

**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 September 30, 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

47-3373056

(State or other jurisdiction of
incorporation or organization)

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

Two Penn Plaza New York , NY

10121

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (212) 465-6000

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

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 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

Number of shares of common stock outstanding as of October 31, 2019:

Class A Common Stock par value \$0.01 per share	—	19,353,383
Class B Common Stock par value \$0.01 per share	—	4,529,517

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

	September 30, 2019	June 30, 2019
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 952,186	\$ 1,086,372
Restricted cash	31,349	31,529
Short-term investments	104,597	108,416
Accounts receivable, net	120,880	96,856
Net related party receivables	1,528	1,483
Prepaid expenses	82,134	45,150
Other current assets	43,085	43,303
Total current assets	1,335,759	1,413,109
Investments and loans to nonconsolidated affiliates	64,252	84,560
Property and equipment, net of accumulated depreciation and amortization of \$791,031 and \$766,065 as of September 30, 2019 and June 30, 2019, respectively	1,456,055	1,380,392
Right-of-use lease assets	251,346	—
Amortizable intangible assets, net	172,607	220,706
Indefinite-lived intangible assets	176,485	176,485
Goodwill	392,513	392,513
Other assets	112,617	95,786
Total assets	<u>\$ 3,961,634</u>	<u>\$ 3,763,551</u>

See accompanying notes to consolidated financial statements.

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

	September 30, 2019	June 30, 2019
	(Unaudited)	
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 26,398	\$ 25,009
Net related party payables, current	4,109	19,048
Current portion of long-term debt, net of deferred financing costs	4,792	6,042
Accrued liabilities:		
Employee related costs	77,319	137,660
Other accrued liabilities	214,599	211,403
Operating lease liabilities, current	51,426	—
Collections due to promoters	65,104	67,212
Deferred revenue	416,475	293,410
Total current liabilities	860,222	759,784
Related party payables, noncurrent	172	172
Long-term debt, net of deferred financing costs	47,378	48,556
Operating lease liabilities, noncurrent	198,709	—
Defined benefit and other postretirement obligations	33,920	41,318
Other employee related costs	66,862	62,015
Deferred tax liabilities, net	79,399	79,098
Other liabilities	62,526	66,221
Total liabilities	1,349,188	1,057,164
Commitments and contingencies (see Note 9)		
Redeemable noncontrolling interests	67,464	67,627
The Madison Square Garden Company Stockholders' Equity:		
Class A Common stock, par value \$0.01, 120,000 shares authorized; 19,353 and 19,229 shares outstanding as of September 30, 2019 and June 30, 2019, respectively	204	204
Class B Common stock, par value \$0.01, 30,000 shares authorized; 4,530 shares outstanding as of September 30, 2019 and June 30, 2019	45	45
Preferred stock, par value \$0.01, 15,000 shares authorized; none outstanding as of September 30, 2019 and June 30, 2019	—	—
Additional paid-in capital	2,819,449	2,845,961
Treasury stock, at cost, 1,094 and 1,219 shares as of September 30, 2019 and June 30, 2019, respectively	(186,583)	(207,790)
Retained earnings (accumulated deficit)	(50,978)	29,003
Accumulated other comprehensive loss	(56,602)	(46,923)
Total The Madison Square Garden Company stockholders' equity	2,525,535	2,620,500
Nonredeemable noncontrolling interests	19,447	18,260
Total equity	2,544,982	2,638,760
Total liabilities, redeemable noncontrolling interests and equity	\$ 3,961,634	\$ 3,763,551

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 September 30,	
	2019	2018
Revenues ^(a)	\$ 214,782	\$ 218,135
Operating expenses:		
Direct operating expenses ^(b)	132,464	123,909
Selling, general and administrative expenses ^(c)	142,645	115,321
Depreciation and amortization	28,991	29,690
Operating loss	(89,318)	(50,785)
Other income (expense):		
Earnings (loss) in equity method investments	(1,473)	10,525
Interest income ^(d)	7,316	7,174
Interest expense	(1,841)	(4,033)
Miscellaneous income, net	5,078	3,767
	9,080	17,433
Loss from operations before income taxes	(80,238)	(33,352)
Income tax expense	(428)	(696)
Net loss	(80,666)	(34,048)
Less: Net loss attributable to redeemable noncontrolling interests	(163)	(513)
Less: Net loss attributable to nonredeemable noncontrolling interests	(522)	(1,323)
Net loss attributable to The Madison Square Garden Company's stockholders	\$ (79,981)	\$ (32,212)
Basic loss per common share attributable to The Madison Square Garden Company's stockholders	\$ (3.36)	\$ (1.36)
Diluted loss per common share attributable to The Madison Square Garden Company's stockholders	\$ (3.36)	\$ (1.36)
Weighted-average number of common shares outstanding:		
Basic	23,827	23,708
Diluted	23,827	23,708

^(a) Includes revenues from related parties of \$7,064 and \$6,734 for the three months ended September 30, 2019 and 2018, respectively.

^(b) Includes net charges from related parties of \$221 and \$164 for the three months ended September 30, 2019 and 2018, respectively.

^(c) Includes net charges to related parties of \$2,691 and \$1,669 for the three months ended September 30, 2019 and 2018, respectively.

^(d) Includes interest income from nonconsolidated affiliates of \$1,153 for the three months ended September 30, 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 September 30,	
	2019	2018
Net loss	\$ (80,666)	\$ (34,048)
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	\$ 339	\$ 328
Amortization of prior service credit included in net periodic benefit cost	—	(1) 327
Cumulative translation adjustments	(10,018)	(951)
Other comprehensive loss	(9,679)	(624)
Comprehensive loss	(90,345)	(34,672)
Less: Comprehensive loss attributable to redeemable noncontrolling interests	(163)	(513)
Less: Comprehensive loss attributable to nonredeemable noncontrolling interests	(522)	(1,323)
Comprehensive loss attributable to The Madison Square Garden Company's stockholders	\$ (89,660)	\$ (32,836)

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (80,666)	\$ (34,048)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	28,991	29,690
Provision for deferred income taxes	301	683
Share-based compensation expense	16,891	10,189
Loss (earnings) in equity method investments, net of income distributions	1,473	(10,525)
Purchase accounting adjustments associated with leases	2,276	954
Unrealized gains on equity investment with readily determinable fair value	(5,293)	(4,364)
Other non-cash adjustments	838	606
Change in assets and liabilities:		
Accounts receivable, net	(24,855)	(23,158)
Net related party receivables	(45)	(1,035)
Prepaid expenses and other assets	(49,331)	(41,582)
Accounts payable	1,389	2,591
Net related party payables	(14,939)	(10,582)
Accrued and other liabilities	(30,859)	(71,949)
Collections due to promoters	(2,108)	(11,086)
Deferred revenue	121,757	118,944
Operating lease right-of-use assets and lease liabilities	(54)	—
Net cash used in operating activities	\$ (34,234)	\$ (44,672)
Cash flows from investing activities:		
Capital expenditures	\$ (92,986)	\$ (42,015)
Proceeds from insurance recoveries	476	—
Payments for acquisition of assets	(1,000)	—
Purchase of short-term investments	(106,063)	—
Proceeds from maturity of short-term investment	106,587	—
Investments and loans to nonconsolidated affiliates	—	(44,727)
Proceeds from sale of nonconsolidated affiliate	18,000	—
Cash received (paid) for notes receivable	750	(7,761)
Net cash used in investing activities	\$ (74,236)	\$ (94,503)

See accompanying notes to consolidated financial statements.

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

	Three Months Ended	
	September 30,	
	2019	2018
Cash flows from financing activities:		
Taxes paid in lieu of shares issued for equity-based compensation	\$ (23,446)	\$ (16,712)
Noncontrolling interest holders capital contribution	2,000	3,173
Distributions to noncontrolling interest holders	—	(259)
Loans from noncontrolling interest holders	—	408
Principal repayment on long-term debt	(2,500)	(3,242)
Net cash used in financing activities	\$ (23,946)	\$ (16,632)
Effect of exchange rates on cash, cash equivalents and restricted cash	(1,950)	400
Net decrease in cash, cash equivalents and restricted cash	(134,366)	(155,407)
Cash, cash equivalents and restricted cash at beginning of period	1,117,901	1,256,620
Cash, cash equivalents and restricted cash at end of period	\$ 983,535	\$ 1,101,213
Non-cash investing and financing activities:		
Capital expenditures incurred but not yet paid	\$ 43,841	\$ 7,279
Tenant improvement paid by landlord	\$ 98	\$ 1,313
Share-based compensation capitalized in property and equipment	\$ 1,250	\$ —

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 September 30, 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, 2019	\$ 249	\$2,845,961	\$(207,790)	\$ 29,003	\$ (46,923)	\$ 2,620,500	\$ 18,260	\$2,638,760	\$ 67,627
Net loss	—	—	—	(79,981)	—	(79,981)	(522)	(80,503)	(163)
Other comprehensive loss	—	—	—	—	(9,679)	(9,679)	—	(9,679)	—
Comprehensive loss	—	—	—	—	—	(89,660)	(522)	(90,182)	(163)
Share-based compensation	—	18,141	—	—	—	18,141	—	18,141	—
Tax withholding associated with shares issued for equity-based compensation	—	(23,446)	—	—	—	(23,446)	—	(23,446)	—
Common stock issued under stock incentive plans	—	(21,207)	21,207	—	—	—	—	—	—
Contributions from noncontrolling interest holders	—	—	—	—	—	—	1,709	1,709	—
Balance as of September 30, 2019	<u>\$ 249</u>	<u>\$2,819,449</u>	<u>\$(186,583)</u>	<u>\$ (50,978)</u>	<u>\$ (56,602)</u>	<u>\$ 2,525,535</u>	<u>\$ 19,447</u>	<u>\$2,544,982</u>	<u>\$ 67,464</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)

	Three Months Ended September 30, 2018									
	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total The Madison Square Garden Company Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity	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 loss	—	—	—	(32,212)	—	(32,212)	(1,323)	(33,535)	(513)	
Other comprehensive loss	—	—	—	—	(624)	(624)	—	(624)	—	
Comprehensive loss	—	—	—	—	—	(32,836)	(1,323)	(34,159)	(513)	
Share-based compensation	—	10,189	—	—	—	10,189	—	10,189	—	
Tax withholding associated with shares issued for equity-based compensation	—	(17,831)	—	—	—	(17,831)	—	(17,831)	—	
Common stock issued under stock incentive plans	—	(14,687)	14,687	—	—	—	—	—	—	
Contribution from noncontrolling interest holders	—	—	—	—	—	—	3,317	3,317	—	
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(259)	
Balance as of September 30, 2018	\$ 249	\$2,795,544	\$(208,975)	\$ (14,636)	\$ (41,972)	\$ 2,530,210	\$ 19,546	\$2,549,756	\$ 75,912	

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, including concerts and other live events, such as 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 Hospitality”) and Boston Calling Events LLC (“BCE”). TAO Group Hospitality is a hospitality group with globally recognized entertainment, dining and nightlife brands including Tao, Marquee, Lavo, Avenue, Beauty & Essex and Cathédrale. BCE owns and operates New England’s premier Boston Calling Music Festival. MSG Entertainment 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”). These professional sports franchises are collectively referred to herein as the “sports teams.” For the three months ended September 30, 2018, 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. MSG Sports also includes other live sporting events, including professional boxing, college basketball, college hockey, professional bull riding, mixed martial arts, esports and college wrestling, all of which the Company promotes, produces and/or presents. In addition, MSG Sports 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 Hospitality 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 30, 2015, MSG Networks distributed all of the outstanding common stock of Madison Square Garden to MSG Networks’ stockholders.

Potential Spin-off Transaction

On June 27, 2018, the Company announced that its board of directors (“Board”) had authorized the Company’s management to explore a possible spin-off that would create a separately-traded public company comprised of its sports business, including the New York Knicks and New York Rangers professional sports franchises (“Sports Spinco”). On October 4, 2018, in connection with the distribution of Sports Spinco, 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). Upon completion of the contemplated separation, record holders of the Company’s common stock would have received a pro-rata distribution, expected to be equivalent, in the aggregate, to an approximately two-thirds economic interest in Sports Spinco. The remaining common stock, equivalent to an approximately one-third economic interest in Sports Spinco, was to be retained by the Company and used primarily to fund a portion of construction costs of MSG Spheres in Las Vegas and London. In October 2019, the Board reassessed the desirability of the retained interest based on the evolving timeline of the MSG Sphere in London (and related capital needs), the Company’s access to liquidity and greater tax efficiencies. Based on those considerations, the Board authorized the Company’s management to proceed with pursuing the separation of the Company’s sports assets from its entertainment assets, but to do so without creating a retained interest. The expectation is that the separation will take the form of a pro-rata distribution of 100% of the stock of a new entity that owns the Company’s entertainment assets, with the Company’s stockholders continuing to own 100% of the Company, whose assets will consist of the Company’s sports business. The Company refers to the potential spin-off as the “Entertainment Distribution.” There can be no assurance that the proposed

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

transaction will be completed in the manner described above, or at all. Completion of the transaction would be subject to various conditions, including certain league approvals, receipt of a tax opinion from counsel and final Board approval. The Company will maintain the current operating structure and will continue to report the financial results of its entertainment business in continuing operations until the Entertainment 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 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, 2019 (“fiscal year 2019”). 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 MSG Entertainment 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 MSG Sports 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.

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 Hospitality, 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 Hospitality, 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, 2019 for more information regarding the classification of redeemable noncontrolling interests of Tao Group Hospitality. In addition, Tao Group Hospitality’s results are reported on a three-month lag basis and Tao Group Hospitality 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 September 30, 2019 and 2018 include Tao Group Hospitality’s operating results from April 1, 2019 to June 30, 2019 and from April 2, 2018 to July 1, 2018, respectively. With the exception of the balances and activities pertaining to the Tao Group Hospitality’s credit agreements entered into in May 2019, which are recorded as of September 30, 2019 and June 30, 2019 and for the period ended September 30, 2019, as well as cash distributions, all other disclosures related to Tao Group Hospitality’s financial position are therefore reported as of June 30, 2019 and March 31, 2019, as applicable. See Note 11 for Tao Group Hospitality’s credit agreements entered in May 2019.

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.

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

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.

Recently Issued Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, which supersedes existing guidance on accounting for leases in Accounting Standards Codification ("ASC") Topic 840, *Leases*. ASU No. 2016-02, among other things, requires (i) 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) 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 Company adopted ASU No. 2016-02 on July 1, 2019 and elected to apply the standard as of the beginning of the first quarter of fiscal year 2020 under the modified-retrospective transition approach. In connection with the adoption of this standard, the Company applied the package of practical expedients intended to ease transition for existing leases by not requiring the Company to reassess (i) its initial lease classification conclusions for existing or expired leases, (ii) whether an existing or expired contract is a lease or contains an embedded lease, and (iii) the capitalization of initial direct costs for existing or expired leases. In addition, the Company elected not to use "hindsight" in accordance with ASC Subtopic 842-10-65-1 (g) in assessing lease terms and impairment of right-of-use ("ROU") assets for existing or expired leases under the new standard.

Upon adoption of this standard, the Company recorded initial (i) operating lease ROU assets of \$261,110, (ii) current operating lease liabilities of \$51,389, and (iii) long-term operating lease liabilities of \$207,425. The Company did not record any adjustment to retained earnings. As of July 1, 2019, there were no material finance leases for which the Company was a lessee.

See Note 7 for further details on disclosure required under ASC Topic 842.

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

Recently Issued Accounting Pronouncements Not Yet Adopted

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. In May 2019, the FASB issued ASU No. 2019-05, *Targeted Transition Relief*, which amends ASC Topic 326 to provide an option to irrevocably elect to measure certain individual financial assets at fair value instead of amortized cost. 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.

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.

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

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.

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. For the three months ended September 30, 2019 and 2018, the Company did not have any material impairment losses on receivables or contract assets arising from contracts with customers.

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 months ended September 30, 2019 and 2018:

	Three Months Ended September 30, 2019			
	MSG Entertainment	MSG Sports	Eliminations	Total
Event-related ^(a)	\$ 136,748	\$ 11,040	\$ (13)	\$ 147,775
Sponsorship, signage and suite licenses	15,070	21,978	(170)	36,878
League distributions	—	14,425	—	14,425
Local media rights fees from MSG Networks	—	6,211	—	6,211
Other ^(b)	7,189	2,380	(76)	9,493
Total revenues from contracts with customers	<u>\$ 159,007</u>	<u>\$ 56,034</u>	<u>\$ (259)</u>	<u>\$ 214,782</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

	Three Months Ended September 30, 2018			
	MSG Entertainment	MSG Sports	Eliminations	Total
Event-related ^(a)	\$ 136,695	\$ 10,242	\$ —	\$ 146,937
Sponsorship, signage and suite licenses	15,330	22,255	(170)	37,415
League distributions	—	14,871	—	14,871
Local media rights fees from MSG Networks	—	5,972	—	5,972
Other ^(b)	10,928	2,012	—	12,940
Total revenues from contracts with customers	<u>\$ 162,953</u>	<u>\$ 55,352</u>	<u>\$ (170)</u>	<u>\$ 218,135</u>

^(a) For the three months ended September 30, 2019 and 2018, the Company's event related revenue primarily consisted of (i) Tao Group Hospitality's entertainment dining and nightlife offerings, (ii) ticket sales and other ticket-related revenues, (iii) venue license fees from third-party promoters, and (iv) food, beverage and merchandise sales.

^(b) For the three months ended September 30, 2019, the Company's other revenues primarily consisted of managed venue revenues from Tao Group Hospitality. For the three months ended September 30, 2018, the Company's other revenues primarily consisted of revenues from Obscura Digital ("Obscura") and managed venue revenues from Tao Group Hospitality.

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 September 30, 2019 and June 30, 2019.

	September 30, 2019	June 30, 2019
Receivables from contracts with customers, net ^(a)	\$ 120,980	\$ 96,982
Contract assets, current ^(b)	5,724	7,314
Deferred revenue, including non-current portion ^(c)	427,672	305,821

^(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 September 30, 2019 and June 30, 2019, the Company's receivables reported above included \$100 and \$126, respectively, related to various related parties associated with contracts with customers. See Note 17 for further details on these related party arrangements.

^(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.

^(c) Deferred revenue primarily relates to the Company's receipt of consideration from customers in advance of the Company's transfer of goods or services to those customers. Deferred revenue is reduced and the related revenue is recognized once the underlying goods or services are transferred to a customer. As of September 30, 2019, the Company's deferred revenue related to local media rights with MSG Networks was \$32,154. The Company had no deferred revenue related to local media rights with MSG Networks as of June 30, 2019. See Note 17 for further details on these related party arrangements. Revenue recognized for the three months ended September 30, 2019 relating to the deferred revenue balance as of June 30, 2019 was \$80,354.

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

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 September 30, 2019. This primarily relates to performance obligations under sponsorship and suite license arrangements. 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 2020 (remainder)	\$	191,781
Fiscal Year 2021		192,510
Fiscal Year 2022		146,513
Fiscal Year 2023		83,814
Fiscal Year 2024		58,116
Thereafter		131,871
	<u>\$</u>	<u>804,605</u>

Note 4. Team Personnel Transactions

Direct operating expenses in the accompanying consolidated statements of operations include a net expense (or credit) for transactions relating to the Company's sports teams for waiver/contract termination costs ("Team personnel transactions"). Team personnel transactions expense was \$10,243 for the three months ended September 30, 2019 and a net credit of \$667 for the three months ended September 30, 2018.

Note 5. 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			
	September 30, 2019	June 30, 2019	September 30, 2018	June 30, 2018
Captions on the consolidated balance sheets:				
Cash and cash equivalents	\$ 952,186	\$ 1,086,372	\$ 1,068,883	\$ 1,225,638
Restricted cash ^(a)	31,349	31,529	32,330	30,982
Cash, cash equivalents and restricted cash on the consolidated statements of cash flows	<u>\$ 983,535</u>	<u>\$ 1,117,901</u>	<u>\$ 1,101,213</u>	<u>\$ 1,256,620</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, 2019 for more information regarding the nature of restricted cash.

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

Note 6. Investments and Loans to Nonconsolidated Affiliates

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

	Ownership Percentage	Investment	Loan	Total
September 30, 2019				
Equity method investments:				
SACO Technologies Inc. ("SACO")	30%	\$ 43,070	\$ —	\$ 43,070
Others		7,848	—	7,848
Equity investments without readily determinable fair values ^(a)		13,334	—	13,334
Total investments and loans to nonconsolidated affiliates		<u>\$ 64,252</u>	<u>\$ —</u>	<u>\$ 64,252</u>
June 30, 2019				
Equity method investments:				
SACO	30%	\$ 44,321	\$ —	\$ 44,321
Tribeca Enterprises LLC ("Tribeca Enterprises") ^(b)	50%	—	18,000	18,000
Others		8,372	—	8,372
Equity investments without readily determinable fair values ^(a)		13,867	—	13,867
Total investments and loans to nonconsolidated affiliates		<u>\$ 66,560</u>	<u>\$ 18,000</u>	<u>\$ 84,560</u>

^(a) In accordance with the ASC Topic 321, *Investments - Equity Securities*, the Company applies the measurement alternative to its equity investments without readily determinable fair values. The Company recorded an impairment charge of \$533 for the three months ended September 30, 2019. See Note 7 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2019 for more information regarding the application of the measurement alternative.

^(b) On August 5, 2019, immediately prior to the sale of the Company's equity capital in Tribeca Enterprises for \$18,000, the Company contributed the \$18,000 of indebtedness under the Company's revolving credit facility to the Company's equity capital in Tribeca Enterprises.

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 Media, Inc. ("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 sheets as of September 30, 2019 and June 30, 2019. See Note 10 for more information on the fair value of the investment in Townsquare.

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

Note 7. Leases

The Company's leases primarily consist of certain live-performance venues, entertainment dining and nightlife venues, corporate office space, storage and, to a lesser extent, office and other equipment. The Company determines whether an arrangement contains a lease at the inception of the arrangement. If a lease is determined to exist, the lease term is assessed based on the date when the underlying asset is made available for the Company's use by the lessor. The Company's assessment of the lease term reflects the non-cancellable term of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options which the Company is reasonably certain not to exercise, as well as periods covered by renewal options which the Company is reasonably certain of exercising. The Company also determines lease classification as either operating or finance at lease commencement, which governs the pattern of expense recognition and the presentation reflected in the consolidated statements of operations over the lease term.

For leases with a term exceeding 12 months, a lease liability is recorded on the Company's consolidated balance sheet at lease commencement reflecting the present value of the fixed minimum payment obligations over the lease term. A corresponding ROU asset equal to the initial lease liability is also recorded, adjusted for any prepaid rent and/or initial direct costs incurred in connection with execution of the lease and reduced by any lease incentives received.

The Company includes fixed payment obligations related to non-lease components in the measurement of ROU assets and lease liabilities, as the Company has elected to account for lease and non-lease components together as a single lease component. ROU assets associated with finance leases are presented separate from operating leases. ROU assets and are included within Property and equipment, net on the Company's consolidated balance sheet. For purposes of measuring the present value of the Company's fixed payment obligations for a given lease, the Company uses its incremental borrowing rate, determined based on information available at lease commencement, as rates implicit in the underlying leasing arrangements are typically not readily determinable. The Company's incremental borrowing rate reflects the rate it would pay to borrow on a secured basis and incorporates the term and economic environment surrounding the associated lease.

For operating leases, fixed lease payments are recognized as lease expense on a straight-line basis over the lease term. For finance leases, the initial ROU asset is depreciated on a straight-line basis over the lease term, along with recognition of interest expense associated with accretion of the lease liability, which is ultimately reduced by the related fixed payments. For leases with a term of 12 months or less ("short-term leases"), any fixed lease payments are recognized on a straight-line basis over the lease term and are not recognized on the consolidated balance sheet. Variable lease costs for both operating and finance leases, if any, are recognized as incurred and such costs are excluded from lease balances recorded on the consolidated balance sheet. In addition, the Company excluded its ground lease with Las Vegas Sands Corp. ("Sands") associated with MSG Sphere in Las Vegas from the ROU asset and lease liability balance recorded on the consolidated balance sheet as the ground lease will have no fixed rent. Under the ground lease agreement, Sands will receive priority access to purchase tickets to events at the venue for inclusion in hotel packages or other uses, as well as certain rent-free use of the venue to support its Expo Center business. However, if certain return objectives are achieved, Sands will receive 25% of the after-tax cash flow in excess of such objectives. The ground lease is for a term of 50 years.

As of September 30, 2019, the Company's existing operating leases, which are recorded on the accompanying financial statements, have remaining lease terms ranging from 4 months to 19 years. In certain instances, leases include options to renew, with varying option terms in each case. The exercise of lease renewal options is generally at the Company's discretion and is considered in the Company's assessment of the respective lease term. The Company's lease agreements do not contain material residual value guarantees or material restrictive covenants.

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

The following table summarizes the right-of-use assets and lease liabilities recorded on the Company's consolidated balance sheet as of September 30, 2019:

	Line Item in the Company's Consolidated Balance Sheet	
Right-of-use assets:		
Operating leases	Right-of-use lease assets	\$ 251,346
Lease liabilities:		
Operating leases, current	Operating lease liabilities, current	\$ 51,426
Operating leases, noncurrent	Operating lease liabilities, noncurrent	198,709
Total lease liabilities		<u>\$ 250,135</u>

The following table summarizes the activity recorded within the Company's consolidated statement of operations for the three months ended September 30, 2019:

	Line Item in the Company's Consolidated Statement of Operations	
Operating lease cost	Direct operating expenses	\$ 8,325
Operating lease cost	Selling, general and administrative expenses	4,815
Short-term lease cost	Direct operating expenses	378
Variable lease cost	Direct operating expenses	1,534
Variable lease cost	Selling, general and administrative expenses	13
Total lease cost		<u>\$ 15,065</u>

Supplemental Information

For the three months ended September 30, 2019, cash paid for amounts included in the measurement of lease liabilities was \$13,281 and the Company had no ROU assets obtained in exchange for new operating lease liabilities.

The weighted average remaining lease term for operating leases recorded on the accompanying consolidated balance sheet as of September 30, 2019 was 6.7 years. The weighted average discount rate was 9.35% as of September 30, 2019 and represented the Company's estimated incremental borrowing rate, assuming a secured borrowing, based on the remaining lease term at the time of either (i) adoption of the standard or (ii) the period in which the lease term expectation was modified.

Maturities of operating lease liabilities as of September 30, 2019 are as follows:

Fiscal Year 2020 (remainder)	\$ 41,477
Fiscal Year 2021	54,503
Fiscal Year 2022	54,617
Fiscal Year 2023	50,281
Fiscal Year 2024	38,292
Thereafter	126,068
Total lease payments	<u>365,238</u>
Less imputed interest	115,103
Total lease liabilities ^(a)	<u>\$ 250,135</u>

^(a) Operating lease payments exclude minimum lease payments related to two locations associated with the entertainment dining and nightlife offerings that the Company has not yet taken possession of the space.

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

Note 8. Goodwill and Intangible Assets

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

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

During the first quarter of fiscal year 2020, 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 Company's indefinite-lived intangible assets as of September 30, 2019 and June 30, 2019 are as follows:

Sports franchises (MSG Sports)	\$	111,064
Trademarks (MSG Entertainment)		62,421
Photographic related rights (MSG Sports)		3,000
	\$	176,485

During the first quarter of fiscal year 2020, 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:

September 30, 2019	Gross	Accumulated Amortization	Net
Trade names	\$ 100,830	\$ (13,636)	\$ 87,194
Venue management contracts	79,000	(11,028)	67,972
Favorable lease assets ^(a)	—	—	—
Season ticket holder relationships	50,032	(48,375)	1,657
Non-compete agreements	11,400	(4,822)	6,578
Festival rights	8,080	(1,752)	6,328
Other intangibles	10,064	(7,186)	2,878
	\$ 259,406	\$ (86,799)	\$ 172,607

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

June 30, 2019	Gross	Accumulated Amortization	Net
Trade names	\$ 100,830	\$ (12,228)	\$ 88,602
Venue management contracts	79,000	(9,887)	69,113
Favorable lease assets ^(a)	54,253	(10,382)	43,871
Season ticket holder relationships	50,032	(47,541)	2,491
Non-compete agreements	11,400	(4,311)	7,089
Festival rights	8,080	(1,617)	6,463
Other intangibles	10,064	(6,987)	3,077
	<u>\$ 313,659</u>	<u>\$ (92,953)</u>	<u>\$ 220,706</u>

^(a) Upon adoption of ASC Topic 842, the Company also reclassified favorable lease assets net balance of \$43,871, which was recognized in connection with the acquisition of Tao Group Hospitality, from Amortizable intangible assets, net, to Right-of-use lease assets in the accompanying consolidated balance sheet as of July 1, 2019. In addition, the Company also reclassified unfavorable lease liability of \$6,841, which was reported in Other liabilities in the accompanying consolidated balance sheet, to Right-of-use lease assets as of July 1, 2019.

For the three months ended September 30, 2019 and 2018, amortization expense for intangible assets, excluding the amortization of favorable lease assets of \$1,219 for the three months ended September 30, 2018, which is reported in rent expense, was \$4,228 and \$4,612, respectively.

Note 9. Commitments and Contingencies

Commitments

As more fully described in Note 10 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2019, the Company's commitments consist primarily of (i) the MSG Sports' obligations under employment agreements that the Company has with its professional sports teams' personnel that are generally guaranteed regardless of employee injury or termination and (ii) long-term noncancelable operating lease agreements primarily for Company venues, including Tao Group Hospitality venues, and various corporate offices. The Company adopted ASU No. 2016-02, *Leases (Topic 842)*, on July 1, 2019. As a result, the contractual obligations related to future lease payments, which were historically reported as off-balance sheet commitments, are now reflected on the consolidated balance sheet as lease liabilities as of September 30, 2019. See Note 7 for more details about the lease liabilities. Except as described above with respect to lease accounting, the Company did not have any material changes in its contractual obligations since the end of fiscal year 2019 other than activities in the ordinary course of business.

In connection with the Tao Group Hospitality 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 September 30, 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.

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

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	September 30, 2019	June 30, 2019
Assets:			
Commercial Paper	I	\$ 144,623	\$ 169,707
Money market accounts	I	107,720	101,517
Time deposits	I	672,910	789,833
Equity investment with readily determinable fair value	I	22,553	17,260
Total assets measured at fair value		<u>\$ 947,806</u>	<u>\$ 1,078,317</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 carrying value and fair value of the Company's financial instruments reported in the accompanying consolidated balance sheets are as follows:

	September 30, 2019		June 30, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Notes receivable, including interest accruals	\$ 12,573	\$ 12,573	\$ 13,348	\$ 13,348
Short-term investments ^(a)	104,597	104,597	108,416	108,416
Equity investment with readily determinable fair value ^(b)	22,553	22,553	17,260	17,260
Subordinated term loan receivable ^(c)	58,735	55,942	58,735	57,711
Liabilities				
Long-term debt, including current portion ^(d)	\$ 52,500	\$ 52,682	\$ 55,000	\$ 54,883

^(a) The Company's short-term investments consist of investments that (i) have original maturities of greater than three months and (ii) can be converted into cash by the Company within one year.

^(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 September 30, 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 months ended September 30, 2019 and 2018, the Company recorded an unrealized gain of \$5,293 and \$4,364, respectively, as a result of changes in the market value related to this investment. The unrealized gain is reported in Miscellaneous income, net in the accompanying consolidated statement of operations.

^(c) In connection with the sale of the Company's joint venture interest in Azoff MSG Entertainment LLC ("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 21, 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.

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^(d) On May 23, 2019, TAO Group Intermediate Holdings LLC (“TAOIH”) and TAO Group Operating LLC (“TAOG”) entered into a \$40,000 five-year term loan facility and a \$25,000 five-year term revolving 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 and outstanding balances on this long-term debt.

Contingent Consideration Liabilities

In connection with the Tao Group Hospitality and CLG acquisitions (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, 2019 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 September 30, 2019 and June 30, 2019, the fair value of deferred and contingent consideration liabilities in connection with the Tao Group Hospitality and CLG acquisitions was \$3,349.

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 September 30, 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. There was no borrowing under the Knicks Revolving Credit Facility as of September 30, 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 related security agreements 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.

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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 27, 2019. There was no borrowing under the Knicks Unsecured Credit Facility as of September 30, 2019. This facility does not have financial covenants.

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 September 30, 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. 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. There was no borrowing under the Rangers Revolving Credit Facility as of September 30, 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 related security agreements 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.

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TAO Credit Facilities

On May 23, 2019, TAO Group Intermediate Holdings LLC (“TAOIH” or “Intermediate Holdings”) and TAO Group Operating LLC (“TAOG” or “Senior Borrower”), entered into a credit agreement (the “TAO Senior Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent, collateral agent and a letter of credit issuer, and the lenders party thereto. On May 23, 2019, the Company and TAO Group Sub-Holdings LLC, a subsidiary of TAO Group Holdings LLC, also entered into a \$49,000 intercompany subordinated credit agreement (the “TAO Subordinated Credit Agreement”). The balances and interest-related activities pertaining to the TAO Subordinated Credit Agreement have been eliminated in the consolidated financial statements in accordance with ASC Topic 810, *Consolidation*.

The TAO Senior Credit Agreement provides TAOG with senior secured credit facilities (the “TAO Senior Secured Credit Facilities”) consisting of: (i) an initial \$40,000 term loan facility with a term of five years (the “TAO Term Loan Facility”) and (ii) a \$25,000 revolving credit facility with a term of five years (the “TAO Revolving Credit Facility”). Up to \$5,000 of the TAO Revolving Credit Facility is available for the issuance of letters of credit. All borrowings under the TAO Revolving Credit Facility, including, without limitation, amounts drawn under the revolving line of credit are subject to the satisfaction of customary conditions. The TAO Senior Secured Credit Facilities were obtained without recourse to the Company or any of its affiliates (other than TAOG, TAOIH and its subsidiaries as discussed below).

The Senior Credit Agreement requires Intermediate Holdings to comply with a maximum total leverage ratio of 4.00:1.00 and a maximum senior leverage ratio of 3.00:1.00 from the closing date until December 31, 2021 and a maximum total leverage ratio of 3.50:1.00 and a maximum senior leverage ratio of 2.50:1.00 from and after December 31, 2021. In addition, there is a minimum fixed charge coverage ratio of 1.25:1.00 for TAOIH. As of September 30, 2019, TAOIH was in compliance with these financial covenants.

All obligations under the TAO Senior Credit Agreement are guaranteed by TAOIH and TAOIH’s existing and future direct and indirect domestic subsidiaries (other than (i) TAOG, (ii) domestic subsidiaries substantially all of whose assets consist of controlled foreign corporations and (iii) subsidiaries designated as immaterial subsidiaries or unrestricted subsidiaries) (the “TAO Subsidiary Guarantors”, and together with TAOIH, the “TAO Guarantors”). All obligations under the TAO Senior Credit Agreement, including the guarantees of those obligations, are secured by substantially all of the assets of TAOG and each Guarantor (collectively, “TAO Collateral”), including, but not limited to, a pledge of the equity interests in TAOG held directly by TAOIH and the equity interests in each TAO Subsidiary Guarantor held directly or indirectly by TAOIH.

Borrowings under the TAO Senior Credit Agreement bear interest at a floating rate, which at the option of the Senior Borrower may be either (a) a base rate plus an additional rate ranging from 1.50% to 2.50% per annum (determined based on a total leverage ratio) (the “Base Rate”), or (b) a Eurocurrency rate plus an additional rate ranging from 2.50% to 3.50% per annum (determined based on a total leverage ratio) (the “Eurocurrency Rate”). The TAO Senior Credit Agreement requires TAOG to pay a commitment fee of 0.50% in respect of the daily unused commitments under the TAO Revolving Credit Facility. TAOG is also required to pay customary letter of credit fees, as well as fronting fees, to banks that issue letters of credit pursuant to the TAO Senior Credit Agreement. The interest rate on the TAO Senior Credit Agreement as of September 30, 2019 was 4.55%. The outstanding amount drawn on the TAO Revolving Credit Facility was \$15,000 as of September 30, 2019 and June 30, 2019, which is reported under Long-term debt, net of deferred financing costs in the accompanying consolidated balance sheet. The Company subsequently repaid the \$15,000 outstanding balance under the TAO Revolving Credit Facility in October 2019.

During the three months ended September 30, 2019 and 2018, the Company made interest payments of \$716 and \$2,759, respectively, under the TAO Senior Credit Agreement and the predecessor credit facility.

In addition to the financial covenants described above, the TAO Senior Credit Agreement and related security agreements contain certain customary representations and warranties, affirmative covenants and events of default. The TAO Senior Credit Agreement contains certain restrictions on the ability of TAOIH, the TAOG and its restricted subsidiaries to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the TAO Senior Credit Agreement, including, without limitation, the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making investments, loans or advances in or to other persons; (iv) paying dividends and distributions or repurchasing capital stock; (v) engaging in certain transactions with affiliates; (vi) amending specified agreements; (vii) merging or consolidating; (viii) making certain dispositions; and (ix) entering into agreements that restrict the granting of liens. Intermediate Holdings is subject to a customary passive holding company covenant.

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(Continued)

Subject to customary notice and minimum amount conditions, TAOG may voluntarily prepay outstanding loans under the TAO Senior Credit Agreement at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurocurrency loans). The initial TAO Term Loan Facility amortizes quarterly in accordance with its terms from June 30, 2019 through March 31, 2024 with a final maturity date on May 23, 2024. TAOG is required to make mandatory prepayments on the TAO Term Loan Facility from the net cash proceeds of certain sales of assets (including TAO Collateral) or casualty insurance and/or condemnation recoveries (in each case, subject to certain reinvestment, repair or replacement rights) and the incurrence of certain indebtedness, subject to certain exceptions.

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, 2019 for more information regarding the Company's debt maturities for the TAO Senior Secured Credit Facilities.

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 September 30, 2019 and June 30, 2019.

	September 30, 2019		
	TAO Term Loan Facility	Deferred Financing Costs	Total
Current portion of long-term debt, net of deferred financing costs	\$ 5,000	\$ (208)	\$ 4,792
Long-term debt, net of deferred financing costs ^(a)	32,500	(759)	31,741
Total	<u>\$ 37,500</u>	<u>\$ (967)</u>	<u>\$ 36,533</u>

	June 30, 2019		
	TAO Term Loan Facility	Deferred Financing Costs	Total
Current portion of long-term debt, net of deferred financing costs	\$ 6,250	\$ (208)	\$ 6,042
Long-term debt, net of deferred financing costs ^(a)	33,750	(831)	32,919
Total	<u>\$ 40,000</u>	<u>\$ (1,039)</u>	<u>\$ 38,961</u>

^(a) In addition to the outstanding balance associated with the TAO Term Loan Facility disclosed above, the Company's Long-term debt, net of deferred financing costs in the accompanying consolidated balance sheets as of September 30, 2019 and June 30, 2019 also include \$637 related to a note with respect to a loan received by BCE from its noncontrolling interest holder that is due in April 2021, and \$15,000 outstanding balance under the TAO Revolving Credit Facility.

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 on the accompanying consolidated balance sheet:

	September 30, 2019	June 30, 2019
Other current assets	\$ 760	\$ 760
Other assets	1,082	1,273

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Note 12. Pension Plans and Other Postretirement Benefit Plan

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, 2019 for more information regarding the Company's defined benefit pension plans ("Pension Plans"), postretirement benefit plan ("Postretirement Plan"), The Madison Square Garden 401(k) Savings Plan and the MSG Sports & Entertainment, LLC Excess Savings Plan (collectively, the "Savings Plans"), and The 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 months ended September 30, 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, net.

	Pension Plans		Postretirement Plan	
	Three Months Ended		Three Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Service cost	\$ 28	\$ 20	\$ 18	\$ 28
Interest cost	1,328	1,473	28	58
Expected return on plan assets	(1,331)	(781)	—	—
Recognized actuarial loss	336	318	3	10
Amortization of unrecognized prior service credit	—	—	—	(1)
Net periodic benefit cost	\$ 361	\$ 1,030	\$ 49	\$ 95

Defined Contribution Pension Plans

For the three months ended September 30, 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		Three Months Ended	
September 30,		September 30,	
2019	2018	2019	2018
\$ 2,858	\$ 2,300	\$ 22	\$ 22

Note 13. Share-based Compensation

See Note 14 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2019 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 September 30, 2019 and 2018, share-based compensation expense was \$16,891 and \$10,189, respectively. In addition, capitalized share-based compensation expense was \$1,250 for the three months ended September 30, 2019. There were no costs related to share-based compensation that were capitalized for the three months ended September 30, 2018.

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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 three months ended September 30, 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, 2019	229	359	\$ 252.02
Granted ^(a)	117	114	\$ 246.54
Vested	(87)	(121)	\$ 214.27
Forfeited	(2)	(2)	\$ 259.49
Unvested award balance, September 30, 2019	257	350	\$ 262.85

^(a) Includes incremental performance based RSUs ("PRSUs") that were historically reported at a target payout of 100%. Upon meeting the performance objectives, the number of PRSUs vested at 105.5% of target.

The fair value of RSUs that vested during the three months ended September 30, 2019 was \$53,522. 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, 91 of these RSUs, with an aggregate value of \$23,446 were retained by the Company and the taxes paid are reflected as financing activity in the accompanying consolidated statement of cash flows for the three months ended September 30, 2019.

The fair value of RSUs that vested during the three months ended September 30, 2018 was \$44,040. The weighted-average fair value per share at grant date of RSUs granted during the three months ended September 30, 2018 was \$304.32.

Stock Options Award Activity

The following table summarizes activity related to the Company's stock options for the three months ended September 30, 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, 2019	543	\$ 325.47		
Granted	—	\$ —		
Balance as of September 30, 2019	543	\$ 325.47	6.81	\$ 5,009
Exercisable as of September 30, 2019	144	\$ 319.18	6.88	\$ 1,670

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 months ended September 30, 2019, the Company did not engage in any share repurchase activities under its share repurchase program. As of September 30, 2019, the Company had \$259,639 of availability remaining under its stock repurchase authorization.

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Note 15. Accumulated Other Comprehensive Loss

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

Three Months Ended September 30, 2019				
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments		Accumulated Other Comprehensive Loss
Balance as of June 30, 2019	\$ (42,080)	\$ (4,843)	\$	(46,923)
Other comprehensive loss before reclassifications	—	(10,018)		(10,018)
Amounts reclassified from accumulated other comprehensive loss ^(a)	339	—		339
Other comprehensive income (loss)	339	(10,018)		(9,679)
Balance as of September 30, 2019	\$ (41,741)	\$ (14,861)	\$	(56,602)

Three Months Ended September 30, 2018				
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Unrealized Loss on Available-for-sale Securities	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 ^(b)			5,570	5,570
Other comprehensive loss before reclassifications	—	(951)	—	(951)
Amounts reclassified from accumulated other comprehensive loss ^(a)	327	—	—	327
Other comprehensive income (loss)	327	(951)	—	(624)
Balance as of September 30, 2018	\$ (40,519)	\$ (1,453)	\$ —	\$ (41,972)

^(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, net in the accompanying consolidated statements of operations.

^(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 10 and 18 for more information related to the investment in Townsquare and its impact on the Company's operating results for the three months ended September 30, 2019 and 2018.

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Note 16. Income Taxes

Income tax expense for the three months ended September 30, 2019 of \$428 differs from income tax benefits derived from applying the statutory federal rate of 21% to pretax loss primarily due to an increase in valuation allowance of \$26,710 and tax expense from nondeductible officers' compensation of \$1,461, partially offset by state income tax benefits of \$7,735 and excess tax benefit related to share-based compensation awards of \$3,510.

Income tax expense for the three months ended September 30, 2018 of \$696 differs from income tax benefits derived from applying the statutory federal rate of 21% to pretax loss primarily as a result of an increase in valuation allowance of \$11,334, tax expense of \$3,987 primarily due to an Internal Revenue Service ("IRS") guidance related to Tax Cuts and Jobs Act law changes, partially offset by state income tax benefit of \$3,095 and excess tax benefit related to share-based compensation awards of \$5,407.

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. In October 2019, the Company was informed by the IRS that the audit resulted in no changes.

Note 17. Related Party Transactions

As of September 30, 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 3.5% 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. In connection with the expiration of the Services Agreement on June 30, 2019, the Company entered into an interim agreement with MSG Networks, pursuant to which the parties are providing the same services on the same terms. The Company expects to enter into a new services agreement this calendar year, which will be retroactive to July 1, 2019. MSG Networks also provides certain services to the Company, in exchange for service fees.

The Company shares 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"), an entity owned and controlled by Charles F. Dolan, 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 September 2018, the Company is no longer party to this arrangement.

The Company is a party to 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 F. 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 M. Dolan, which provides substantially the same services as the prior agreement for

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a new aircraft.

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In connection with the Support Agreements, the Company, 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 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.

On May 6, 2019, the Company entered into a dry lease agreement with Brighid Air, LLC (“Brighid Air”), a company owned and controlled by Patrick F. Dolan, the son of Charles F. Dolan and the brother of James L. Dolan, pursuant to which the Company may lease on a non-exclusive basis Brighid Air’s Bombardier BD100-1A10 Challenger 350 aircraft (the “Challenger”). In connection with the dry lease agreement, on May 6, 2019 the Company also entered into a Flight Crew Services Agreement (the “Flight Crew Agreement”) with DFO, an entity owned and controlled by Charles F. Dolan, pursuant to which the Company may utilize pilots employed by DFO for purposes of flying the Challenger when the Company is leasing that aircraft under the Company’s dry lease agreement with Brighid Air.

The Company 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.

In addition to the aircraft arrangements described above, certain executives of the Company are party to aircraft time sharing agreements, pursuant to which the Company has agreed from time to time to make certain aircraft available for lease on a “time sharing” basis for personal use in exchange for payment of actual expenses of the flight (as listed in the agreement).

From time to time the Company enters into arrangements with 605, LLC. Kristin A. Dolan, a director of the Company and spouse of James L. Dolan, is the founder and Chief Executive Officer of 605, LLC. James L. Dolan, the Company’s Executive Chairman, Chief Executive Officer and a director, and Kristin A. Dolan own 50% of 605, LLC. 605, LLC provides audience measurement and data analytics services to the Company and its subsidiaries in the ordinary course of business.

As of September 30, 2019 and June 30, 2019, BCE had \$637 of notes payable. See Note 11 for further information.

The Company has also entered into certain commercial agreements with its nonconsolidated affiliates in connection with MSG Sphere. For the three months ended September 30, 2019, the Company recorded approximately \$3,199 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 months ended September 30, 2019 and 2018:

	Three Months Ended September 30,	
	2019	2018
Revenues	\$ 7,064	\$ 6,734
Operating expenses (credits):		
Corporate general and administrative expenses, net - MSG Networks	\$ (2,602)	\$ (2,504)
Consulting fees	—	950
Advertising expenses	43	68
Other operating expenses, net	89	(19)

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

Revenues

Revenues from related parties primarily consist of local media rights recognized by MSG Sports 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 timing of recognition of media rights revenue, the Company recorded deferred revenue of \$32,154 in the accompanying consolidated balance sheets as of September 30, 2019. The Company had no deferred revenue related to local media rights with MSG Networks as of June 30, 2019.

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. On August 5, 2019, the Company sold its equity capital in Tribeca Enterprises. Accordingly, Tribeca Enterprises is no longer a related party of the Company, and thus the related party transactions disclosed herein that relate to Tribeca Enterprises were recognized prior to August 5, 2019. The Company is also a party to certain commercial arrangements with AMC Networks and its subsidiaries.

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.

For the three months ended September 30, 2019 and 2018, corporate general and administrative expenses, net - MSG Networks reflects charges from the Company to MSG Networks under the Services Agreement of \$2,641 and \$2,508, 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.

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.

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).

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 September 30, 2019					
	MSG Entertainment	MSG Sports	Corporate and Other	Purchase accounting adjustments	Inter-segment eliminations	Total
Revenues	\$ 159,007	\$ 56,034	\$ —	\$ —	\$ (259)	\$ 214,782
Direct operating expenses	105,927	24,311	121	2,276	(171)	132,464
Selling, general and administrative expenses ^(a)	50,658	50,152	41,655	56	124	142,645
Depreciation and amortization ^(b)	4,974	1,801	18,874	3,342	—	28,991
Operating loss	\$ (2,552)	\$ (20,230)	\$ (60,650)	\$ (5,674)	\$ (212)	\$ (89,318)
Loss in equity method investments						(1,473)
Interest income						7,316
Interest expense						(1,841)
Miscellaneous income, net ^(c)						5,078
Loss from operations before income taxes						\$ (80,238)
Reconciliation of operating loss to adjusted operating income (loss):						
Operating loss	\$ (2,552)	\$ (20,230)	\$ (60,650)	\$ (5,674)	\$ (212)	\$ (89,318)
Add back:						
Share-based compensation	3,816	4,769	8,306	—	—	16,891
Depreciation and amortization	4,974	1,801	18,874	3,342	—	28,991
Other purchase accounting adjustments	—	—	—	2,332	—	2,332
Adjusted operating income (loss)	\$ 6,238	\$ (13,660)	\$ (33,470)	\$ —	\$ (212)	\$ (41,104)
Other information:						
Capital expenditures ^(d)	\$ 2,592	\$ 6,596	\$ 83,798	\$ —	\$ —	\$ 92,986

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

	Three Months Ended September 30, 2018					
	MSG Entertainment	MSG Sports	Corporate and Other	Purchase accounting adjustments	Inter-segment eliminations	Total
Revenues	\$ 162,953	\$ 55,352	\$ —	\$ —	\$ (170)	\$ 218,135
Direct operating expenses	107,785	15,319	21	954	(170)	123,909
Selling, general and administrative expenses <i>(a)</i>	48,969	42,217	24,076	59	—	115,321
Depreciation and amortization <i>(b)</i>	4,482	1,942	19,270	3,996	—	29,690
Operating income (loss)	\$ 1,717	\$ (4,126)	\$ (43,367)	\$ (5,009)	\$ —	\$ (50,785)
Earnings in equity method investments						10,525
Interest income						7,174
Interest expense						(4,033)
Miscellaneous income, net <i>(c)</i>						3,767
Loss from operations before income taxes						\$ (33,352)
Reconciliation of operating income (loss) to adjusted operating income (loss):						
Operating income (loss)	\$ 1,717	\$ (4,126)	\$ (43,367)	\$ (5,009)	\$ —	\$ (50,785)
Add back:						
Share-based compensation	2,841	2,772	4,576	—	—	10,189
Depreciation and amortization	4,482	1,942	19,270	3,996	—	29,690
Other purchase accounting adjustments	—	—	—	\$ 1,013	\$ —	1,013
Adjusted operating income (loss)	\$ 9,040	\$ 588	\$ (19,521)	\$ —	\$ —	\$ (9,893)
Other information:						
Capital expenditures <i>(d)</i>	\$ 8,299	\$ 912	\$ 32,804	\$ —	\$ —	\$ 42,015

^(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 content development and technology associated with the Company's MSG Sphere initiative, as well as other business development activities.

^(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.

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

- (c) *Miscellaneous income, net for the three months ended September 30, 2019 and 2018 includes \$5,293 and \$4,364, respectively, of unrealized gain for the Company's investment in Townsquare in accordance with ASU No. 2016-01. In addition, miscellaneous income, net for the three months ended September 30, 2019 and 2018 also includes non-service cost components of net periodic pension and postretirement benefit cost in accordance with ASU No. 2017-07. See Note 12 for further details on the non-service cost components of net periodic pension and postretirement benefit cost.*
- (d) *Substantially all of Corporate and Other's capital expenditures for the three months ended September 30, 2019 and 2018 are related to the Company's planned MSG Spheres in Las Vegas and London.*

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

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

This Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) contains forward-looking statements 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, possible impacts from the timing and costs of new venue construction, increased investment in personnel, content and technology for the MSG Spheres, the potential spin-off of the Company’s entertainment businesses (the “Entertainment Distribution”), and the winding down of Obscura’s third-party production business. See 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 Entertainment 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:

- 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 any unexpected construction delays and/or cost overruns;
- 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;
- 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, enhancements or changes to existing productions and the investments associated with such development, enhancements, or changes, as well as investment in personnel, content and technology for the MSG Spheres;
- business, reputational and litigation risk if there is a security incident resulting in loss, disclosure or misappropriation of stored personal information or other breaches of our information security;
- activities or other developments that discourage or may discourage congregation at prominent places of public assembly, including our venues;
- the continued popularity and success of the Tao Group Hospitality 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;

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- 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;
- 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;
- 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 Entertainment 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, 2019.

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, 2019, 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 including concerts and other live events, such as 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 Hospitality and BCE. Tao Group Hospitality is a hospitality group with globally recognized entertainment, dining and nightlife brands including Tao, Marquee, Lavo, Avenue, Beauty & Essex and Cathédrale. BCE owns and operates New England’s premier Boston Calling Music Festival. MSG Entertainment also includes the Company’s original production — the *Christmas Spectacular*.

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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 the three months ended September 30, 2018, MSG Sports also included the Liberty of the WNBA, which was sold in January 2019. Our professional sports franchises are collectively referred to herein as our "sports teams." MSG Sports also includes CLG, a premier North American esports organization, and Knicks Gaming, the Company's franchise that competes in the NBA 2K League. CLG and Knicks Gaming are collectively referred to herein as our "esports teams," and, together with our sports teams, our "teams." In addition, our sports business also promotes, produces and/or presents a broad array of other live sporting events, including professional boxing, college basketball, college hockey, professional bull riding, mixed martial arts, esports, and college wrestling.

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 Hospitality 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

For the three months ended September 30, 2018, MSG Sports also included the Liberty of the WNBA, which was sold in January 2019.

This MD&A is organized as follows:

Results of Operations. This section provides an analysis of our unaudited results of operations for the three months ended September 30, 2019 compared to the three months ended September 30, 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 three months ended September 30, 2019 compared to the three months ended September 30, 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 2020. 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, 2019 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.

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Results of Operations

Comparison of the Three Months Ended September 30, 2019 versus the Three Months Ended September 30, 2018

Consolidated Results of Operations

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

	Three Months Ended September 30,		Change	
	2019	2018	Amount	Percentage
Revenues	\$ 214,782	\$ 218,135	\$ (3,353)	(2)%
Direct operating expenses	132,464	123,909	8,555	7 %
Selling, general and administrative expenses	142,645	115,321	27,324	24 %
Depreciation and amortization	28,991	29,690	(699)	(2)%
Operating loss	(89,318)	(50,785)	(38,533)	(76)%
Other income (expense):				
Earnings (loss) in equity method investments	(1,473)	10,525	(11,998)	NM
Interest income, net	5,475	3,141	2,334	74 %
Miscellaneous income, net	5,078	3,767	1,311	35 %
Loss from operations before income taxes	(80,238)	(33,352)	(46,886)	(141)%
Income tax expense	(428)	(696)	268	39 %
Net loss	(80,666)	(34,048)	(46,618)	(137)%
Less: Net loss attributable to redeemable noncontrolling interests	(163)	(513)	350	68 %
Less: Net loss attributable to nonredeemable noncontrolling interests	(522)	(1,323)	801	61 %
Net loss attributable to The Madison Square Garden Company's stockholders	\$ (79,981)	\$ (32,212)	\$ (47,769)	(148)%

NM — Percentage is not meaningful

The following is a summary of changes in our segments' operating results for the three months ended September 30, 2019 as compared to the prior year period.

Changes attributable to	Revenues	Direct operating expenses	Selling, general and administrative expenses	Depreciation and amortization	Operating income (loss)
MSG Entertainment ^(a)	\$ (3,946)	\$ (1,858)	\$ 1,689	\$ 492	\$ (4,269)
MSG Sports ^(a)	682	8,992	7,935	(141)	(16,104)
Corporate and Other	—	100	17,579	(396)	(17,283)
Purchase accounting adjustments	—	1,322	(3)	(654)	(665)
Inter-segment eliminations	(89)	(1)	124	—	(212)
	\$ (3,353)	\$ 8,555	\$ 27,324	\$ (699)	\$ (38,533)

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

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Selling, general and administrative expenses - Corporate and Other

Selling, general and administrative expenses in Corporate and Other for the three months ended September 30, 2019 increased \$17,579, or 73%, to \$41,655 as compared to the prior year period. The increase was primarily due to higher expenses in Corporate and Other, mainly the result of increased employee compensation related to Corporate and the Company's MSG Sphere initiative, as well as additional expenses in MSG Sphere-related content development and technology.

Depreciation & amortization

Depreciation and amortization for the three months ended September 30, 2019 decreased \$699, or 2%, to \$28,991 as compared to the prior year period. The decrease was primarily due to certain assets and purchase accounting adjustments related to intangible and equipment being fully depreciated and amortized, partially offset by depreciation and amortization for a new venue associated with the entertainment dining and nightlife offerings and equipment associated with the development of MSG Sphere initiative in the current year period.

Operating loss - Corporate and Other

Operating loss in Corporate and Other for the three months ended September 30, 2019 increased \$17,283, or 40%, to \$60,650 as compared to the prior year period. The increase was primarily due to higher selling, general and administrative expenses as discussed above, slightly offset by lower depreciation and amortization. See Note 18 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for discussion of depreciation and amortization under Corporate and Other.

Earnings (loss) in equity method investments

Loss in equity method investments for the three months ended September 30, 2019 was \$1,473 as compared to earnings in equity method investments of \$10,525 in the prior year period. The decrease was primarily due to the absence of the equity earnings from AMSGE and Tribeca Enterprises in the current year period, as these investments were sold in December 2018 and August 2019, respectively.

Interest income, net

Net interest income for the three months ended September 30, 2019 increased \$2,334, or 74%, to \$5,475 as compared to the prior year period primarily due to lower interest expense associated with the Tao Group Hospitality, as a result of the refinancing of its credit facility in May 2019, which resulted in a reduction of the outstanding balance payable to the third parties by entering into an intercompany subordinated credit agreement with the Company, as well as lower interest rate under the TAO Senior Credit Agreement in the current year period as compared to the previous credit facility during the prior year period.

Miscellaneous income, net

Net miscellaneous income for the three months ended September 30, 2019 increased \$1,311, or 35%, to \$5,078 as compared to the prior year period. The increase was primarily due to higher unrealized gain recorded for the Company's investment in Townsquare in the current year period as compared to the prior year period.

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.

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Adjusted operating loss

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

	Three Months Ended September 30,		Change	
	2019	2018	Amount	Percentage
Operating loss	\$ (89,318)	\$ (50,785)	\$ (38,533)	(76)%
Share-based compensation	16,891	10,189		
Depreciation and amortization ^(a)	28,991	29,690		
Other purchase accounting adjustments	2,332	1,013		
Adjusted operating loss	<u>\$ (41,104)</u>	<u>\$ (9,893)</u>	<u>\$ (31,211)</u>	NM

NM — Percentage is not meaningful

^(a) Depreciation and amortization includes purchase accounting adjustments of \$3,342 and \$3,996 for the three months ended September 30, 2019 and 2018, respectively.

Adjusted operating loss for the three months ended September 30, 2019 increased \$31,211 to \$41,104 as compared to the prior year period. The net increase was attributable to the following:

Decrease in adjusted operating income of MSG Entertainment	\$ (2,802)
Decrease in adjusted operating income of MSG Sports	(14,248)
Increase in adjusted operating loss in Corporate and Other	(13,949)
Inter-segment eliminations	(212)
	<u>\$ (31,211)</u>

The increase in adjusted operating loss in Corporate and Other was lower than the increase in operating loss primarily due to higher share-based compensation, slightly offset by lower depreciation and amortization.

Net loss attributable to redeemable and nonredeemable noncontrolling interests

For the three months ended September 30, 2019, the Company recorded \$163 of net loss attributable to redeemable noncontrolling interests and \$522 of net loss attributable to nonredeemable noncontrolling interests as compared to \$513 of net loss attributable to redeemable noncontrolling interests and \$1,323 of net loss attributable to nonredeemable noncontrolling interests for the three months ended September 30, 2018. These amounts represent the share of net loss from the Company's investments in Tao Group Hospitality, BCE, and CLG that are not attributable to the Company. In addition, the net loss attributable to redeemable and nonredeemable noncontrolling interests includes a proportional share of expenses related to purchase accounting adjustments.

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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 MSG Entertainment.

	Three Months Ended September 30,		Change	
	2019	2018	Amount	Percentage
Revenues	\$ 159,007	\$ 162,953	\$ (3,946)	(2)%
Direct operating expenses	105,927	107,785	(1,858)	(2)%
Selling, general and administrative expenses	50,658	48,969	1,689	3 %
Depreciation and amortization	4,974	4,482	492	11 %
Operating income (loss)	\$ (2,552)	\$ 1,717	\$ (4,269)	NM
Reconciliation to adjusted operating income:				
Share-based compensation	3,816	2,841		
Depreciation and amortization	4,974	4,482		
Adjusted operating income	\$ 6,238	\$ 9,040	\$ (2,802)	(31)%

NM — Percentage is not meaningful

Revenues

Revenues for the three months ended September 30, 2019 decreased \$3,946, or 2%, to \$159,007 as compared to the prior year period. The net decrease was attributable to the following:

Decrease in event-related revenues from other live events	\$ (6,240)
Decrease in revenues from Obscura	(4,555)
Increase in event-related revenues from concerts	6,266
Increase in revenues associated with entertainment dining and nightlife offerings	2,385
Other net decreases	(1,802)
	<u>\$ (3,946)</u>

The decrease in event-related revenues from other live events was primarily due to the impact of a large scale special event held at Radio City Music Hall during the prior year period. The Company did not have a comparable special event in the current year period.

The decrease in revenues from Obscura was due to the Company's decision to wind down Obscura's third party production business to focus on MSG Sphere development.

The increase in event-related revenues from concerts was primarily due to additional events held at the Company's venues during the current year period as compared to the prior year period, partially offset by lower per-event revenue in the current year period as compared to the prior year period.

The increase in revenues associated with entertainment dining and nightlife offerings was primarily due to the impact of new venues partially offset by lower revenues at other venues, including the impact of closing one venue in New York in January 2019. Tao Group Hospitality's operating results are recorded in the Company's consolidated statements of operations on a three-month lag basis. 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 further discussion of Tao Group Hospitality's consolidation.

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

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Direct operating expenses

Direct operating expenses for the three months ended September 30, 2019 decreased \$1,858, or 2%, to \$105,927 as compared to the prior year period. The net decrease was attributable to the following:

Decrease in event-related direct operating expenses associated with other live events	\$	(4,860)
Decrease in direct operating expenses associated with Obscura		(3,976)
Increase in event-related direct operating expenses associated with concerts		6,410
Increase in direct operating expenses associated with entertainment dining and nightlife offerings		1,613
Other net decreases		(1,045)
	\$	(1,858)

The decrease in event-related direct operating expenses from other live events was primarily due to the impact of a large scale special event held at Radio City Music Hall during the prior year period. The Company did not have a comparable special event in the current year period.

The decrease in direct operating expenses associated with Obscura was due to the Company's decision to wind down Obscura's third party production business to focus on MSG Sphere development.

The increase in event-related direct operating expenses from concerts was primarily due to additional events held at the Company's venues partially offset by lower per-event expenses in the current year period as compared to the prior year period.

The increase in direct operating expenses associated with entertainment dining and nightlife offerings was primarily due to costs associated with the opening of a new venue partially offset by lower costs of food and beverage and employee compensation and related benefit, as well as the absence of costs related to one venue that was closed in New York in January 2019.

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

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended September 30, 2019 increased \$1,689, or 3%, to \$50,658 as compared to the prior year period. The increase was primarily due to higher employee compensation and related benefits and an increase in professional fees. The increase was partially offset by lower selling, general and administrative costs associated with Obscura due to the Company's decision to wind down Obscura's third party production business to focus on MSG Sphere development and the impact of venue pre-opening costs associated with entertainment dining and nightlife offerings during the prior year period.

Depreciation & amortization

Depreciation and amortization for the three months ended September 30, 2019 increased \$492, or 11%, to \$4,974 as compared to the prior year period. The increase was primarily due to the capital expenditures associated with the opening of a new venue in entertainment dining and nightlife offerings.

Operating income (loss)

Operating loss for the three months ended September 30, 2019 was \$2,552 as compared to an operating income of \$1,717 in the prior year period due to a decrease in revenues as well as higher selling, general and administrative expenses, partially offset by lower direct operating expenses, as discussed above.

Adjusted operating income

Adjusted operating income for the three months ended September 30, 2019 decreased \$2,802, or 31%, to \$6,238 as compared to the prior year period. The decrease was lower than a decrease in operating income primarily due to higher share-based compensation expense and, to a lesser extent, an increase in depreciation and amortization.

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MSG Sports

The table below sets forth, for the periods presented, certain historical financial information and a reconciliation of operating loss to adjusted operating income (loss) for MSG Sports.

	Three Months Ended September 30,		Change	
	2019	2018	Amount	Percentage
Revenues	\$ 56,034	\$ 55,352	\$ 682	1 %
Direct operating expenses	24,311	15,319	8,992	59 %
Selling, general and administrative expenses	50,152	42,217	7,935	19 %
Depreciation and amortization	1,801	1,942	(141)	(7)%
Operating loss	\$ (20,230)	\$ (4,126)	\$ (16,104)	NM
Reconciliation to adjusted operating income (loss):				
Share-based compensation	4,769	2,772		
Depreciation and amortization	1,801	1,942		
Adjusted operating income (loss)	\$ (13,660)	\$ 588	\$ (14,248)	NM

NM — Percentage is not meaningful

Revenues

Revenues for the three months ended September 30, 2019 increased \$682, or 1%, to \$56,034 as compared to the prior year period. The net increase was attributable to the following:

Increase in event-related revenues from other live sporting events	\$ 1,654
Increase in suite license fee revenues	476
Decrease in professional sports teams' pre/regular season ticket-related revenues	(956)
Decrease in professional sports teams' sponsorship and signage revenues and ad sales commission	(808)
Other net increases	316
	<u>\$ 682</u>

The increase in event-related revenues from other live sporting events was due to higher per event revenue during the current year period as compared to the prior year period.

The increase in suite license fee revenues was due to rate increases, partially offset by lower sales of suite products.

The decrease in professional sports teams' pre/regular season ticket-related revenues was primarily due to the absence of Liberty games in the current year period, as the Liberty was sold in January 2019, and lower average Rangers per-game revenue during the current year period as compared to the prior year period.

The decrease in professional sports teams' sponsorship and signage revenues and ad sales commission was primarily due to lower sales of existing sponsorship and signage inventory and the impact of the sale of the Liberty in January 2019, slightly offset by sales of new sponsorship and signage inventory.

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Direct operating expenses

Direct operating expenses for the three months ended September 30, 2019 increased \$8,992, or 59%, to \$24,311 as compared to the prior year period. The net increase was attributable to the following:

Increase in net provisions for certain team personnel transactions	\$	10,910
Increase in event-related expenses associated with other live sporting events		1,266
Decrease in net provisions for league revenue sharing expense (excluding playoffs)		(2,169)
Decrease in other team operating expenses not discussed elsewhere in this table		(1,463)
Other net increases		448
	\$	8,992

Net provisions for certain team personnel transactions were as follows:

	Three Months Ended September 30,		Increase
	2019	2018	
Net provisions for certain team personnel transactions	\$ 10,243	\$ (667)	\$ 10,910

Team personnel transactions for the three months ended September 30, 2019 include a net expense for waiver/contract termination costs. Team personnel transactions for the three months ended September 30, 2018 was a net credit due to the recoveries associated with previously recorded waiver/contract termination costs was higher than the waiver/contract termination costs incurred in the period.

The increase in event-related expenses associated with other live sporting events was due to higher per event expenses during the current year period as compared to the prior year period.

Net provisions for league revenue sharing expense (excluding playoffs) were as follows:

	Three Months Ended September 30,		Decrease
	2019	2018	
Net provisions for league revenue sharing expense (excluding playoffs)	\$ (1,296)	\$ 873	\$ (2,169)

The decrease in net provisions for league revenue sharing expense (excluding playoffs) was related to adjustments to prior season's revenue sharing expense.

The decrease in other team operating expenses was primarily due to the absence of Liberty related expenses as the team was sold in January 2019, a decrease in league assessments and lower day-of-events costs.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended September 30, 2019 increased \$7,935, or 19%, to \$50,152 as compared to the prior year period primarily due to higher employee compensation and related benefits.

Operating loss

Operating loss for the three months ended September 30, 2019 increased \$16,104 to \$20,230 as compared to the prior year period primarily due to higher direct operating expenses and an increase in selling, general and administrative expenses, slightly offset by higher revenues, as discussed above.

Adjusted operating income (loss)

Adjusted operating income for the three months ended September 30, 2019 decreased \$14,248 to a loss of \$13,660, as compared to the prior year period. The change was lower than the increase in operating loss primarily due to higher share-based compensation, slightly offset by lower depreciation and amortization.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash and cash equivalents, cash flows from the operations of our businesses and maximum borrowing capacity under our \$390,000 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 Revolving Credit Facility). 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. We believe we have sufficient liquidity, including approximately \$952,000 in unrestricted cash and cash equivalents and \$105,000 of short-term investments as of September 30, 2019, along with available borrowing capacity under our revolving credit facilities combined with operating cash flows, over the next 12 months, 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 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 Hospitality’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 Hospitality plans to grow its business through the opening of new venues. Tao Group Hospitality regularly monitors and assesses its ability to meet its funding and investment requirements. Over the next 12 months, the Company believes that Tao Group Hospitality 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 has made significant progress on MSG Sphere at The Venetian, its state-of-the-art entertainment venue currently under construction in Las Vegas.

We view both innovative design and cost management as key imperatives to the construction process. While it is always difficult to provide a definitive construction cost estimate for large-scale construction projects, it is particularly challenging for one as unique as MSG Sphere. In May, our Board of Directors approved a preliminary cost estimate of \$1,200,000 based upon schematic designs for purposes of developing the Company’s budget and financial projections. We expect the estimation process for MSG Sphere construction costs will be dynamic as the project moves forward.

In June, the Company announced that it engaged AECOM - a leading builder known for creating bold, innovative projects - as its general contractor for the Las Vegas project. We made the strategic decision to enter into a “cost plus” construction contract with AECOM. While this type of contract adds to the complexity of the cost estimation process, we believe our “cost plus” construction contract with AECOM will help our efforts to maximize the quality of the work, while permitting us to play a more vigilant role in managing the project’s costs, including full transparency into the selection of, negotiations with, and labor and materials utilized by subcontractors.

In order to further drive cost control, under the terms of the construction contract, if the “hard” construction costs come in greater than an “incentive benchmark” agreed upon by the Company and AECOM, AECOM will receive lower fees for those amounts above the benchmark. The process of setting the incentive benchmark began in July when AECOM provided the Company with its proposal, representing its estimate of the hard construction costs of the project. AECOM’s initial benchmark proposal, together with the costs of additional core technology and estimated soft costs, results in a project cost estimate that is approximately \$1,700,000. We believe this cost estimate is too high and are now in the contractual process of reviewing, testing and challenging the elements of AECOM’s estimates and assumptions. We are also reviewing our plans to ensure we are efficiently and effectively achieving our design objectives to further reduce costs. We intend to do this in a granular fashion using, among other resources, our outside project manager. We believe we will be successful in achieving significant cost reductions through this process, while noting that there are no assurances that we will reach an agreement on the incentive benchmark.

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The above cost estimates for the MSG Sphere in Las Vegas have been reduced to reflect the \$75,000 that the Las Vegas Sands Corp. has agreed to pay the Company to defray the construction costs of a pedestrian bridge that will link the venue to the Sands Expo Convention Center, of which \$37,500 was received during the three months ended September 30, 2019. The estimates and costs also do not contain significant capitalized and non-capitalized costs for items such as content creation, internal labor costs, and furniture and equipment. Such actual construction costs for MSG Sphere in Las Vegas incurred through September 30, 2019 were approximately \$187,000, excluding the benefit of the funds received from Las Vegas Sands Corp. As with any major construction project, the construction of MSG Spheres is subject to potential unexpected delays, costs or other complications. Our goal is to open MSG Sphere in Las Vegas in calendar year 2021.

See Exhibit 10.65 to our Form 10-K for the year ended June 30, 2019 for a copy of the Construction Agreement, dated May 13, 2019, by and between MSG Las Vegas, LLC and Hunt Construction Group Inc. (AECOM).

In February 2018, we announced the purchase of land in Stratford, London, which we expect will become home to the Company's second MSG Sphere and first large-scale international venue. Cost estimates for MSG Sphere in London are still in development as the Company continues to refine its design, which it currently expects will be substantially similar to MSG Sphere in Las Vegas, including having approximately the same seating capacity. The Company submitted a planning application to the local planning authority in March 2019 and had anticipated a determination by the end of calendar year 2019. The planning authority's process will now continue into calendar 2020. We also want to apply our learnings in Las Vegas to our design and construction plans for the MSG Sphere in London. As a result, while we had previously indicated that we expected to open our London venue approximately one year after Las Vegas, that opening time frame is no longer possible. As we work through the planning application and design process, our timeline will continue to evolve and, therefore, we do not have a target opening date at this time.

We anticipate that MSG Sphere in Las Vegas will generate substantial incremental revenue and adjusted operating income on an annual basis. For additional information regarding the Company's capital expenditures related to the MSG Spheres for the three months ended September 30, 2019, see Note 18 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q.

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.

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

Financing Agreements and Stock Repurchases

See Note 11 and Note 14 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 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 September 30, 2019, the Company had \$12,512 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 Hospitality as of June 30, 2019.

Contractual Obligations

The Company adopted ASU No. 2016-02, *Leases (Topic 842)*, on July 1, 2019. As a result, the contractual obligations related to future lease payments, which were historically reported as off-balance sheet commitments, are now reflected on the consolidated balance sheet as lease liabilities as of September 30, 2019. See Note 7 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for more details about the lease liabilities. Except as described above with respect to lease accounting, the Company did not have any material changes in its contractual obligations since the end of fiscal year 2019 other than activities in the ordinary course of business.

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Cash Flow Discussion

As of September 30, 2019, cash, cash equivalents and restricted cash totaled \$983,535, as compared to \$1,117,901 as of June 30, 2019. The following table summarizes the Company's cash flow activities for the three months ended September 30, 2019 and 2018:

	Three Months Ended September 30,	
	2019	2018
Net cash used in operating activities	\$ (34,234)	\$ (44,672)
Net cash used in investing activities	(74,236)	(94,503)
Net cash used in financing activities	(23,946)	(16,632)
Effect of exchange rates on cash, cash equivalents and restricted cash	(1,950)	400
Net decrease in cash, cash equivalents and restricted cash	\$ (134,366)	\$ (155,407)

Operating Activities

Net cash used in operating activities for the three months ended September 30, 2019 decreased by \$10,438 to \$34,234 as compared to the prior year period primarily due to changes in certain assets and liabilities partially offset by an increase in net loss adjusted for non-cash items. The changes in certain assets and liabilities is primarily due to a receipt of \$37,500 from Las Vegas Sands Corp. in connection with the ground lease in Las Vegas. This was partially offset by an increase in net loss adjusted for non-cash items impacted by a loss in equity method investments in the current year period as compared to earnings in the prior year period and higher share-based compensation expense in the current year period.

Investing Activities

Net cash used in investing activities for the three months ended September 30, 2019 decreased by \$20,267 to \$74,236 as compared to the prior year period primarily due to (i) the Company's investments in SACO during the prior year period, as compared to no investments were made during the current year period, (ii) a proceed received from the sale of the Company's 50% interest in Tribeca in the current year period, and (iii) acquisition of notes receivable during the prior year period as compared to none during the current year period. These were partially offset by higher capital expenditures in the current year period as compared to the prior year period, of which substantially all are related to the Company's planned MSG Spheres in Las Vegas and London.

Financing Activities

Net cash used in financing activities for the three months ended September 30, 2019 increased by \$7,314 to \$23,946 as compared to the prior year period primarily due to an increase in taxes paid in lieu of shares issued for equity-based compensation in the current year period as compared to the prior year period.

Seasonality of Our Business

The dependence of MSG Entertainment 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 MSG Sports 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.

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 Hospitality as compared to its second and fourth calendar quarters. As the Company consolidates Tao Group Hospitality results of operations on a three-month lag basis, the seasonally lighter quarters for Tao Group Hospitality 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 2020. 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, 2019 except for the adoption of ASC Topic 842, *Leases* in the first quarter of fiscal year 2020. See Note 7 to the consolidated financial statements included in “Part I — Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for discussion of leases.

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 Hospitality.

The goodwill balance reported on the Company’s consolidated balance sheet as of September 30, 2019 by reporting unit was as follows:

MSG Sports	\$	226,955
MSG Entertainment		76,975
Tao Group Hospitality		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.

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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 2020 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 2020, 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 September 30, 2019 by reportable segment:

Sports franchises (MSG Sports)	\$	111,064
Trademarks (MSG Entertainment)		62,421
Photographic related rights (MSG Sports)		3,000
	\$	176,485

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 2020 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.

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During the first quarter of fiscal year 2020, 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 Hospitality 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, foreign currency exchange rate risk, 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, 2019.

As of September 30, 2019, a uniform hypothetical 5% fluctuation in the GBP/USD exchange rate would have resulted in a change of approximately \$14.6 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 September 30, 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 September 30, 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. On June 5, 2019, the Board formed a Special Litigation Committee to investigate the claims made by the plaintiff and to determine the Company’s response thereto. The parties agreed to stay the litigation until December 19, 2019.

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 September 30, 2019, the Company had approximately \$260 million remaining under the \$525 million 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 been funding and expects to continue to fund stock repurchases through a combination of cash on hand and cash generated by operations. During the three months ended September 30, 2019, the Company did not engage in any share repurchase activity under its share repurchase program.

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Item 6. Exhibits

(a) Index to Exhibits

EXHIBIT NO.	DESCRIPTION
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.
104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 formatted in Inline XBRL and contained in Exhibit 101.

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 November 2019.

The Madison Square Garden Company

By: /s/ VICTORIA M. MINK

Name: Victoria M. Mink

Title: Executive Vice President and Chief
Financial Officer

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: November 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: November 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 September 30, 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: November 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 September 30, 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: November 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.