangers, Knicks and Liberty per-game revenue.

The increase in suite license fee revenue was primarily due to the impact of the new revenue recognition standard in the current year period and rate increases, slightly offset by lower sales of suite products.

The increase in professional sports teams' sponsorship and signage revenues and ad sales commission was primarily due to the impact of the new revenue recognition standard in the current year period, higher ad sales commission revenue and increased sales of existing sponsorship and signage inventory.

[Table of Contents](#)

The increase in event-related revenues from other live sporting events was due to higher per event revenue, partially offset by the absence of a large-scale event held during the prior year period at The Garden and fewer events during the current year period as compared to the prior year period.

The decrease in professional sports teams' pre/regular season food, beverage and merchandise sales was primarily due to the Rangers and Liberty playing fewer games at The Garden during the current year period as compared to the prior year period and lower average per-game revenue during the current year period as compared to the prior year period, partially offset by the Knicks playing more games at The Garden during the current year period as compared to the prior year period. The Rangers played two fewer regular season games, the Liberty played nine fewer regular season games and the Knicks played one more regular season game at The Garden during the current year period as compared to the prior year period. The Liberty played the majority of their home games at the Westchester County Center, located in White Plains, NY, during the current year period.

Direct operating expenses

Direct operating expenses for the nine months ended March 31, 2019 increased \$57,649, or 15%, to \$434,882 as compared to the prior year period. The net increase was attributable to the following:

Increase in net provisions for certain team personnel transactions	\$	47,086
Increase in other team operating expenses not discussed elsewhere in this table		4,472
Increase in team personnel compensation		3,674
Increase in net provisions for league revenue sharing expense (excluding playoffs) and NBA luxury tax		3,438
Decrease in event-related expenses associated with other live sporting events		(1,653)
Other net increases		632
	\$	57,649

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

	Nine Months Ended		
	March 31,		
	2019	2018	Increase
Net provisions for certain team personnel transactions	\$ 57,063	\$ 9,977	\$ 47,086
Net provisions for league revenue sharing expense (excluding playoffs) and NBA luxury tax	49,527	46,089	3,438

Team personnel transactions for the nine months ended March 31, 2019 reflect provisions, net of recoveries recorded in the current year period associated with prior period team personnel provisions, recorded for (i) player waivers/contract terminations of \$50,879, (ii) player trades of \$5,642, and (iii) season-ending player injuries of \$542. Team personnel transactions for the nine months ended March 31, 2018 reflected provisions recorded for (i) season-ending player injuries of \$4,273, which was net of insurance recoveries of \$468, (ii) player waivers/contract terminations of \$4,022, and (iii) player trades of \$1,682.

The increase in net provisions for league revenue sharing expense (excluding playoffs) and NBA luxury tax reflected higher provisions for league revenue sharing expense of \$4,558, partially offset by higher estimated NBA luxury tax credit of \$1,120. Higher league revenue sharing expense primarily reflected the impact of the new revenue recognition standard in the current year period and higher estimated NHL revenue sharing expense for the 2018-19 season, partially offset by higher estimated net player escrow recoveries, lower estimated NBA revenue sharing expense for the 2018-19 season and adjustments to prior seasons' revenue sharing expense. The Knicks were not a luxury tax payer for the 2017-18 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 March 31, 2019 would not result in the team being a luxury tax payer for the 2018-19 season and the estimated luxury tax receipt is currently anticipated to be higher than the luxury tax receipt for the 2017-18 season. The actual amounts for the 2018-19 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.

[Table of Contents](#)

The increase in other team operating expenses was primarily due to the impact of the new revenue recognition standard in the current year period and an increase in league assessments, partially offset by lower player insurance costs and lower day-of-event costs, primarily driven by the Liberty and Rangers playing fewer games at The Garden during the current year period as compared to the prior year period. During the current year period, the majority of the Liberty's home games were played at the Westchester County Center, located in White Plains, NY.

The increase in team personnel compensation was primarily the result of earlier recognition due to the impact of the new revenue recognition standard for fulfillment costs in the current year period, partially offset by the impact of roster changes at the Company's sports teams.

The decrease in event-related expenses associated with other live sporting events was due to the absence of a large-scale event held during the prior year period at The Garden and fewer events during the current year period as compared to the prior year period, partially offset by higher per event expenses.

Selling, general and administrative expenses

Selling, general and administrative expenses for the nine months ended March 31, 2019 increased \$8,409, or 6%, to \$147,913 as compared to the prior year period primarily due to (i) an increase in employee compensation and related benefits, (ii) higher marketing costs, and (iii) an increase in corporate general and administrative costs, partially offset by other decreases.

Operating income

Operating income for the nine months ended March 31, 2019 increased \$10,282, or 8%, to \$134,169 as compared to the prior year period primarily due to an increase in revenues, partially offset by higher direct operating expenses, and to a lesser extent, an increase in selling, general and administrative expenses, as discussed above.

Adjusted operating income

Adjusted operating income for the nine months ended March 31, 2019 increased \$11,046, or 8%, to \$152,351, as compared to the prior year period due to an increase in revenues, partially offset by higher direct operating expenses, and to a lesser extent, an increase in selling, general and administrative expenses, as discussed above, excluding share-based compensation.

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 Note 11 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for a discussion of the Knicks Revolving Credit Facility, Knicks Unsecured Credit Facility, Rangers Revolving Credit Facility and TAO Credit Facilities). 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 and mandatory purchases 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. To the extent the Company desires to access alternative sources of funding through the capital and credit markets, challenging U.S. and global economic conditions could adversely impact its ability to do so at that time.

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 approximately \$1,153,000 in unrestricted cash and cash equivalents and \$111,000 of short-term investments as of March 31, 2019, 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 venues discussed below and other new business opportunities and to repurchase shares of the Company's Class A Common Stock (see Note 2 and Note 10 to the consolidated financial statements included in "Part I - Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for a discussion of the Company's short-term investments).

TAO Group's principal uses of cash include working capital related items, investments in new venues, tax-related cash distributions, interest expense payments and repayment of debt. TAO Group plans 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.

MSG Spheres

The Company is moving forward with its venue strategy to create the “venue of the future” — which we refer to as “MSG Sphere.”

We plan to build the first MSG Sphere in Las Vegas, followed by London. We continue to refine our design to deliver the most immersive experience for guests while maximizing the efficiencies that come with constructing two venues that will have similar key features. For Las Vegas, the Company has completed grading and excavation of the site and, in February, started foundation work, with the goal of opening MSG Sphere in calendar year 2021.

In London, the Company acquired land in 2017 at a cost of \$84,275, including stamp taxes, and in March 2019, submitted its planning application to the local planning authority. The Company plans to begin work following the receipt of all necessary approvals and the completion of construction drawings. Assuming the timely completion of those steps, the Company expects to open the London venue approximately one year after the Las Vegas venue opens.

Cost estimates for MSG Sphere Las Vegas and London have not yet been finalized as the Company continues to refine its design. MSG Sphere is an ambitious project that the Company believes will drive substantial new and enhanced revenue and adjusted operating income opportunities for the Company. Given the transformative nature of these venues, we expect that completion of these venues will require greater capital spend than would be required for a comparably-sized traditional entertainment venue. For additional information regarding the Company’s capital expenditures related to the MSG Spheres, see Note 18 to the consolidated financial statements included in “Part I — Item 1. Financial Statements” of this Quarterly Report on Form 10-Q (including footnote (d) on page 45).

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 borrowings under our revolving credit facilities. There is no assurance that the Company will be able to obtain such capital. The potential Sports Distribution contemplates that the Company would retain an approximate one-third interest in the sports company which, if completed, could provide the Company with an additional source of funding for its capital and other needs, including for costs associated with the design and construction of MSG Spheres. As is the case for any large scale real estate development projects, as the Company moves forward with the planning and construction of the MSG Spheres, the Company may face unexpected project delays and costs.

We will continue to explore additional domestic and international markets where we believe next-generation venues such as the MSG Sphere can be successful.

Revolving Credit Facilities Provided to Nonconsolidated Affiliates, Financing Agreements and Stock Repurchases

See Note 7, Note 11, Note 14 and Note 19 to the consolidated financial statements included in “Part I — Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for discussions of the Company’s revolving credit facility extended to a nonconsolidated affiliate, the Company’s debt obligations and various financing agreements, and the Company’s stock repurchases, 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 pays fees for the letters of credit that are credited against interest income the Company receives in return from its investments in notes receivable with the same bank. As of March 31, 2019, the Company had \$11,097 of letters of credit outstanding pursuant to which fees were credited against a note investment, which included two letters of credit for \$750 pertaining to TAO Group as of December 30, 2018.

Contractual Obligations

The Company did not have any material changes in its contractual obligations since the end of fiscal year 2018 other than activities in the ordinary course of business.

[Table of Contents](#)

Cash Flow Discussion

As of March 31, 2019, cash, cash equivalents and restricted cash totaled \$1,182,093, as compared to \$1,256,620 as of June 30, 2018. The following table summarizes the Company's cash flow activities for the nine months ended March 31, 2019 and 2018:

	Nine Months Ended March 31,	
	2019	2018
Net cash provided by operating activities	\$ 97,344	\$ 165,017
Net cash used in investing activities	(159,760)	(183,433)
Net cash used in financing activities	(18,551)	(50,231)
Effect of exchange rates on cash, cash equivalents and restricted cash	6,440	924
Net decrease in cash, cash equivalents and restricted cash	\$ (74,527)	\$ (67,723)

Operating Activities

Net cash provided by operating activities for the nine months ended March 31, 2019 decreased by \$67,673 to \$97,344 as compared to the prior year period primarily due to changes in certain assets and liabilities, partially offset by a decrease in net income adjusted for non-cash items. The changes in certain assets and liabilities are driven by (i) lower deferred revenue primarily due to the mix of events and timing, and (ii) higher receivables in the current year period due to timing and the impact from the adoption of ASC Topic 606 and, to a lesser extent, (iii) a player trade, partially offset by an increase in accrued and other liabilities related to the waiver of a player in the current period and the absence of a severance-related payment with a team executive in the prior year period. The changes in assets and liabilities is partially offset by the net impact of the decrease in net income adjusted for non-cash items primarily driven by lower benefits from deferred income taxes, as a result of the enactment of the TCJA in the prior year period.

Investing Activities

Net cash used in investing activities for the nine months ended March 31, 2019 decreased by \$23,673 to \$159,760 as compared to the prior year period primarily due to proceeds received from the sale of the Company's 50% interest in AMSGE and, to a lesser extent, (i) lower capital expenditures in the current year period compared to the prior year period primarily associated with the purchase of land in London during the second quarter of fiscal year 2018, (ii) the non-recurrence of payments associated with the business acquisition and franchise fee for CLG, and (iii) a loan repayment received from a subordinated debt. The decrease was partially offset by the Company's investment in a time deposit with a banking institution in London and an investment in SACO during the current year period.

Financing Activities

Net cash used in financing activities for the nine months ended March 31, 2019 decreased by \$31,680 to \$18,551 as compared to the prior year period primarily due to (i) lower taxes paid in lieu of shares issued for equity-based compensation in the current year period as compared to the prior year period, (ii) the non-recurrence of repurchases of shares of the Company's Class A Common Stock in the prior year period, (iii) the non-recurrence of a contingent consideration payment related to the acquisition of CLG in the prior year period, and (iv) contributions from noncontrolling interest holders in the current year period as compared to the prior year period.

Seasonality of Our Business

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. 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. This impact has become more significant as a result of adoption of ASC Topic 606.

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 2019. 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, 2018 except the adoption of ASC Topic 606, *Revenue from Contracts with Customers*, in the first quarter of fiscal year 2019. 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 of revenue recognition.

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 Group. During the first quarter of fiscal year 2019, 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 as of the impairment test date.

The goodwill balance reported on the Company’s consolidated balance sheet as of March 31, 2019 by reporting unit was as follows:

MSG Sports	\$	226,955
MSG Entertainment		76,975
TAO Group		88,583
	\$	<u>392,513</u>

The Company has the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If the Company can support the conclusion that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company would not need to perform the two-step impairment test for that reporting unit. If the Company cannot support such a conclusion or the Company does not elect to perform the qualitative assessment, the first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The estimates of the fair value of the Company’s reporting units are primarily determined using discounted cash flows and comparable market transactions. These valuations are based on estimates and assumptions including projected future cash flows, discount rates, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Significant judgments inherent in a discounted cash flow analysis include the selection of the appropriate discount rate, the estimate of the amount and timing of projected future cash flows and identification of appropriate continuing growth rate assumptions. The discount rates used in the analysis are intended to reflect the risk inherent in the projected future cash flows. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit’s goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit’s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination.

[Table of Contents](#)

The Company elected to perform the qualitative assessment of impairment for the goodwill for all of the Company's reporting units for the fiscal year 2019 annual 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.

During the first quarter of fiscal year 2019, 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 as of the impairment test date. 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 recent 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 March 31, 2019 by reportable segment:

Sports franchises (MSG Sports segment)	\$	110,564
Trademarks (MSG Entertainment segment)		62,421
Photographic related rights (MSG Sports segment)		3,000
	\$	175,985

The Company has the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. In the qualitative assessment, the Company must evaluate the totality of qualitative factors, including any recent fair value measurements, that impact whether an indefinite-lived intangible asset other than goodwill has a carrying amount that more likely than not exceeds its fair value. The Company must proceed to conducting a quantitative analysis, if the Company (i) determines that such an impairment is more likely than not to exist, or (ii) forgoes the qualitative assessment entirely. Under the quantitative assessment, the impairment test for identifiable indefinite-lived intangible assets consists of a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The Company elected to perform the qualitative assessment of impairment for the indefinite-lived intangible assets for all of the Company's reporting units for the fiscal year 2019 annual impairment test. These assessments considered the events and circumstances that could affect the significant inputs used to determine the fair value of the intangible asset. Examples of such events and circumstances include:

- cost factors;
- financial performance;
- legal, regulatory, contractual, business or other factors;
- other relevant company-specific factors such as changes in management, strategy or customers;
- industry and market considerations; and
- macroeconomic conditions.

[Table of Contents](#)

During the first quarter of fiscal year 2019, the Company performed its annual impairment test of the identifiable indefinite-lived intangible assets and determined that there were no impairments identified as of the impairment test date. 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 deferred and contingent consideration liabilities related to the acquisitions of TAO Group and CLG.

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, 2018.

In addition, 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 and through cash and invested funds which will be deployed in the construction of our London venue. We may evaluate and decide, to the extent reasonable and practical, to reduce the translation risk of foreign currency fluctuations 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 March 31, 2019, a uniform hypothetical 5% fluctuation in the GBP/USD exchange rate would have resulted in a change of approximately \$15.6 million in the Company's net asset value.

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 Company's Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2019 the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934) during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

On March 29, 2019, a purported stockholder of the Company filed a complaint in the Court of Chancery of the State of Delaware, derivatively on behalf of the Company, against certain directors of the Company who are members of the Dolan family group and against the directors of the Company who are members of the Compensation Committee (collectively, the “Director Defendants”). The Company is also named as a nominal defendant in the complaint. The complaint alleges that the Director Defendants breached their fiduciary duties to the Company’s stockholders in approving the compensation packages for James L. Dolan in his capacity as the Executive Chairman and Chief Executive Officer of the Company. The complaint seeks monetary damages in an unspecified amount from the Director Defendants in favor of the Company; rescission of Mr. Dolan’s employment agreements; restitution and disgorgement by Mr. Dolan in respect of his compensation; and costs and disbursements for the plaintiff.

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

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

As of March 31, 2019, the Company had \$259,639 remaining under the \$525,000 Class A Common Stock share repurchase program authorized by the Company’s board of directors on September 11, 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, with the timing and amount of purchases depending on market conditions and other factors. The Company has funded, and any future stock repurchases are expected to be funded, through a combination of cash on hand and cash generated by operations. During the three months ended March 31, 2019, the Company did not engage in any share repurchase activity under its share repurchase program.

Item 5. Other Information

On May 6, 2019, MSG Sports & Entertainment, LLC (“MSG S&E”), a wholly-owned subsidiary of The Madison Square Garden Company (the “Company”) entered into a dry lease agreement (the “Dry Lease Agreement”) with Brighid Air, LLC (“Brighid Air”), a company owned and controlled by Patrick Dolan, the son of Charles F. Dolan (a director of the Company) and the brother of James L. Dolan (the Executive Chairman, Chief Executive Officer and a director of the Company). Pursuant to the terms of the Dry Lease Agreement MSG S&E may lease on a non-exclusive basis Brighid Air’s Bombardier BD100-1A10 Challenger 350 aircraft (the “Challenger”), and MSG S&E will pay Brighid Air rent at an hourly rate, as well as specified expenses of each flight.

In connection with the Dry Lease Agreement, on May 6, 2019 MSG S&E entered into a Flight Crew Services Agreement (the “Flight Crew Agreement”) with Dolan Family Office, LLC (“DFO”), an entity owned and controlled by Charles F. Dolan, pursuant to which MSG S&E may utilize pilots employed by DFO for purposes of flying the Challenger when MSG S&E is leasing the Challenger under the Dry Lease Agreement. Pursuant to the Flight Crew Agreement, MSG S&E will pay DFO an hourly rate for the use of such pilots, as well as reimburse certain expenses of the pilots.

On May 6, 2019, Andrew Lustgarten, President of the Company, entered into an aircraft time sharing agreement (the “Time Sharing Agreement”) with MSG S&E, pursuant to which Mr. Lustgarten may lease the Challenger from MSG S&E for limited personal use. For flights taken under the Time Sharing Agreement, Mr. Lustgarten will pay for the actual expenses of such flight as listed in the agreement, not to exceed the maximum amount permitted under Federal Aviation Administration rules.

The above description of the Dry Lease Agreement, Flight Crew Agreement and Time Sharing Agreement are qualified in their entirety by reference to those agreements which are attached hereto as Exhibit 10.1, Exhibit 10.2 and Exhibit 10.3, respectively, and are incorporated into this Item 5 by reference.

[Table of Contents](#)

Item 6. **Exhibits**

(a) Index to Exhibits

EXHIBIT NO.	DESCRIPTION
10.1	Dry Lease Agreement, dated May 6, 2019, between MSG Sports & Entertainment, LLC and Brighid Air, LLC.
10.2	Flight Crew Services Agreement, dated May 6, 2019, between MSG Sports & Entertainment, LLC and Dolan Family Office, LLC.
10.3	Time Sharing Agreement, dated May 6, 2019, between MSG Sports & Entertainment, LLC and Andrew Lustgarten.
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 — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 8th day of May 2019.

The Madison Square Garden Company

By: /s/ VICTORIA M. MINK

Name: Victoria M. Mink

Title: Executive Vice President and Chief
Financial Officer

AIRCRAFT DRY LEASE AGREEMENT

THIS AIRCRAFT DRY LEASE AGREEMENT (this “Lease”) is entered in effective as of May 6, 2019, by and between BRIGHID AIR, LLC, a New York limited liability company with an address at 340 Crossways Park Drive, Woodbury, NY 11797 (“Lessor”) and MSG SPORTS & ENTERTAINMENT, LLC, a Delaware limited liability company with an address at Two Pennsylvania Plaza, New York, New York 10121 (“Lessee” or “MSG”).

W I T N E S S E T H

WHEREAS, Lessor is the owner of a Bombardier BD100-1A10 Challenger 350 aircraft, manufacturer’s serial number 20611, United States registration N350 PD, including its engines, accessories, components and parts (the “Aircraft”); and

WHEREAS, the parties have agreed that Lessor shall lease the Aircraft to Lessee on a non-exclusive basis for use by Lessee upon the terms and subject to the conditions set forth herein.

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

1. Lease of Aircraft.

(a) This Lease sets forth the exclusive terms and conditions under which Lessee is entitled to use the Aircraft, and Lessee shall have no right to use the Aircraft except as expressly set forth herein. Lessor shall lease the Aircraft to Lessee, and Lessee shall lease the Aircraft from Lessor, during all Lease Periods throughout the Term (as defined in Section 12) of this Lease as provided hereunder. “Lease Periods” shall mean those times, if any, when the Aircraft is being utilized by Lessee hereunder, with the consent of Lessor as provided in Section 1(e), for flight operations conducted by Lessee under Part 91 of the Federal Aviation Regulations (“FARs”), including any deadhead, ferry or repositioning flights to return the Aircraft to the airport at which the Lease Period commenced or to position the Aircraft for a Lessee trip at a remote location away from Republic Airport, Farmingdale, New York (KFRG), but excluding any deadhead, ferry and repositioning flights described in Section 1(b) below (“Lessee Flights”). Lessee’s right to use the Aircraft hereunder during the Term shall be non-exclusive and is subject in all respects to (i) Lessor’s right to use the Aircraft at all times during the Term other than during such Lease Periods and (ii) Lessor’s right to permit other non-exclusive lessees to use the Aircraft under their operational control and possession, command and control

(b) Notwithstanding the foregoing, the parties agree that if a trip by Lessee causes or will cause the Aircraft to be at a remote location away from KFRG (“Lessee’s Location”), Lessee shall, at Lessor’s request, permit the Aircraft to be relocated from Lessee’s Location to KFRG or other location designated by Lessor (and thereafter shall be returned to Lessee’s Location) if Lessor requires use of the Aircraft directly or for one of its affiliated non-exclusive lessees, but only if such itinerary will not unreasonably delay or interfere with any scheduled flight by Lessee. In that event, (i) Lessee’s then-current Lease Period shall terminate effective as of initial engine start-up for the departure flight from Lessee’s Location; (ii) Lessor or its affiliated non-exclusive lessee shall pay all costs incurred during the period in which the Aircraft is away from Lessee’s Location, including all occupied and deadhead legs to ferry the Aircraft from Lessee’s Location and back; and (iii) a new Lease Period shall begin effective as of final engine shut-down upon return of the Aircraft to Lessee’s Location.

(c) Transfer of the Aircraft from Lessor to Lessee to commence a Lease Period

hereunder, and transfer of the Aircraft from Lessee to Lessor to terminate a Lease Period hereunder, shall be evidenced by the entry of appropriate notations of such transfer on the Aircraft's logs. Upon the commencement or termination of any Lease Period hereunder, the party transferring possession of the Aircraft shall deliver the Aircraft to the other party at KFRG or such other location as the parties may agree. In the case of a transfer of possession from Lessee to Lessor, the Aircraft shall be in at least the same operating condition, order, repair and condition as when received by Lessee at the commencement of the Lease Period, reasonable wear and tear and maintenance events arising during the Lease Period not caused by Lessee's gross negligence or willful misconduct excepted.

(d) Subject to Aircraft and crew availability, 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 with Lessor's affiliated non-exclusive lessees' use of the Aircraft, and to enable Lessee to enjoy the benefits of this Lease; however, Lessee acknowledges and agrees that notwithstanding anything in this Lease to the contrary, Lessor shall have sole and exclusive final authority over the scheduling of the Aircraft and Lessor's other affiliated nonexclusive lessees' needs for the Aircraft shall take precedence over Lessee's rights and Lessor's obligations under this Lease pursuant to Section 1(e).

(e) Lessee shall use its reasonable efforts to give Lessor as much advance notice of Lessee's proposed utilization hereunder. If Lessee notifies Lessor pursuant to Section 15 of Lessee's proposed use of the Aircraft and Lessor consents thereto, the period described in such notice of proposed use may be scheduled by Lessee (unless such intended use is cancelled by Lessee by like notice to Lessor). Notwithstanding anything herein to the contrary, all Lessee Flights approved by Lessor and scheduled by Lessee are subject to the absolute right of Lessor to revoke such approval at any time prior to twenty four (24) hours before the scheduled departure of the initial flight of the approved itinerary, without liability, upon notice to Lessee. Any notice under this Section 1(e) may be either written or oral, but shall be given only to or by individuals designated by each party from time to time as authorized to act on its behalf for purposes of this Section 1(e).

2. Rent.

(a) Lessee shall remit to Lessor the sum per block hour set forth on Schedule 1 hereto from time to time as Rent for the use of the Aircraft by Lessee during each Lease Period hereunder. For this purpose, a "block hour" shall be measured in hours and tenths of hours, rounded to the nearest tenth of an hour, from the time the Aircraft moves for purposes of flight at the departure airport to the time the Aircraft comes to a stop at the arrival airport.

(b) Not later than thirty (30) days after the end of each calendar month during the Term, Lessee shall provide to Lessor a statement showing all use of the Aircraft during Lease Periods during that month, and a complete accounting detailing any Rent due from Lessee for that month. Notwithstanding anything in this Lease to the contrary, Lessee shall have no obligation to utilize the Aircraft hereunder, and there shall be no Rent payable to Lessor hereunder with respect to any calendar month if Lessee does not use the Aircraft hereunder during such month. All payments of Rent due for any calendar month shall be made at Lessor's address set forth above, or at such other place as Lessor may designate to Lessee in writing from time to time, not later than the thirtieth (30th) day of the following month.

3. Expenses. Lessor shall pay the entire cost of insuring, maintaining and fueling the Aircraft during the Term. Lessee shall pay the following trip-specific costs of operating the Aircraft during Lease Periods under this Lease:

- (a) travel expenses of crew, including food, lodging and ground transportation;
- (b) hangar and tie-down costs away from KFRG;

- (c) additional insurance obtained for the specific flight at the request of Lessee;
- (d) landing fees, airport taxes and similar assessments;
- (e) customs, foreign permit and similar fees directly related to the flight;
- (f) in-flight food and beverages;
- (g) passenger ground transportation;
- (h) flight planning and weather contract services; and
- (i) oil, lubricants and other additives.

4. Flight Crew.

(a) Lessee shall obtain at its sole cost and expense the services of fully qualified and properly certificated flight crew to operate the Aircraft under this Lease. All flight crew provided by Lessee to operate the Aircraft during any Lease Period hereunder shall be employees or contractors of Lessee, and Lessee shall be solely responsible for their compensation.

(b) Only fully-qualified and properly-credentialed flight crew members who are included under the insurance coverage required to be maintained hereunder shall be permitted to operate the Aircraft during any Lease Period. All flight crew utilized by Lessee hereunder shall comply with all applicable regulations and the requirements of all applicable operations and maintenance manuals.

5. Operational Control; Operations.

(a) Lessor and Lessee intend that the lease of the Aircraft effected hereby shall be treated as a "dry lease". Notwithstanding anything in this Lease to the contrary, Lessee shall have complete and exclusive operational control, and complete and exclusive possession, command and control, of the Aircraft for all flights during each Lease Period under this Lease. Lessee shall have complete and absolute control of the crewmembers in preparation for and in connection with the operation of all flights during each Lease Period under this Lease. Lessee shall have complete and exclusive responsibility for scheduling, dispatching and flight following of the Aircraft on all flights conducted during Lease Periods under this Lease, which responsibility includes the sole and exclusive right over initiating, conducting and terminating any such flights. Lessee shall have no operational control over any flights of the Aircraft not conducted during Lease Periods under this Lease.

(b) Lessee shall use and operate the Aircraft under this Lease only in accordance with applicable manufacturers' recommendations and airport and climatic conditions. Neither Lessee nor Lessor shall permit the Aircraft to be maintained, used or operated in violation of any law, rule, regulation, ordinance or order of any governmental authority having jurisdiction, or in violation of any airworthiness certificate, license or registration relating to the Aircraft.

6. Regulatory. Lessee shall obtain and maintain in full force and effect any necessary certificates, licenses, permits and authorizations required for its use and operation of the Aircraft hereunder. Lessee agrees to conduct all operations contemplated by this Lease in compliance with all applicable provisions of the FARs, including, but not limited to, Part 91 thereof.

7. Records. Lessee shall maintain any records required by applicable laws, rules or regulations in connection with the operation of the Aircraft during any Lease Period hereunder. Without limiting the generality of the foregoing, Lessee shall maintain or cause to be maintained flight log books

showing the full flight time of the Aircraft during each Lease Period hereunder, and shall keep such logs available for inspection by Lessor or its representatives at all reasonable times. Lessor shall be entitled, upon reasonable notice to Lessee, to inspect any books or records of Lessee that relate to the Aircraft's use hereunder.

8. Remote Locations. Lessee shall pay the cost of hangaring the Aircraft at remote locations during any Lease Periods hereunder.

9. Insurance.

(a) During the Term, Lessor will procure and maintain or cause to be procured and maintained at its sole cost and expense aircraft insurance (the "Policy") that satisfies all of the requirements of this Section 9. The Policy will provide: (i) all risk, both ground and in-flight hull, including hull war risks, insurance in an amount equal to the most recent appraised fair market value of the Aircraft; and (ii) liability coverage covering passengers, non-passengers, third party liability (including war risk AV52) and property damage of not less than two hundred fifty million (\$250,000,000) United States dollars for each occurrence but sublimited to twenty five million (\$25,000,000) United States dollars for each occurrence and aggregate with respect to Personal Injury Liability.

(b) The Policy will provide: (i) that Lessee and its affiliates and each of their respective members, managers, shareholders, officers, directors, partners, employees, agents, licensees and guests are designated as additional insureds (without responsibility for premiums) with respect to the liability coverage; (ii) that the insurer waives any right of set-off and any right of subrogation against any of the additional insureds; (iii) that no cancellation or substantial change in coverage of or failure to renew the Policy shall be effective as to the additional insureds for thirty (30) days (seven (7) days, in the case of war risk or allied perils) after receipt by Lessee of written notice from the insurer of any such cancellation or substantial change in coverage of the policy; (iv) that all coverages will be primary, not subject to any co-insurance clause, not contributory or subject to offset with respect to any other policies in force; (v) for a severability of interest clause providing that the Policy will operate in the same manner to give each insured the same protection as if there were a separate policy issued to each insured except for the limit of liability; and (vii) that the "Territory" section will provide Worldwide Coverage.

(c) On or before the date hereof, Lessor will provide Lessee with a certificate of insurance evidencing all coverages in compliance with the requirements of this Lease.

10. Maintenance. Lessor shall, at its sole cost and expense, (i) enroll or cause the Aircraft to be enrolled on a Federal Aviation Administration ("FAA") approved or manufacturer-recommended maintenance and inspection program under Part 91 of the FARs, and (ii) maintain or cause the Aircraft to be maintained in accordance with the requirements of the approved maintenance and inspection program and all applicable FAA regulations. No period of maintenance, preventive maintenance or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all applicable laws and regulations. Lessor represents and warrants that, at all times during the Term, the Aircraft will be in airworthy condition and current on the approved maintenance program. Lessee shall be responsible for obtaining letters of authorization in its own name as operator of the Aircraft for operations within RVSM, use of a MEL, or any other operator specific authorization required for Lessee's operation of the Aircraft.

11. Default. In addition to the termination rights set forth in Section 12, the non-defaulting party shall have the right to terminate this Lease immediately (without prejudice to any other rights that such party may have) upon written notice to the defaulting party in the event of any one or more of the following events of default:

(i) failure of the defaulting party to make payments due hereunder within ten (10) days following notice from the non-defaulting party that such payment was not timely made when due;

(ii) except as provided in Section 11(iii) - (vii), violation or default of any material term, obligation or condition of a non-monetary nature set forth in this Lease, together with a failure to cure within ten (10) days after receipt of written notice of such violation;

(iii) if Lessee operates or maintains the Aircraft in violation of any law, regulation, directive or order of any governmental authority or in violation of any provision of any insurance policy contemplated by this Lease, unless such violation can reasonably be cured, in which case Lessee shall have failed to cure such violation within ten (10) days after receipt of written notice thereof;

(iv) if any representation or warranty made in this Lease by a party is or becomes false, misleading or incorrect in any material respect;

(v) lapse of insurance coverage required to be kept in force hereunder;

(vi) if a party shall make a general assignment for the benefit of creditors, or be declared insolvent or bankrupt under any bankruptcy, insolvency or other similar law, or commence a voluntary proceeding seeking liquidation, reorganization or other relief under any such law or seeking the appointment of a receiver or liquidator over any substantial portion of its respective assets;

(vii) assignment by a party of this Lease, except as permitted under Section 22, or any right or interest created hereunder without the prior written consent of the other party;

(viii) Lessee incurs, causes, permits, consents to, or there arises due to Lessee's actions or failure to act, the creation, attachment, filing or registration of any lien, mortgage, security interest or other charge or encumbrance or claim or right of others against the Aircraft, other than the creation and attachment of statutory liens for operating costs related to Lessee Flights that arise in the ordinary course of business and that are not perfected by filing or registration against the Aircraft or the lienor asserting or retaining possession of or seizing or arresting the Aircraft.

(ix) Lessee fails to execute reasonable and customary documentation required by the Lessor to finance or continue financing of the Aircraft. Lessee knowingly operates the Aircraft in a location or manner that violates the terms of an Aircraft Loan and Security Agreement as provided by the Lessor.

(x) Lessee knowingly operates the Aircraft in or above a war or conflict zone.

12. Term. The term of this Lease (including as it may be extended pursuant to the terms hereof, the "Term") shall commence on the date hereof and, unless terminated in accordance with the provisions hereof, shall remain in full force and effect for an initial term ending on June 30, 2019 and thereafter shall automatically renew for successive one-year terms unless either party provides written notice not less than 30 days prior to the expiration of the current term. Notwithstanding the foregoing, (a) Lessor shall have the right to terminate this Lease immediately upon the sale of the Aircraft and (b) either party shall have the right to terminate this Lease (i) upon breach of the terms of this Lease by the other party as provided in Section 11, or (ii) for any reason or no reason by written notice given to the other party not less than ten (10) days prior to the proposed termination date.

13. Remedies on Default or Termination. In the event of a termination of this Lease, whether as a result of a default or the expiration of its Term, Lessee shall immediately cease its use of the Aircraft

and return the Aircraft and all records pertaining thereto to the custody of Lessor or its agents or representatives as set forth herein at such airport as Lessor and Lessee may agree. Not later than thirty (30) days after the termination of this Lease, a full accounting shall be made between Lessee and Lessor and all accounts settled between the parties. In no event shall any termination affect the rights and obligations of the parties arising prior to the effective date of such termination. Without prejudice to or limitation or modification of the other provisions of this Lease, in no event shall either party be liable to the other for damages relating to the loss of use of the Aircraft after the date of termination of this Lease, due to default or expiration of the Term or otherwise.

14. Cross Indemnities; LIMITATION ON LIABILITY.

(a) Without limiting their respective obligations hereunder, each party (in each case, the "Indemnitor") hereby indemnifies and holds harmless the other party and its affiliates and their respective officers, directors, partners, employees, shareholders, members and managers (in each case, collectively, the "Indemnitee") for any claim, damage, loss, or reasonable expense, including reasonable attorneys' fees (an "Indemnified Loss"), resulting from bodily injury or property damage arising out of the ownership, maintenance or use of the Aircraft which results from the gross negligence or willful misconduct of such party; provided, however, that neither party will be liable for any Indemnified Loss to the extent:

- (i) Such loss is covered by the insurance policies described in Section 9 (the "Policies");
- (ii) Such loss is covered by the Policies but the amount of such loss exceeds the policy limits specified by Lessor;
- (iii) Such loss consists of expenses incurred in connection with any loss covered in whole or in part by the Policies but such expenses are not fully covered by the Policies; or
- (iv) Such loss is caused by the gross negligence or willful misconduct of the Indemnitee.

(b) Each party agrees to look to the insurance required to be maintained under Section 9 prior to seeking indemnification from the other party hereunder.

(c) LIMITATION ON LIABILITY. EACH PARTY ACKNOWLEDGES AND AGREES THAT: (I) THE PROCEEDS OF INSURANCE TO WHICH IT IS ENTITLED; (II) ITS RIGHTS TO INDEMNIFICATION FROM THE OTHER PARTY UNDER SECTIONS 14(a) and 17; AND (III) ITS RIGHT TO DIRECT DAMAGES ARISING IN CONTRACT FROM A BREACH OF THE OTHER PARTY'S OBLIGATIONS UNDER THIS LEASE; ARE THE SOLE REMEDIES FOR ANY DAMAGE, LOSS, OR EXPENSE ARISING OUT OF THIS LEASE OR THE TRANSACTIONS CONTEMPLATED HEREBY. EXCEPT AS EXPRESSLY SET FORTH IN THIS SECTION 14(c), EACH PARTY WAIVES ANY RIGHT TO RECOVER ANY DAMAGE, LOSS OR EXPENSE ARISING OUT OF THIS LEASE OR THE TRANSACTIONS CONTEMPLATED HEREBY. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR OR HAVE ANY DUTY FOR INDEMNIFICATION OR CONTRIBUTION TO THE OTHER PARTY FOR ANY CLAIMED INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES, OR FOR ANY DAMAGES FOR LOSS OF USE, REVENUE, PROFIT, BUSINESS OPPORTUNITIES AND THE LIKE, OR FOR DEPRECIATION OR DIMINUTION IN VALUE OF THE AIRCRAFT OR INSURANCE DEDUCTIBLE, EVEN IF THE PARTY HAD BEEN ADVISED, OR KNEW OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES.

NOTWITHSTANDING ANYTHING IN THIS LEASE TO THE CONTRARY, NEITHER PARTY SHALL

HAVE ANY LIABILITY TO THE OTHER PARTY FOR ITS PERFORMANCE OR FAILURE TO PERFORM ANY OF ITS OBLIGATIONS UNDER THIS LEASE (INCLUDING, WITHOUT LIMITATION, IN THE CASE OF ITS NEGLIGENCE) EXCEPT IN THE CASE OF ITS GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(d) The provisions of this Section 14 shall survive the termination or expiration of this Lease.

15. Notices. All notices or other communications delivered or given under this Lease 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, Portable Document Format ("PDF") 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 15. Notices sent by certified or registered mail shall be deemed received three (3) business days after being mailed. All other notices shall be deemed received on the date delivered. Routine communications may be made by e-mail to Lessor at officer@dfollc.com and to Lessee at joseph.yospe@msg.com or fax to Lessor at (516) 226-1155 and to Lessee at (212) 465-6148.

16. Relationship of Parties. The relationship of the parties created by this Lease is strictly that of lessor and lessee. Nothing in this Lease is intended, nor shall it be construed so as, to constitute the parties as partners or joint venturers or as principal and agent.

17. Taxes. Lessor shall pay all taxes, assessments and charges imposed by any Federal, state, municipal or other public authority upon or relating to the ownership of the Aircraft during the Term (other than any taxes, fines or penalties imposed upon Lessor as a result of a breach of this Lease by Lessee). Lessee shall pay all taxes, assessments, and charges imposed by any Federal, state, municipal or other public authority upon or relating to the rental, use or operation of the Aircraft by Lessee during the Lease Periods (including any sales or use tax imposed by the State of New York on any lease payment hereunder), other than income taxes of Lessor. Lessee shall also be liable for any federal excise tax imposed under Internal Revenue Code Section 4261 if such tax is applicable to any or all amounts paid (or deemed to be paid) by Lessee to Lessor hereunder. Lessee shall pay such tax to Lessor within thirty (30) days after receipt of Lessor's written invoice therefor. Each party agrees to indemnify and hold the other harmless against any and all liabilities, costs and expenses (including attorneys' fees) resulting from a breach of its respective undertaking hereunder.

18. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of New York, determined without regard to its conflicts of laws principles. If any provision of this Lease 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 Lease.

19. Venue. Any legal action, suit or proceeding arising out of or relating to this Lease or the transactions contemplated hereby may be instituted in any state or federal court in the State of New York. Each party waives any objection which such party may now or hereinafter have to the laying of the venue in New York County, New York in any such action, suit or proceeding, and irrevocably submits to the jurisdiction of any such court in any such action, suit or proceeding.

20. Amendment. This Lease shall not be modified or amended or any provision waived except by an instrument in writing signed by authorized representatives of the parties.

21. Counterparts. This Lease may for all purposes be executed in several counterparts, each of

which shall be deemed an original, and all such counterparts, taken together, shall constitute the same instrument, even though all parties may not have executed the same counterpart of this Lease. Each party may transmit its signature by confirmed facsimile or PDF transmission, and such signatures shall have the same force and effect as an original signature.

22. Successors and Assigns; Third-Party Beneficiaries. Neither party shall have the right to assign this Lease without the prior written consent of the other party; provided, however, that (i) Lessor shall have the right, upon notice to Lessee, to assign this Lease to any other direct or indirect wholly-owned subsidiary of Lessor provided any such assignments hereunder and the resulting ownership and operational structure are consistent with applicable FARs, and (ii) Lessee shall have the right, upon notice to Lessor, to assign this Lease to any entity controlling, controlled by, or under common control with, The Madison Square Garden Company. This Lease shall be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns, and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. This Lease shall not be construed to create any third-party beneficiary rights in any person not a party hereto (or a successor to or permitted assign of any such party).

23. Integration. This Lease sets forth the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all other agreements, understandings, communications, representations or negotiations, whether oral or written, between the parties with respect to the lease of the Aircraft. There are no other agreements, representations or warranties, whether oral or written, express or implied, relating to the lease of the Aircraft that are not expressly set forth in this Lease.

24. Legal Fees and Other Costs and Expenses. In the event of any dispute, litigation or arbitration between the parties with respect to the subject matter of this Lease, the unsuccessful party to such dispute, litigation or arbitration shall pay to the successful party all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred therein by the successful party, all of which shall be included in and as a part of the judgment or award rendered in such dispute, litigation or arbitration. For purposes of this Lease, the term "successful party" shall mean the party which achieves substantially the relief sought, whether by judgment, order, settlement or otherwise.

25. WAIVER OF JURY TRIAL. EACH PARTY HEREBY KNOWINGLY AND VOLUNTARILY WAIVES ITS RIGHTS TO A JURY TRIAL IN ANY ACTION, SUIT OR PROCEEDING RELATING TO, ARISING UNDER OR IN CONNECTION WITH THIS LEASE AND ANY OTHER DOCUMENT, AGREEMENT OR INSTRUMENT EXECUTED AND/OR DELIVERED IN CONNECTION WITH THE FOREGOING.

26. TRUTH IN LEASING. TRUTH IN LEASING STATEMENT UNDER SECTION 91.23 OF THE FEDERAL AVIATION REGULATIONS:

(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 LEASE. THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED UNDER FAR PART 91 FOR ALL OPERATIONS TO BE CONDUCTED DURING LEASE PERIODS UNDER THIS LEASE.

(b) LESSEE HEREBY CERTIFIES THAT IT IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT DURING ALL LEASE PERIODS UNDER THIS LEASE.

(c) EACH OF LESSOR AND LESSEE CERTIFIES THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION

REGULATIONS.

(d) EACH OF LESSOR AND LESSEE UNDERSTANDS 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.

Instructions for Compliance with “Truth In Leasing” Requirements are attached hereto as Schedule 2.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties hereto have executed this Aircraft Dry Lease Agreement this 6th day of May, 2019, effective as of the date first written above.

LESSOR:

BRIGHID AIR, LLC

By: /s/ Dennis H. Javer

Name: Dennis H. Javer

Title: Vice President

LESSEE:

MSG SPORTS & ENTERTAINMENT, LLC

By: /s/ Victoria M. Mink

Name: Victoria M. Mink

Title: EVP & Chief Financial Officer

SCHEDULE 1

Rent per block hour: \$3,045

S- 1

SCHEDULE 2

INSTRUCTIONS FOR COMPLIANCE WITH "TRUTH IN LEASING" REQUIREMENTS

1. Mail a copy of this Lease to the following address via certified mail, return receipt requested, immediately upon execution of this Lease (14 C.F.R. 91.23 requires that the copy be sent within twenty-four (24) hours after it is signed):

Federal Aviation Administration
Aircraft Registration Branch
ATTN: Technical Section
P.O. Box 25724
Oklahoma City, Oklahoma 73125

2. Telephone or fax the nearest Flight Standards District Office at least forty-eight (48) hours prior to the first flight made under this Lease.
3. Carry a copy of this Lease in the Aircraft at all times when the Aircraft is being operated under this Lease.

FLIGHT CREW SERVICES AGREEMENT

This Flight Crew Services Agreement (this “**Agreement**”) is made this 6th day of May, 2019 between Dolan Family Office, LLC, a New York limited liability company with an address at 340 Crossways Park Drive, Woodbury, New York 11797 (“**Contractor**”), and MSG Sports & Entertainment, LLC, a Delaware limited liability company with an address at 2 Pennsylvania Plaza, New York, New York 10121 (the “**Customer**”).

WITNESSETH:

WHEREAS, Customer is the non-exclusive lessee of a Bombardier BD100-1A10 Challenger 350 aircraft, serial number 20611, registration number 350 PD (the “**Aircraft**”); and

WHEREAS, Contractor employs, or contracts for, a fully qualified flight crew to operate various aircraft, including the Aircraft; and

WHEREAS, Customer wishes to hire Contractor to provide flight crew from time to time to assist Customer in the operation of the Aircraft by Customer under Part 91 of the Federal Aviation Regulations.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and undertakings herein contained, and other good and valuable consideration, the Parties hereby agree as follows:

ARTICLE 1: TERM

1.1 Term. The term of this Agreement (“**Term**”) shall commence on the date of execution of this Agreement and, unless terminated in accordance with the provisions hereof, shall remain in full force and effect for an initial term ending on June 30, 2019 and thereafter shall automatically renew for successive one-year terms unless either party provides written notice not less than 30 days prior to the expiration of the current term. Notwithstanding the foregoing, (a) Customer shall have the right to terminate this Agreement immediately upon the termination of the Dry Lease Agreement between Customer and Brighid Air, LLC, providing for Customer’s non-exclusive right to lease the Aircraft and (b) either party shall have the right to terminate this Agreement (i) upon breach of the terms of this Agreement by the other party, or (ii) for any reason or no reason by written notice given to the other party not less than ten (10) days prior to the proposed termination date.

1.2 Flight Periods. During the Term, Customer agrees to hire Contractor to provide the flight crew services described in Article 2 below (“**Flight Crew Services**”) for specific periods when Customer is leasing the Aircraft (“**Flight Periods**”) and Contractor, subject to availability, agrees to provide Flight Crew Services for such Flight Periods.

1.3 Scheduling Flight Crew Services. Customer shall make requests for Flight Crew Services to Contractor either orally or in writing. Requests shall be made as far in advance as reasonably practicable prior to the intended commencement of the Flight Period. Customer shall provide the following information to Contractor: (1) dates and times requested for the Flight Period; (2) Customer's proposed itinerary (i.e., proposed destinations and times for each flight segment); and (3) the number of passengers to be carried on each flight segment.

ARTICLE 2: PROVISION OF SERVICES

2.1 Provision of Services. For each Flight Period, Contractor will provide the Customer with a flight crew consisting of a professionally trained pilot-in command and a co-pilot who shall be familiar with, and licensed to operate the Aircraft, and a professionally trained flight attendant familiar with the Aircraft if requested (collectively the “**Flight Crew**”). Each Flight Crew member shall be covered by the insurance referred to in Article 5 below.

2.2 Flight Crew Duties. During each Flight Period, the Flight Crew shall, on behalf of the Customer: (1) make all necessary arrangements for take-off, flight, and landing; (2) cause to be maintained all records, logs and other documentation required by the Federal Aviation Regulations (“**FARs**”); (3) perform all administrative tasks required in conjunction with flights during the Flight Period, including, but not limited to, arranging for fuel and other airport services, payment of airport taxes or landing fees; and (4) upon request, coordinate ground transportation and catering for passengers.

ARTICLE 3: CONTROL OF AIRCRAFT

3.1 Customer’s Operational Control. Contractor acknowledges and agrees and will insure that the Flight Crew provided by Contractor shall acknowledge and agree that (i) Customer shall exercise sole and exclusive operational control as such term is defined in FAR Section 1.1 during any flight, (ii) each and every right Contractor may have to control, direct, instruct or in any way influence the actions of the Flight Crew during the time the Aircraft is operated on Customer’s behalf are hereby waived and granted to Customer, notwithstanding any employment relationship between Contractor and the Flight Crew, and (iii) responsibility for operational control is not transferable to any other person or entity, and it supersedes any agreement, contract, understanding or arrangement, either oral or written, expressed or implied, between any persons or entities.

3.2 Authority of Pilot in Command. Nothing herein shall be construed as diminishing the emergency authority of the pilot-in-command of the Flight Crew in accordance with FAR Section 91.3(b) or to otherwise exercise the pilots duties and responsibilities regarding safety of flight. The designated pilot-in-command shall have complete discretion to terminate, divert, or delay any flight or take other action for safety of flight reasons. The decision of the pilot-in-command with regard to any safety of flight decision shall be final.

3.3 Flight Restrictions. Customer represents and warrants that it will not operate the Aircraft in a manner that would violate the FARs or other laws or regulations or Contractor’s internal policies, including, but not limited to (1) duty and flight time restrictions for the Flight Crew, and (2) carriage of passengers for hire or other flights that would not be in accordance with operations under FAR Part 91.

ARTICLE 4: FEES FOR SERVICES

4.1 Fee. Customer agrees to pay Contractor a fee to cover Flight Crew services for each Flight Period in an amount equal to \$535 per block hour. For this purpose, a “block hour” shall be measured in hours and tenths of hours, rounded to the nearest tenth of an hour, from the time the Aircraft moves for purposes of flight at the departure airport to the time the Aircraft comes to a stop at the arrival airport.

4.2 Reimbursement for Flight Crew Costs. Customer agrees to reimburse Contractor at cost for all reasonable and documented incidental costs incurred by Contractor on behalf of Customer incidental to flights during each Flight Period including, but not limited to: (1) hangaring and tie down charges away from the Aircraft's base of operation; (2) landing fees, airport taxes or similar charges; (3) customs, immigration or similar charges related to international flight; (4) if requested by Customer, in-flight food and beverages service and passenger ground transportation; and (5) travel expenses of the Flight Crew including food, lodging, and ground transportation.

4.3 Invoicing and Payment. Contractor will send Customer invoices for fees and costs for each Flight Period. Such invoices shall be payable not later than 45 days after receipt by Customer.

ARTICLE 5: INSURANCE

5.1 Insurance on Aircraft. Customer is an additional insured on the insurance policies of Contractor covering, among other things, third party Aircraft liability, passenger legal liability, property damage liability, and Contractor carries and maintains all risk ground and flight hull insurance covering the Aircraft. Such policy shall contain a waiver of subrogation in favor of Customer under the Contractor's hull coverages for services performed under the contract. Any such insurance shall be in effect throughout the entire Term. Contractor acknowledges that it is a named insured on said insurance policy.

5.2 Flight Crew Insurance. Contractor shall maintain, at its own cost, the following insurance during the term of this Agreement: Worker's Compensation and Employer Liability insurance in an amount not less than Five Hundred Thousand United States dollars (U.S. \$500,000) covering Contractor and the Flight Crew at all times during the term of this Agreement. Before the commencement of any Flight Crew Services by the Contractor, upon the request of Customer, Contractor shall have provided to Customer, and Customer shall be satisfied with, a certificate evidencing the required coverage under the Contractor's insurance policies.

ARTICLE 6: MISCELLANEOUS

6.1 Contractor's Personnel. Contractor shall be an independent contractor to perform services under this Agreement and all the Flight Crew shall at all times and for all purposes be considered Contractor's employees or agents. Contractor shall be solely responsible for payment and reporting of federal, state and local income taxes, employment and related taxes, and other applicable government taxes, social security, unemployment insurances, and other payroll taxes for all Flight Crew members.

6.2 Notices. All notices and other communications under this Agreement shall be in writing and shall be given to the address and in the manner agreed to by the parties.

6.3 Entire Agreement. This Agreement constitutes the final, complete, and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement and supersedes all prior and contemporaneous understandings of the parties.

6.4 Amendments and Modifications. The terms of this Agreement shall not be waived, varied, contradicted, explained, amended or changed in any other manner except by an instrument in writing, executed by both Parties.

6.5 Choice of Law. This Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of New York.

6.6 Force Majeure. Neither party shall be liable for any failure to perform its obligations if such failure results from any act of God, riot, war, civil unrest, flood, earthquake, or other cause beyond such party's reasonable control.

6.7 Execution. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument. Signatures conveyed via facsimile or by electronic mail shall have the same force and effect as original signatures.

6.8 Relationship of Parties. Neither party is or shall be deemed to be the agent, partner or joint venture of the other. Neither party shall be authorized to bind the other, except as expressly provided herein, or shall be responsible for the acts or omissions of the other.

6.9 Confidentiality. The work contemplated under this Agreement may require Contractor personnel and/or Flight Crew to have access to information that is proprietary or confidential to Customer and its affiliates. Contractor agrees that neither it nor any Flight Crew furnished hereunder shall disclose to other persons any information acquired by Contractor and/or any Flight Crew as a result of the performances of its services under this Agreement unless agreed to by Customer.

(signature page follows)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed in their names and on their behalf by their duly authorized representatives.

DOLAN FAMILY OFFICE, LLC

By: /s/ Dennis H. Javer

Name: Dennis H. Javer

Title: President

Date: May 6, 2019

MSG SPORTS & ENTERTAINMENT, LLC

By: /s/ Victoria M. Mink

Name: Victoria M. Mink

Title: EVP & Chief Financial Officer

Date: May 6, 2019

TIME SHARING AGREEMENT

THIS TIME SHARING AGREEMENT is entered into effective as of the 6th day of May, 2019, 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 Bombardier BD100-1A10 Challenger 350 aircraft, manufacturer's serial number 20611, United States registration 350 PD (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 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/ Victoria M. Mink

Name: Victoria M. Mink

Title: EVP & Chief Financial Officer

LESSEE:

/s/ Andrew Lustgarten

Andrew Lustgarten

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: May 8, 2019

/s/ James L. Dolan

James L. Dolan

Executive Chairman and Chief Executive Officer

Certification

I, Victoria M. Mink, 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: May 8, 2019

/s/ Victoria M. Mink

Victoria M. Mink

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 March 31, 2019 (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: May 8, 2019

/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 March 31, 2019 (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: May 8, 2019

/s/ Victoria M. Mink

Victoria M. Mink

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.