

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

FORM 10-Q

(Mark One)



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

For the quarterly period ended December 31, 2021

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



**MADISON SQUARE GARDEN
SPORTS**

MADISON SQUARE GARDEN SPORTS CORP.

(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) 465-1111

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 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 January 31, 2022:

Class A Common Stock par value \$0.01 per share — 19,688,624

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

[Table of Contents](#)

**MADISON SQUARE GARDEN SPORTS CORP.
INDEX TO FORM 10-Q**

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets as of December 31, 2021 (unaudited) and June 30, 2021</u>	<u>1</u>
<u>Consolidated Statements of Operations for the three and six months ended December 31, 2021 and 2020 (unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended December 31, 2021 and 2020 (unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows for the six months ended December 31, 2021 and 2020 (unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Equity for the three and six months ended December 31, 2021 and 2020 (unaudited)</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>10</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>37</u>
<u>Item 4. Controls and Procedures</u>	<u>38</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>39</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>39</u>
<u>Item 6. Exhibits</u>	<u>40</u>

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

**MADISON SQUARE GARDEN SPORTS CORP.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)**

	December 31, 2021	June 30, 2021
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 54,815	\$ 64,902
Restricted cash	745	7,134
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$0 as of December 31, 2021 and June 30, 2021, respectively	79,737	74,197
Net related party receivables	31,751	6,420
Prepaid expenses	33,996	16,724
Other current assets	17,511	15,869
Total current assets	218,555	185,246
Property and equipment, net of accumulated depreciation and amortization of \$44,784 and \$42,673 as of December 31, 2021 and June 30, 2021, respectively	34,233	35,716
Right-of-use lease assets	697,309	703,521
Amortizable intangible assets, net	1,165	1,695
Indefinite-lived intangible assets	112,144	112,144
Goodwill	226,955	226,955
Deferred income tax assets, net	19,975	15,943
Other assets	39,085	28,719
Total assets	\$ 1,349,421	\$ 1,309,939

See accompanying notes to consolidated financial statements.

MADISON SQUARE GARDEN SPORTS CORP.
CONSOLIDATED BALANCE SHEETS (Continued)
(in thousands, except per share data)

	December 31, 2021 (Unaudited)	June 30, 2021
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 3,009	\$ 2,226
Net related party payables	24,708	17,089
Debt	30,000	30,000
Accrued liabilities:		
Employee related costs	88,312	90,269
Other accrued liabilities	85,883	55,718
Operating lease liabilities, current	43,081	41,951
Deferred revenue	176,805	131,025
Total current liabilities	451,798	368,278
Long-term debt	330,000	355,000
Operating lease liabilities, noncurrent	692,532	691,152
Defined benefit obligations	6,149	6,283
Other employee related costs	46,234	57,740
Deferred revenue, noncurrent	31,324	31,603
Other liabilities	994	1,749
Total liabilities	1,559,031	1,511,805
Commitments and contingencies (see Note 10)		
Madison Square Garden Sports Corp. Stockholders' Equity:		
Class A Common stock, par value \$0.01, 120,000 shares authorized; 19,689 and 19,587 shares outstanding as of December 31, 2021 and June 30, 2021, respectively	204	204
Class B Common stock, par value \$0.01, 30,000 shares authorized; 4,530 shares outstanding as of December 31, 2021 and June 30, 2021	45	45
Preferred stock, par value \$0.01, 15,000 shares authorized; none outstanding as of December 31, 2021 and June 30, 2021	—	—
Additional paid-in capital	6,460	23,102
Treasury stock, at cost, 759 and 861 shares as of December 31, 2021 and June 30, 2021, respectively	(129,426)	(146,734)
Accumulated deficit	(87,390)	(78,898)
Accumulated other comprehensive loss	(1,983)	(2,027)
Total Madison Square Garden Sports Corp. stockholders' equity	(212,090)	(204,308)
Nonredeemable noncontrolling interests	2,480	2,442
Total equity	(209,610)	(201,866)
Total liabilities and equity	\$ 1,349,421	\$ 1,309,939

See accompanying notes to consolidated financial statements.

MADISON SQUARE GARDEN SPORTS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Revenues ^(a)	\$ 289,581	\$ 28,771	\$ 308,375	\$ 85,809
Operating expenses:				
Direct operating expenses ^(b)	192,847	16,661	201,425	56,447
Selling, general and administrative expenses ^(c)	59,600	48,909	103,328	91,905
Depreciation and amortization	1,215	1,607	2,641	3,267
Operating income (loss)	35,919	(38,406)	981	(65,810)
Other income (expense):				
Interest income	43	—	93	—
Interest expense	(3,585)	(2,487)	(6,688)	(4,476)
Miscellaneous expense, net	(64)	(70)	(127)	(190)
	(3,606)	(2,557)	(6,722)	(4,666)
Income (loss) from operations before income taxes	32,313	(40,963)	(5,741)	(70,476)
Income tax (expense) benefit	(17,115)	(170)	4,054	328
Net income (loss)	15,198	(41,133)	(1,687)	(70,148)
Less: Net loss attributable to nonredeemable noncontrolling interests	(647)	(508)	(1,127)	(1,106)
Net income (loss) attributable to Madison Square Garden Sports Corp.'s stockholders	\$ 15,845	\$ (40,625)	\$ (560)	\$ (69,042)
Basic earnings (loss) per common share attributable to Madison Square Garden Sports Corp.'s stockholders	\$ 0.65	\$ (1.68)	\$ (0.02)	\$ (2.86)
Diluted earnings (loss) per common share attributable to Madison Square Garden Sports Corp.'s stockholders	\$ 0.65	\$ (1.68)	\$ (0.02)	\$ (2.86)
Weighted-average number of common shares outstanding:				
Basic	24,261	24,144	24,217	24,103
Diluted	24,373	24,144	24,217	24,103

^(a) Includes revenues from related parties of \$70,131 and \$14,369 for the three months ended December 31, 2021 and 2020, respectively, and \$77,378 and \$23,430 for the six months ended December 31, 2021 and 2020, respectively.

^(b) Includes net charges from related parties of \$37,874 and \$2,650 for the three months ended December 31, 2021 and 2020, respectively, and \$40,032 and \$3,264 for the six months ended December 31, 2021 and 2020, respectively.

^(c) Includes net charges from related parties of \$18,880 and \$10,455 for the three months ended December 31, 2021 and 2020, respectively, and \$31,127 and \$24,202 for the six months ended December 31, 2021 and 2020, respectively.

See accompanying notes to consolidated financial statements.

MADISON SQUARE GARDEN SPORTS CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(in thousands)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Net income (loss)	\$ 15,198	\$ (41,133)	\$ (1,687)	\$ (70,148)
Other comprehensive income, before income taxes:				
Pension plans:				
Amounts reclassified from accumulated other comprehensive loss:				
Amortization of actuarial loss included in net periodic benefit cost	33	10	66	20
Other comprehensive income, before income taxes	33	10	66	20
Income tax expense related to items of other comprehensive income	(11)	—	(22)	—
Other comprehensive income, net of income taxes	22	10	44	20
Comprehensive income (loss)	15,220	(41,123)	(1,643)	(70,128)
Less: Comprehensive loss attributable to nonredeemable noncontrolling interests	(647)	(508)	(1,127)	(1,106)
Comprehensive income (loss) attributable to Madison Square Garden Sports Corp.'s stockholders	\$ 15,867	\$ (40,615)	\$ (516)	\$ (69,022)

See accompanying notes to consolidated financial statements.

MADISON SQUARE GARDEN SPORTS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (1,687)	\$ (70,148)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,641	3,267
Benefits from deferred income taxes	(4,054)	(328)
Share-based compensation expense	12,205	22,326
Recovery of doubtful accounts	—	(175)
Other non-cash adjustments	1,261	371
Change in assets and liabilities:		
Accounts receivable, net	(5,540)	(17,319)
Net related party receivables	(25,331)	(11,800)
Prepaid expenses and other assets	(27,561)	(44,670)
Accounts payable	772	(1,127)
Net related party payables	1,380	7,516
Accrued and other liabilities	15,714	(15,963)
Deferred revenue	45,508	104,090
Operating lease right-of-use assets and lease liabilities	8,722	2,327
Net cash provided by (used in) operating activities	24,030	(21,633)
Cash flows from investing activities:		
Capital expenditures	(377)	(141)
Other investing activities	(250)	—
Net cash used in investing activities	(627)	(141)
Cash flows from financing activities:		
Taxes paid in lieu of shares issued for equity-based compensation	(12,142)	(13,891)
Proceeds from revolving credit facilities	—	30,000
Repayment of revolving credit facility	(25,000)	—
Payment of contingent consideration	—	(200)
Payments for financing costs	(2,737)	(4,546)
Net cash (used in) provided by financing activities	(39,879)	11,363
Net decrease in cash, cash equivalents and restricted cash	(16,476)	(10,411)
Cash, cash equivalents and restricted cash at beginning of period	72,036	90,673
Cash, cash equivalents and restricted cash at end of period	\$ 55,560	\$ 80,262
Non-cash investing and financing activities:		
Capital expenditures incurred but not yet paid	\$ 385	\$ 30

See accompanying notes to consolidated financial statements.

MADISON SQUARE GARDEN SPORTS CORP.
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(in thousands)

Three Months Ended December 31, 2021

	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Madison Square Garden Sports Corp. Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity
Balance as of September 30, 2021	\$ 249	\$ —	\$ (129,426)	\$ (103,235)	\$ (2,005)	\$ (234,417)	\$ 2,233	\$ (232,184)
Net income (loss)	—	—	—	15,845	—	15,845	(647)	15,198
Other comprehensive income	—	—	—	—	22	22	—	22
Comprehensive income (loss)	—	—	—	—	—	15,867	(647)	15,220
Share-based compensation	—	7,354	—	—	—	7,354	—	7,354
Adjustments to noncontrolling interests	—	(894)	—	—	—	(894)	894	—
Balance as of December 31, 2021	<u>\$ 249</u>	<u>\$ 6,460</u>	<u>\$ (129,426)</u>	<u>\$ (87,390)</u>	<u>\$ (1,983)</u>	<u>\$ (212,090)</u>	<u>\$ 2,480</u>	<u>\$ (209,610)</u>

See accompanying notes to consolidated financial statements.

MADISON SQUARE GARDEN SPORTS CORP.
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(Unaudited)
(in thousands)

	Three Months Ended December 31, 2020							
	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Madison Square Garden Sports Corp. Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity
Balance as of September 30, 2020	\$ 249	\$ —	\$ (147,605)	\$ (93,361)	\$ (2,129)	\$ (242,846)	\$ 2,953	\$ (239,893)
Net loss	—	—	—	(40,625)	—	(40,625)	(508)	(41,133)
Other comprehensive income	—	—	—	—	10	10	—	10
Comprehensive loss	—	—	—	—	—	(40,615)	(508)	(41,123)
Share-based compensation	—	15,981	—	—	—	15,981	—	15,981
Tax withholding associated with shares issued for equity-based compensation	—	(93)	—	—	—	(93)	—	(93)
Common stock issued under stock incentive plans	—	(20)	20	—	—	—	—	—
Adjustments to noncontrolling interests	—	(436)	—	—	—	(436)	436	—
Balance as of December 31, 2020	<u>\$ 249</u>	<u>\$ 15,432</u>	<u>\$ (147,585)</u>	<u>\$ (133,986)</u>	<u>\$ (2,119)</u>	<u>\$ (268,009)</u>	<u>\$ 2,881</u>	<u>\$ (265,128)</u>

See accompanying notes to consolidated financial statements.

MADISON SQUARE GARDEN SPORTS CORP.
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(Unaudited)
(in thousands)

Six Months Ended December 31, 2021								
	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Madison Square Garden Sports Corp. Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity
Balance as of June 30, 2021	\$ 249	\$ 23,102	\$ (146,734)	\$ (78,898)	\$ (2,027)	\$ (204,308)	\$ 2,442	\$ (201,866)
Net loss	—	—	—	(560)	—	(560)	(1,127)	(1,687)
Other comprehensive income	—	—	—	—	44	44	—	44
Comprehensive loss	—	—	—	—	—	(516)	(1,127)	(1,643)
Share-based compensation	—	12,205	—	—	—	12,205	—	12,205
Tax withholding associated with shares issued for equity-based compensation	—	(18,306)	—	—	—	(18,306)	—	(18,306)
Common stock issued under stock incentive plans	—	(9,376)	17,308	(7,932)	—	—	—	—
Adjustments to noncontrolling interests	—	(1,165)	—	—	—	(1,165)	1,165	—
Balance as of December 31, 2021	<u>\$ 249</u>	<u>\$ 6,460</u>	<u>\$ (129,426)</u>	<u>\$ (87,390)</u>	<u>\$ (1,983)</u>	<u>\$ (212,090)</u>	<u>\$ 2,480</u>	<u>\$ (209,610)</u>

See accompanying notes to consolidated financial statements.

MADISON SQUARE GARDEN SPORTS CORP.
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(Unaudited)
(in thousands)

Six Months Ended December 31, 2020								
	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Madison Square Garden Sports Corp. Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity
Balance as of June 30, 2020	\$ 249	\$ 5,940	\$ (167,431)	\$ (43,605)	\$ (2,139)	\$ (206,986)	\$ 3,551	\$ (203,435)
Net loss	—	—	—	(69,042)	—	(69,042)	(1,106)	(70,148)
Other comprehensive income	—	—	—	—	20	20	—	20
Comprehensive loss	—	—	—	—	—	(69,022)	(1,106)	(70,128)
Share-based compensation	—	22,326	—	—	—	22,326	—	22,326
Tax withholding associated with shares issued for equity-based compensation	—	(11,023)	—	(2,868)	—	(13,891)	—	(13,891)
Common stock issued under stock incentive plans	—	(1,375)	19,846	(18,471)	—	—	—	—
Adjustments to noncontrolling interests	—	(436)	—	—	—	(436)	436	—
Balance as of December 31, 2020	<u>\$ 249</u>	<u>\$ 15,432</u>	<u>\$ (147,585)</u>	<u>\$ (133,986)</u>	<u>\$ (2,119)</u>	<u>\$ (268,009)</u>	<u>\$ 2,881</u>	<u>\$ (265,128)</u>

See accompanying notes to consolidated financial statements.

**MADISON SQUARE GARDEN SPORTS CORP.
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

Madison Square Garden Sports Corp. (together with its subsidiaries (collectively, “we,” “us,” “our,” “MSG Sports,” or the “Company”) owns and operates a portfolio of assets featuring some of the most recognized teams in all of sports, including the New York Knickerbockers (“Knicks”) of the National Basketball Association (“NBA”) and the New York Rangers (“Rangers”) of the National Hockey League (“NHL”). Both the Knicks and the Rangers play their home games in Madison Square Garden Arena (“The Garden”). The Company’s other professional sports franchises include two development league teams — the Hartford Wolf Pack of the American Hockey League (“AHL”) and the Westchester Knicks of the NBA G League (“NBAGL”). These professional sports franchises are collectively referred to herein as the “sports teams.” In addition, the Company owns Knicks Gaming, an esports franchise that competes in the NBA 2K League, as well as a controlling interest in Counter Logic Gaming (“CLG”), a North American esports organization. The Company also operates two professional sports team performance centers — the Madison Square Garden Training Center in Greenburgh, NY and the CLG Performance Center in Los Angeles, CA. CLG and Knicks Gaming are collectively referred to herein as the “esports teams,” and together with the sports teams, the “teams.”

The Company operates and reports financial information in one segment. The Company’s decision to organize as one operating segment and report in one segment is based upon its internal organizational structure; the manner in which its operations are managed; the criteria used by the Company’s Executive Chairman, its Chief Operating Decision Maker (“CODM”), to evaluate segment performance. The Company’s CODM reviews total company operating results to assess overall performance and allocate resources.

The Company was incorporated on March 4, 2015 as an indirect, wholly-owned subsidiary of MSG Networks Inc. (“MSG Networks”). All the outstanding common stock of the Company was distributed to MSG Networks shareholders (the “MSGS Distribution”) on September 30, 2015.

On April 17, 2020 (the “MSG Distribution Date”), the Company distributed all of the outstanding common stock of Madison Square Garden Entertainment Corp. (formerly MSG Entertainment Spincor, Inc. and referred to herein as “MSG Entertainment”) to its stockholders (the “MSG Distribution”). MSG Entertainment owns, directly or indirectly, the entertainment business previously owned and operated by the Company through its MSG Entertainment business segment and the sports booking business previously owned and operated by the Company through its MSG Sports business segment. In the MSG Distribution, (a) each holder of the Company’s Class A common stock received one share of MSG Entertainment Class A common stock, par value \$0.01 per share, for every share of the Company’s Class A common stock held of record as of the close of business, New York City time, on April 13, 2020 (the “Record Date”), and (b) each holder of the Company’s Class B common stock received one share of MSG Entertainment Class B common stock, par value \$0.01 per share, for every share of the Registrant’s Class B common stock held of record as of the close of business, New York City time, on the Record Date.

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, 2021 (“fiscal year 2021”). 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 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. However, on March 11 and 12, 2020, the NBA and NHL, respectively, suspended their 2019-20 seasons due to COVID-19. In July and August 2020, the NBA and NHL, respectively, resumed their seasons. As a result, the Company recognized certain revenues that otherwise would have been recognized during the third and fourth quarter of fiscal year 2020 during the first quarter of fiscal year 2021.

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Impact of COVID-19

COVID-19 disruptions have materially impacted the Company's revenues and the Company recognized materially less revenues, or in some cases no revenues, across a number of areas during the fiscal year 2021.

In March 2020, the NBA and NHL suspended their 2019-20 seasons due to COVID-19. As a result of the suspension of the 2019-20 NBA and NHL seasons and subsequent resumption of play in July and August 2020, respectively, during the first quarter of fiscal year 2021, the Company recognized certain revenues that otherwise would have been recognized during the third and fourth quarters of fiscal year 2020.

In addition, the start of the 2020-21 NBA and NHL regular seasons were delayed and the Knicks and the Rangers played fewer games, with the NBA playing a 72-game regular season schedule and the NHL playing a 56-game regular season schedule. These compare to traditional 82-game regular season schedules for both the NBA and NHL.

On December 16, 2020 and January 14, 2021, respectively, the Knicks and the Rangers resumed playing their homes games at The Garden as part of their 2020-21 seasons. However, fans were initially prohibited from attending games due to government-mandated assembly restrictions. Effective February 23, 2021, New York venues with at least a 10,000-person capacity were permitted to operate at 10% capacity, and the Knicks and the Rangers began playing games at The Garden with a limited number of fans in attendance on February 23 and 26, respectively.

Effective May 19, 2021, event venues such as The Garden were permitted to host guests at full capacity, subject to certain restrictions, including, for example, restrictions for unvaccinated guests. As a result, the Knicks played three home playoff games with ticket sales of approximately 15,000-16,500 per game during the fiscal year ended June 30, 2021.

These disruptions materially impacted the Company's revenues across a number of areas, including, ticket sales; the Company's share of suite licenses; sponsorships; signage and in-venue advertising at The Garden; local media rights fees; and food, beverage and merchandise sales.

In connection with the MSGE Distribution, we entered into the Arena License Agreements with MSG Entertainment. The Garden was not available for use between April 17, 2020 (the date of the MSGE Distribution) and the start of the NBA and NHL 2020-21 seasons in December 2020 and January 2021, respectively, due to the government-mandated suspension of events in response to COVID-19, and was available at reduced capacity through May 2021. As a result, the Company was not required to pay license fees to MSG Entertainment under the Arena License Agreements until games resumed at The Garden, and the Company continued to pay substantially reduced fees while attendance was limited. Effective July 1, 2021, the Company began paying license fees to MSG Entertainment under the Arena License Agreements in their full contractual amounts.

During the fiscal year 2021, as a result of COVID-19, the Company implemented cost-reduction measures that included workforce reductions and limits on discretionary spending. In addition, as a result of the disruptions caused by COVID-19, certain operating expenses were reduced, including, in addition to the reduced payments to MSG Entertainment under the Arena License Agreements described above, (i) NBA league assessments and day-of-game expenses for Knicks and Rangers games, and (ii) league revenue sharing, net of escrow and team personnel expense. These expense reductions did not fully offset revenue losses.

As a result of New York City regulations effective August 17, 2021, indoor entertainment venues such as The Garden were permitted to host guests at full capacity, subject to certain restrictions, including that all guests 12 years of age and older were required to show proof they had received at least one dose of a COVID-19 vaccine. Following updated New York City regulations, effective January 29, 2022, all guests five years of age and older and employees must provide proof that they have received either two doses of a two-shot COVID-19 vaccination, or one dose of a single-shot vaccine. Children under age five can attend events with a vaccinated adult, but ages two to four need to wear a mask while inside venues such as The Garden.

At this time, the Company's management is unable to predict if there will be any longer-term effects due to these COVID-19 related disruptions. Fan attendance for the 2021-22 NBA and NHL seasons has been and may continue to be impacted by a resurgence in the COVID-19 pandemic, such as the Delta and Omicron variants, , reduced tourism, as well as general hesitancy among the public to return to pre-COVID-19 activity levels, and may also be impacted by new governmental and league restrictions on attendance of games at The Garden and vaccination requirements for fans. The Company's business is also particularly sensitive to discretionary business and consumer spending. COVID-19 could impede economic activity in impacted regions or globally over the long-term, causing a global recession and leading to a further decline in discretionary spending on sporting events and other leisure activities, including declines in domestic and international tourism, which could result in long-term effects on the Company's business.

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Note 2. Accounting Policies

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Madison Square Garden Sports Corp. 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 CLG, in which the Company has a controlling voting interest. The Company's consolidation criteria are based on authoritative accounting guidance for voting interest, controlling interest or variable interest entities. CLG is consolidated with the equity owned by other shareholders shown as 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 nonredeemable noncontrolling interests in the accompanying consolidated statements of operations and consolidated statements of comprehensive income (loss), respectively.

Use of Estimates

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

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

Recently Issued Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU eliminates certain exceptions to the general approach in Accounting Standards Codification ("ASC") Topic 740 and includes methods of simplification to the existing guidance. The Company adopted this standard as of the beginning of fiscal year 2022, and the adoption did not have a material impact on its consolidated financial statements.

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Note 3. Revenue Recognition

Contracts with Customers

All revenue recognized in the consolidated statements of operations is considered to be revenue from contracts with customers. For the three and six months ended December 31, 2021 and 2020, 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 revenues by type of goods or services in accordance with the required entity-wide disclosure requirements set forth in ASC Subtopic 280-10-50-38 to 40 and the disaggregation of revenue required disclosures in accordance with ASC Subtopic 606-10-50-5 for the three and six months ended December 31, 2021 and 2020:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Event-related ^(a)	\$ 109,074	\$ —	\$ 112,944	\$ —
Media rights ^(b)	112,308	22,306	118,894	72,495
Sponsorship, signage and suite licenses	58,534	3,995	61,704	6,945
League distributions and other	9,665	2,470	14,833	6,369
Total revenues from contracts with customers	<u>\$ 289,581</u>	<u>\$ 28,771</u>	<u>\$ 308,375</u>	<u>\$ 85,809</u>

^(a) Consists of (i) ticket sales and other ticket-related revenues, and (ii) food, beverage and merchandise sales at The Garden.

^(b) Consists of (i) local media rights fees, (ii) revenue from the distribution through league-wide national and international television contracts, and (iii) other local radio rights fees.

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

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 December 31, 2021 and June 30, 2021.

	December 31, 2021	June 30, 2021
Receivables from contracts with customers, net ^(a)	\$ 48,993	\$ 30,834
Contract assets, current ^(b)	12,053	9,604
Deferred revenue, including non-current portion ^{(c), (d)}	208,129	162,628

^(a) Receivables from contracts with customers, net, which are reported in Accounts receivable, net and Net related party receivables in the Company's accompanying consolidated balance sheets, represent the Company's unconditional rights to consideration under its contracts with customers. As of December 31, 2021 and June 30, 2021, the Company's receivables reported above included \$4,509 and \$213, respectively, related to various related parties associated with contracts with customers. See Note 15 for further details on related party arrangements. Receivables from contracts with customers, net, excludes amounts recorded in Accounts receivable, net, associated with amounts due from the NBA and NHL related to escrow and player compensation recoveries and luxury tax payments. As of December 31, 2021, the Company had receivable balances related to escrow and player compensation recoveries of \$30,190 and \$8,462, recorded in Accounts receivable, net and Other assets, respectively. As of June 30, 2021, the Company had receivable balances related to escrow and player compensation recoveries of \$36,525 and \$10,700, recorded in Accounts receivable, net and Other assets, respectively.

^(b) Contract assets, current, which are reported as Other current assets in the Company's accompanying 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, including non-current portion primarily relates to the Company's receipt of consideration from customers or billing 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. The non-current portion of deferred revenue primarily consists of a \$30,000 receipt from the NBA in December 2020 of league distributions in advance of the Company's recognition. The Company's deferred revenue related to local media rights was \$8,702 and \$260 as of December 31, 2021 and June 30, 2021, respectively. See Note 15 for further details on these related party arrangements.

^(d) Revenue recognized for the six months ended December 31, 2021 relating to the deferred revenue balance as of June 30, 2021 was \$62,758.

MADISON SQUARE GARDEN SPORTS CORP.
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 December 31, 2021 and is based on current projections. 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, league-wide national and international television contracts, and certain other arrangements with variable consideration.

Fiscal Year 2022 (remainder)	\$	86,309
Fiscal Year 2023		105,623
Fiscal Year 2024		92,202
Fiscal Year 2025		57,426
Fiscal Year 2026		40,841
Thereafter		41,016
	\$	<u>423,417</u>

Note 4. Computation of Earnings (Loss) per Common Share

The following table presents a reconciliation of weighted-average shares used in the calculations of basic and diluted earnings (loss) per common share attributable to the Company's stockholders ("EPS") and the number of shares excluded from diluted earnings (loss) per common share, as they were anti-dilutive.

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Weighted-average shares (denominator):				
Weighted-average shares for basic EPS	24,261	24,144	24,217	24,103
Dilutive effect of shares issuable under share-based compensation plans	112	—	—	—
Weighted-average shares for diluted EPS	<u>24,373</u>	<u>24,144</u>	<u>24,217</u>	<u>24,103</u>
Weighted-average shares excluded from diluted earnings (loss) per share	—	152	154	403

Note 5. Team Personnel Transactions

Direct operating and selling, general and administrative expenses in the accompanying consolidated statements of operations include net provisions for transactions relating to the Company's teams for waiver/contract termination costs, player trades and season-ending injuries ("Team personnel transactions"). Team personnel transactions were a net credit of \$302 and a net provision of \$2,839 for the three months ended December 31, 2021 and 2020, respectively, and net provisions of \$425 and \$13,712 for the six months ended December 31, 2021 and 2020, respectively.

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Note 6. Cash, Cash Equivalents and Restricted Cash

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

	As of			
	December 31, 2021	June 30, 2021	December 31, 2020	June 30, 2020
Captions on the consolidated balance sheets:				
Cash and cash equivalents	\$ 54,815	\$ 64,902	\$ 70,762	\$ 77,852
Restricted cash ^(a)	745	7,134	9,500	12,821
Cash, cash equivalents and restricted cash on the consolidated statements of cash flows	<u>\$ 55,560</u>	<u>\$ 72,036</u>	<u>\$ 80,262</u>	<u>\$ 90,673</u>

^(a) Restricted cash as of December 31, 2021 and June 30, 2020 primarily included cash deposited in an escrow account (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, 2021 for more information). For all other periods, restricted cash relates to the Company's revolving credit facilities (see Note 11 for more information).

Note 7. Leases

The Company's leases primarily consist of the lease of the Company's principal executive offices under the Sublease Agreement with MSG Entertainment (the "Sublease Agreement") and the lease of CLG Performance Center. In addition, the Company accounts for the rights of use of The Garden pursuant to the Arena License Agreements as leases under the ASC Topic 842, Leases. See Note 8 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2021 for more information regarding the Company's accounting policies associated with its leases.

In November 2021, MSG Entertainment entered into a new lease for principal executive offices at Two Pennsylvania Plaza in New York (the "New MSGE Lease Agreement"). In accordance with the terms of the Sublease Agreement and the New MSGE Lease Agreement, the lease term of the Sublease Agreement was extended until October 31, 2024. The Company has accounted for this extension as a lease remeasurement and remeasured the right-of-use asset and operating lease liability utilizing the Company's incremental borrowing rate as of the date of remeasurement. As a result of the remeasurement, non-cash additions to the right-of-use asset and operating lease liability of \$1,244 were recorded during the three and six months ended December 31, 2021.

In accordance with the terms of the Sublease Agreement, the Company has committed to enter into a new sublease agreement with MSG Entertainment for a lease term equivalent to the New MSGE Lease Agreement term, which ends January 31, 2046. In addition, in connection with the New MSGE Lease Agreement, the Company has entered into a commitment whereby if the New MSGE Lease Agreement were terminated under certain circumstances, the Company would be required to enter into a new lease for executive offices in Two Pennsylvania Plaza directly with the landlord, with a consistent lease term through January 31, 2046. As the Company has not yet entered into a new sublease for or taken possession of the new executive office space at Two Pennsylvania Plaza, no additional right-of-use assets or operating lease liabilities have been recorded as of December 31, 2021 related to the commitments discussed above.

In connection with the MSGE Distribution, the Company entered into the Arena License Agreements with MSG Entertainment that end on June 30, 2055 and allow the Knicks and the Rangers to continue to play their home games at The Garden. The Arena License Agreements provide for fixed payments to be made from inception through June 30, 2055 in 12 equal installments during each year of the contractual term. Absent the reduced payments due to the government-mandated suspension of events at The Garden in response to COVID-19 described below, the stated license fee for the first full contract year ended June 30, 2021 would have been approximately \$22,500 for the Knicks and approximately \$16,700 for the Rangers, and then for each subsequent year, the license fees are 103% of the license fees for the immediately preceding contract year.

The Garden was not available for use between April 17, 2020 and the start of the NBA and NHL 2020-21 seasons in December 2020 and January 2021, respectively, due to the government-mandated suspension of events in response to COVID-19, and as a result the Company was not required to pay license fees to MSG Entertainment under the Arena License Agreements.

During the three and six months ended December 31, 2021, the Company recognized operating lease costs associated with the Arena License Agreements with respect to games played at The Garden. During the three and six months ended December 31,

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

2020, the Company recognized operating lease costs associated with the Knicks Arena License Agreement, but no operating lease costs associated with the Rangers Arena License Agreement as there were no Rangers events.

As of December 31, 2021, the Company's existing operating leases, which are recorded in the accompanying financial statements, have remaining lease terms ranging from 8 months to 34 years. In certain instances, leases include options to renew, with varying option terms. The exercise of lease renewals, if available under the lease 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 following table summarizes the ROU assets and lease liabilities recorded on the Company's accompanying consolidated balance sheets as of December 31, 2021 and June 30, 2021:

	Line Item in the Company's Consolidated Balance Sheet	December 31, 2021	June 30, 2021
Right-of-use assets:			
Operating leases	Right-of-use lease assets	\$ 697,309	\$ 703,521
Lease liabilities:			
Operating leases, current ^(a)	Operating lease liabilities, current	\$ 43,081	\$ 41,951
Operating leases, noncurrent ^(a)	Operating lease liabilities, noncurrent	692,532	691,152
Total lease liabilities		<u>\$ 735,613</u>	<u>\$ 733,103</u>

^(a) As of December 31, 2021, Operating lease liabilities, current and Operating lease liabilities, noncurrent included balances of \$42,372 and \$692,139, respectively, that are payable to MSG Entertainment. As of June 30, 2021, Operating lease liabilities, current and Operating lease liabilities, noncurrent included balances of \$41,541 and \$690,792, respectively, that are payable to MSG Entertainment.

The following table summarizes the activity recorded within the Company's accompanying consolidated statements of operations for the three and six months ended December 31, 2021 and 2020:

	Line Item in the Company's Consolidated Statement of Operations	Three Months Ended December 31, 2021	2020	Six Months Ended December 31, 2021	2020
Operating lease cost	Direct operating expenses	\$ 27,860	\$ 2,308	\$ 29,267	\$ 2,398
Operating lease cost	Selling, general and administrative expenses	613	611	1,224	1,222
Short-term lease cost	Direct operating expenses	41	27	77	51
Total lease cost		<u>\$ 28,514</u>	<u>\$ 2,946</u>	<u>\$ 30,568</u>	<u>\$ 3,671</u>

Supplemental Information

For the six months ended December 31, 2021 and 2020, cash paid for amounts included in the measurement of lease liabilities was \$21,689 and \$1,299, respectively.

The weighted average remaining lease term for operating leases recorded on the accompanying consolidated balance sheet as of December 31, 2021 was 33.1 years. The weighted average discount rate was 7.13% as of December 31, 2021 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 commenced or was modified.

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Maturities of operating lease liabilities as of December 31, 2021 are as follows:

Fiscal Year 2022 (remainder)	\$	22,104
Fiscal Year 2023		45,341
Fiscal Year 2024		45,361
Fiscal Year 2025		44,900
Fiscal Year 2026		45,374
Thereafter		2,113,312
Total lease payments		2,316,392
Less imputed interest		(1,580,779)
Total lease liabilities	\$	735,613

Note 8. Goodwill and Intangible Assets

During the first quarter of fiscal year 2022, the Company performed its annual impairment test of goodwill and determined that there were no impairments identified as of the impairment test date. The carrying amount of goodwill as of December 31, 2021 and June 30, 2021 is \$226,955.

The Company's indefinite-lived intangible assets as of December 31, 2021 and June 30, 2021 are as follows:

Sports franchises	\$	111,064
Photographic related rights		1,080
	\$	112,144

During the first quarter of fiscal year 2022, 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:

December 31, 2021	Gross	Accumulated Amortization	Net
Trade names	\$ 2,300	\$ (2,032)	\$ 268
Non-compete agreements	2,400	(2,120)	280
Other intangibles	1,200	(583)	617
	\$ 5,900	\$ (4,735)	\$ 1,165
June 30, 2021	Gross	Accumulated Amortization	Net
Trade names	\$ 2,300	\$ (1,802)	\$ 498
Non-compete agreements	2,400	(1,880)	520
Other intangibles	1,200	(523)	677
	\$ 5,900	\$ (4,205)	\$ 1,695

For the three months ended December 31, 2021 and 2020, amortization expense of intangible assets was \$265 and \$265, respectively. For the six months ended December 31, 2021 and 2020, amortization expense of intangible assets was \$530 and \$530, respectively.

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Note 9. 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:

	Fair Value Hierarchy	December 31, 2021	June 30, 2021
Assets:			
Money market account	I	\$ 12,419	\$ 33,820
Time deposits	I	35,005	5,000
Total assets measured at fair value		<u>\$ 47,424</u>	<u>\$ 38,820</u>

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 money market account and time deposits approximate fair value due to their short-term maturities.

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

	December 31, 2021		June 30, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Debt, current ^(a)	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Long-term debt ^(b)	\$ 330,000	\$ 330,000	\$ 355,000	\$ 355,000

^(a) The Company's debt, current 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. The fair value of the Company's debt, current is the same as its carrying amount as the debt bears interest at current market conditions. See Note 11 for further details.

^(b) 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. The fair value of the Company's long-term debt is the same as its carrying amount as the debt bears interest at a variable rate indexed to current market conditions. See Note 11 for further details.

Note 10. Commitments and Contingencies
Commitments

As more fully described in Note 12 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2021, the Company's commitments consist primarily of the Company's obligations under employment agreements that the Company has with its professional sports teams' personnel that are generally guaranteed regardless of employee injury or termination. In addition, see Note 7 for more information on the contractual obligations related to future lease payments. The Company did not have any material changes in its contractual obligations, including off-balance sheet commitments, since the end of fiscal year 2021 other than the lease commitments discussed in Note 7 and activities in the ordinary course of business.

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), management does not believe that resolution of these lawsuits will have a material adverse effect on the Company.

Note 11. Debt
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 "2016 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 "2016 Knicks Revolving Credit Facility") to fund working capital needs and for general corporate purposes. The 2016 Knicks Revolving Credit Facility would have matured and any unused commitments thereunder would have expired on September 30, 2021.

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

On November 6, 2020, the Company amended and restated the 2016 Knicks Credit Agreement in its entirety (the “2020 Knicks Credit Agreement”). On December 14, 2021, Knicks LLC entered into Amendment No. 2 to the 2020 Knicks Credit Agreement, which amended and restated the 2020 Knicks Credit Agreement (the “2021 Knicks Credit Agreement”).

The 2021 Knicks Credit Agreement provides for a senior secured revolving credit facility of up to \$275,000 (the “2021 Knicks Revolving Credit Facility”) to fund working capital needs and for general corporate purposes. The maturity date of the 2021 Knicks Credit Agreement is December 14, 2026. Amounts borrowed may be distributed to the Company except during an event of default.

All borrowings under the 2021 Knicks Revolving Credit Facility are subject to the satisfaction of certain customary conditions. Borrowings under the 2021 Knicks Credit Agreement 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 0.250% to 0.500% per annum or (ii) term Secured Overnight Financing Rate (“SOFR”) plus a credit spread adjustment of 0.100% per annum plus a margin ranging from 1.250% to 1.500% per annum depending on the credit rating applicable to the NBA’s league-wide credit facility. Knicks LLC is required to pay a commitment fee ranging from 0.250% to 0.300% per annum in respect of the average daily unused commitments under the 2021 Knicks Revolving Credit Facility. The outstanding balance under the 2021 Knicks Revolving Credit Facility was \$220,000 as of December 31, 2021 which was recorded as Long-term debt in the accompanying consolidated balance sheet. The interest rate on the 2021 Knicks Revolving Credit Facility as of December 31, 2021 was 1.40%. During the six months ended December 31, 2021 the Company made interest payments of \$1,645 in respect of the 2021 Knicks Revolving Credit Facility (including in respect of obligations under the 2020 Knicks Credit Agreement prior to the amendment and restatement thereof).

All obligations under the 2021 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, (ii) revenues to be paid to the Knicks LLC by the NBA pursuant to certain U.S. national broadcast agreements, and (iii) revenues to be paid to Knicks LLC pursuant to local media contracts.

Subject to customary notice and minimum amount conditions, Knicks LLC may voluntarily prepay outstanding loans under the 2021 Knicks Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to SOFR-based loans). Knicks LLC is required to make mandatory prepayments in certain circumstances, including without limitation if the maximum available amount under the 2021 Knicks Revolving Credit Facility is greater than 350% of qualified revenues.

In addition to the financial covenant described above, the 2021 Knicks Credit Agreement and related security agreements contain certain customary representations and warranties, affirmative covenants and events of default. The 2021 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 2021 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 2021 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.

The 2021 Knicks Revolving Credit Facility requires Knicks LLC to comply with a debt service ratio of at least 1.5:1.0 over a trailing four quarter period. As of December 31, 2021, Knicks LLC was in compliance with this financial covenant.

Knicks Holdings Credit Facility

On November 6, 2020, Knicks Holdings, LLC, an indirect, wholly-owned subsidiary of the Company and the direct parent of Knicks LLC (“Knicks Holdings”), entered into a credit agreement with a syndicate of lenders (the “2020 Knicks Holdings Credit Agreement”). The 2020 Knicks Holdings Credit Agreement provided for a revolving credit facility of up to \$75,000 (the “2020 Knicks Holdings Revolving Credit Facility”) to fund working capital needs and for general corporate purposes. On December 14, 2021, the Company terminated the 2020 Knicks Holdings Revolving Credit Facility in its entirety.

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 “2017 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 “2017 Rangers Revolving Credit Facility”) to fund working capital needs and for general corporate purposes. The 2017 Rangers Revolving Credit Facility would have matured and any unused commitments thereunder would have expired on January 25, 2022.

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

On November 6, 2020, the Company amended and restated the 2017 Rangers Credit Agreement in its entirety (the “2020 Rangers Credit Agreement”). On December 14, 2021, Rangers LLC entered into Amendment No. 3 to the 2020 Rangers Credit Agreement, which amended and restated the 2020 Rangers Credit Agreement (the “2021 Rangers Credit Agreement”).

The 2021 Rangers Credit Agreement provides for a senior secured revolving credit facility of up to \$250,000 (the “2021 Rangers Revolving Credit Facility”) to fund working capital needs and for general corporate purposes. The maturity date of the 2021 Rangers Credit Agreement is December 14, 2026. Amounts borrowed may be distributed to the Company except during an event of default.

All borrowings under the 2021 Rangers Revolving Credit Facility are subject to the satisfaction of certain customary conditions. Borrowings under the 2021 Rangers Revolving Credit Facility 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 0.500% to 1.000% per annum or (ii) term SOFR plus a credit spread adjustment of 0.100% per annum plus a margin ranging from 1.500% to 2.000% per annum depending on the credit rating applicable to the NHL’s league-wide credit facility. 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 2021 Rangers Revolving Credit Facility. During the six months ended December 31, 2021, the Company made principal repayments of \$25,000 and the outstanding balance under the 2021 Rangers Revolving Credit Facility was \$110,000 as of December 31, 2021 which was recorded as Long-term debt in the accompanying consolidated balance sheet. The interest rate on the 2021 Rangers Revolving Credit Facility as of December 31, 2021 was 1.90%. During the six months ended December 31, 2021 the Company made interest payments of \$1,326 in respect of the 2021 Rangers Revolving Credit Facility (including in respect of obligations under the 2020 Rangers Credit Agreement prior to the amendment and restatement thereof). In addition, on February 2, 2022, the Company made an additional principal repayment of \$25,000 under the 2021 Rangers Revolving Credit Facility.

All obligations under the 2021 Rangers Revolving Credit Facility are, subject to the 2021 Rangers NHL Advance Agreement (as defined below), 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 2021 Rangers Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to SOFR-based 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 2021 Rangers Revolving Credit Facility.

In addition to the financial covenant described above, the 2021 Rangers Credit Agreement and related security agreements contain certain customary representations and warranties, affirmative covenants and events of default. The 2021 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 2021 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 2021 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 2021 Rangers Revolving Credit Facility.

The 2021 Rangers Revolving Credit Facility requires Rangers LLC to comply with a debt service ratio of at least 1.5:1.0 over a trailing four quarter period. As of December 31, 2021, Rangers LLC was in compliance with this financial covenant.

2021 Rangers NHL Advance Agreement

On March 19, 2021, Rangers LLC, Rangers Holdings, LLC and MSG NYR Holdings LLC entered into an advance agreement with the NHL (the “2021 Rangers NHL Advance Agreement”) pursuant to which the NHL advanced \$30,000 to Rangers LLC. The advance is to be utilized solely and exclusively to pay for Rangers LLC operating expenses.

All obligations under the 2021 Rangers NHL Advance Agreement are senior to and shall have priority over all secured and other indebtedness of Rangers LLC, Rangers Holdings, LLC and MSG NYR Holdings LLC. All borrowings under the 2021 Rangers NHL Advance Agreement were made on a non-revolving basis and bear interest at 3.00% per annum, ending on the date any such advances are fully repaid. Advances received under the 2021 Rangers NHL Advance Agreement are payable upon demand by the NHL. It is expected that the advanced amount will be set off against funds that would otherwise be paid, distributed or transferred by the NHL to Rangers LLC. The outstanding balance under the 2021 Rangers NHL Advance Agreement was \$30,000 as of December 31, 2021 and was recorded as Debt in the accompanying consolidated balance sheet. During the six months ended December 31, 2021 the Company made interest payments of \$450.

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Deferred Financing Costs

The following table summarizes deferred financing costs, net of amortization, related to the Company's credit facilities as reported on the accompanying consolidated balance sheet:

	December 31, 2021 ^(a)	June 30, 2021
Other current assets	\$ 1,145	\$ 1,759
Other assets	4,527	2,345

^(a) In connection with the 2021 Knicks Revolving Credit Facility and 2021 Rangers Revolving Credit Facility, the Company incurred \$2,836 in deferred financing costs during the six months ended December 31, 2021.

Note 12. Benefit Plans

Defined Benefit Pension Plans

Prior to the MSGE Distribution, the Company sponsored various defined benefit pension plans and a contributory welfare plan. As of the MSGE Distribution Date, the Company and MSG Entertainment entered into an employee matters agreement (the "Employee Matters Agreement") which determined each company's obligations after the MSGE Distribution with regard to historical liabilities under the Company's former pension and postretirement plans. 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, 2021 for more information with regard to the liabilities retained by the Company from certain plans, which were transferred to the MSG Sports, LLC Excess Cash Balance Plan and MSG Sports, LLC Excess Retirement Plan, which the Company established in connection with the MSGE Distribution and are collectively referred to the "MSGS Pension Plans."

The following table presents components of net periodic benefit cost for the MSGS Pension Plans included in the accompanying consolidated statements of operations for the three and six months ended December 31, 2021 and 2020. Net periodic benefit cost is reported in Miscellaneous expense, net.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Interest cost	\$ 31	\$ 60	\$ 62	\$ 120
Recognized actuarial loss	33	10	66	20
Net periodic benefit cost	\$ 64	\$ 70	\$ 128	\$ 140

Defined Contribution Plans

Prior to the MSGE Distribution, the Company sponsored The Madison Square Garden 401(k) Savings Plan (the "401(k) Plan"), which is a multiple employer plan and the MSG S&E, LLC Excess Savings Plan (collectively referred to as the "Savings Plans"). As a result of the MSGE Distribution, the Savings Plans were transferred to MSG Entertainment. However, MSG Sports employees continue to participate in the 401(k) Plan. In addition, pursuant to the Employee Matters Agreement the Company established the MSG Sports LLC Excess Savings Plan to provide non-qualified retirement benefits to eligible MSG Sports employees. 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, 2021 for more information with regard to the liabilities retained by the Company.

Expenses related to the Savings Plans that are included in the accompanying consolidated statements of operations were \$899 and \$1,838 for the three and six months ended December 31, 2021, respectively, and \$506 and \$1,104 for the three and six months ended December 31, 2020, respectively.

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Note 13. Share-based Compensation

See Note 15 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2021 for more information regarding the Company's 2015 Employee Stock Plan (the "Employee Stock Plan") and its 2015 Stock Plan for Non-Employee Directors.

Share-based compensation expense was recognized in the consolidated statements of operations as a component of selling, general and administrative expenses. Share-based compensation expense was \$7,354 and \$12,205 for the three and six months ended December 31, 2021, respectively, and \$15,981 and \$22,326 for the three and six months ended December 31, 2020, respectively. There were no costs related to share-based compensation that were capitalized for the three and six months ended December 31, 2021 and 2020, respectively.

As a result of an agreement to settle an action (the "Settlement") filed by a purported stockholder of the Company derivatively on behalf of the Company against certain directors of the Company who are members of the Dolan family and against the directors of the Company who were members of the Compensation Committee, Mr. Dolan voluntarily relinquished a one-time equity award granted by the Company in October 2018 pursuant to his 2018 employment agreement, and the related award agreements were canceled. The one-time equity award included: 32 target performance stock units and three grants of stock options to purchase an aggregate of 449 shares of Class A Common Stock, which were to vest over a 4-year period. The Settlement became effective October 8, 2020 and therefore, upon cancellation, the Company recorded previously unrecognized share-based compensation expense of approximately \$7,400 related to this award during the three and six months ended December 31, 2020.

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," held by the Company and MSG Entertainment employees, for the six months ended December 31, 2021:

	Number of		Weighted-Average Fair Value Per Share at Date of Grant ^(a)
	Nonperformance Based Vesting RSUs	Performance Based Vesting RSUs	
Unvested award balance, June 30, 2021	264	220	\$ 234.39
Granted	62	43	\$ 161.16
Vested	(130)	(85)	\$ 256.24
Unvested award balance, December 31, 2021	196	178	\$ 201.04

^(a) *Weighted-average fair value per share at date of grant does not reflect any adjustments to awards granted prior to the MSGE Distribution.*

The fair value of RSUs that vested during the six months ended December 31, 2021 was \$38,828. Upon delivery, RSUs granted under the Employee Stock Plan were net share-settled to cover the required statutory tax withholding obligations. To fulfill the Company's and MSG Entertainment's employees' required statutory tax withholding obligations for the applicable income and other employment taxes, 101 of these RSUs, with an aggregate value of \$18,306, inclusive of \$6,164 related to MSG Entertainment employees (who vested in the Company's RSUs), were retained by the Company and the taxes paid are reflected as a financing activity in the accompanying consolidated statement of cash flows for the six months ended December 31, 2021.

The fair value of RSUs that vested during the six months ended December 31, 2020 was \$34,668. The weighted-average fair value per share at grant date of RSUs granted during the six months ended December 31, 2020 was \$162.22.

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Stock Options Award Activity

The following table summarizes activity related to the Company's stock options for the six months ended December 31, 2021:

	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, 2021	94	\$ 145.78		
Granted	—	\$ —		
Cancelled	—	\$ —		
Balance as of December 31, 2021	94	\$ 145.78	5.96	\$ 2,622
Exercisable as of December 31, 2021	94	\$ 145.78	5.96	\$ 2,622

Note 14. Stock Repurchase Program

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

During the six months ended December 31, 2021 and 2020, the Company did not engage in any share repurchase activities under its share repurchase program. As of December 31, 2021, the Company had \$259,639 of availability remaining under its stock repurchase authorization.

Note 15. Related Party Transactions

On July 9, 2021, MSG Networks merged with a subsidiary of MSG Entertainment and became a wholly-owned subsidiary of MSG Entertainment (the "MSGE-MSGN Merger"). Accordingly, agreements between the Company and MSG Networks are now effectively agreements with MSG Entertainment on a consolidated basis.

As of December 31, 2021, 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 100% of the Company's outstanding Class B Common Stock and own approximately 3.1% 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 70.6% of the aggregate voting power of the Company's outstanding common stock. Members of the Dolan family are also the controlling stockholders of MSG Entertainment and AMC Networks Inc. ("AMC Networks"). Members of the Dolan family were the direct controlling stockholders of MSG Networks prior to the MSGE-MSGN Merger and indirectly control MSG Networks through MSG Entertainment's ownership of MSG Networks.

The Company is party to the following agreements and/or arrangements with MSG Entertainment and MSG Networks, as applicable:

- Arena License Agreements entered into in April 2020 pursuant to which MSG Entertainment (i) provides the right to use The Garden for games of the Knicks and the Rangers for a 35-year term in exchange for arena license fees, (ii) shares revenues collected for suite licenses, (iii) operates and manages the sale of the sports teams merchandise at The Garden for a commission, (iv) operates and manages the sales of food and beverage concessions in exchange for 50% of net profits from the sales and catering services during Knicks and Rangers home games, (v) provides day of game services that were historically provided prior to the MSGE Distribution, and (vi) provides other general services within The Garden;
- Media rights agreements that the Company and MSG Networks entered into in July 2015 with stated terms of 20 years, providing MSG Networks with local telecast rights for Knicks and Rangers games in exchange for media rights fees;
- Sponsorship sales and service representation agreements entered into in April 2020 pursuant to which MSG Entertainment has the exclusive right and obligation to sell the Company's sponsorships for an initial stated term of 10 years for a commission. In addition, under this agreement, the Company is charged by MSG Entertainment for sales and service staff and overhead associated with the sales of sponsorship assets;

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

- Team sponsorship allocation agreement with MSG Entertainment, pursuant to which teams continue receiving an allocation of sponsorship and signage revenues associated with the sponsorship agreements that existed at the MSGE Distribution Date;
- Transition Services Agreement (the “TSA”) pursuant to which the Company receives certain services from MSG Entertainment, such as information technology, accounts payable, payroll, human resources, and other corporate functions, as well as the executive support services, in exchange for service fees. As a result of the MSGE-MSGN Merger, the TSA is expected to be amended to provide for the provision of certain legal services by the Company to MSG Entertainment, including its wholly-owned subsidiary, MSG Networks;
- Sublease agreement, pursuant to which the Company leases office space from MSG Entertainment;
- Group ticket sales representation agreement, pursuant to which MSG Entertainment appointed the Company as its sales and service representative to sell group ticket packages related to MSG Entertainment events in exchange for a commission;
- Single night rental commission agreement, pursuant to which the Company may, from time to time, sell (or make referrals for sales of) licenses for the use of suites at The Garden for individual MSG Entertainment events in exchange for a commission and reimbursement for sales and service staff and overhead associated with the ticket sales on behalf of MSG Entertainment;
- Aircraft sharing agreements pursuant to which MSG Entertainment has agreed from time to time to make its aircraft and aircraft it leases from other related parties available to the Company for lease on a “time sharing” basis;
- Other agreements with MSG Entertainment entered into in connection with the MSGE Distribution, including a distribution agreement, a tax disaffiliation agreement, an employee matters agreement, a trademark license agreement and certain other arrangements; and
- Other agreements with MSG Networks entered into in connection with the MSGS Distribution, including a distribution agreement, a tax disaffiliation agreement, an employee matters agreement and certain other arrangements.

In addition, 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 Entertainment; (ii) the Company’s Vice Chairman with AMC Networks and MSG Entertainment; and (iii) the Company’s President and Chief Executive Officer with MSG Entertainment. Additionally, the Company, MSG Entertainment, and AMC Networks allocate the costs of certain personal aircraft and helicopter use by their shared executives.

From time to time the Company has entered into, and is expected to continue to enter into, arrangements with 605, LLC. Kristin A. Dolan, a former director of the Company and spouse of James L. Dolan, the Company’s Executive Chairman and a director, is the founder and Chief Executive Officer of 605, LLC. James L. Dolan 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.

Revenues and Operating Expenses

The following table summarizes the composition and amounts of the transactions with the Company’s affiliates. These amounts are reflected in revenues and operating expenses in the accompanying consolidated statements of operations for the three and six months ended December 31, 2021 and 2020:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Revenues	\$ 70,131	\$ 14,369	\$ 77,378	\$ 23,430
Operating expenses:				
Corporate general and administrative expenses, net	\$ 11,755	\$ 8,237	\$ 21,354	\$ 19,880
Costs associated with the Sponsorship sales and service representation agreements	5,735	2,322	8,468	4,680
Costs associated with the Arena License Agreements	39,056	2,494	41,016	2,854
Other operating expenses, net	208	52	321	52

MADISON SQUARE GARDEN SPORTS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Revenues

Revenues from related parties primarily consist of local media rights recognized from the licensing of team-related programming under the media rights agreements covering the Knicks and the Rangers, which provide MSG Networks with exclusive media rights to team games in their local markets.

Corporate general and administrative expenses, net

Corporate general and administrative expenses, net reflects net charges of \$10,990 and \$19,874 from MSG Entertainment pursuant to the TSA for certain business functions that were previously performed by internal resources for the three and six months ended December 31, 2021, respectively, and \$7,913 and \$18,949 for the three and six months ended December 31, 2020, respectively. These services include information technology, accounting, accounts payable, payroll, tax, legal, human resources, insurance and risk management, investor relations, corporate communications, benefit plan administration and reporting, and internal audit. In addition, Corporate general and administrative expenses, net reflects rent expense associated with the lease of office space from MSG Entertainment of \$765 and \$1,480 for the three and six months ended December 31, 2021, respectively, and \$674 and \$1,369 for the three and six months ended December 31, 2020, respectively. See Note 7 for more information regarding the lease of office space from MSG Entertainment. Corporate general and administrative expenses, net for the three and six months ended December 31, 2020 also reflects charges from the Company to MSG Networks for the period prior to the MSGE-MSGN Merger pursuant to a services agreement between the Company and MSG Networks.

Costs associated with the Sponsorship sales and service representation agreements

Pursuant to the Sponsorship sales and service representation agreements, MSG Entertainment charges the Company sales commission fees and sponsorship fulfillment costs, as well as costs of MSG Entertainment sales and service staff and overhead associated with the sales of sponsorship assets.

Costs associated with the Arena License Agreements

For the three and six months ended December 31, 2021, costs associated with the Arena License Agreements include \$27,686 and \$28,997, respectively, recorded as operating lease cost. For the three and six months ended December 31, 2020, costs associated with the Knicks Arena License Agreement include \$2,210, recorded as operating lease cost. For the three and six months ended December 31, 2020, no operating lease costs were recorded for the Rangers Arena License Agreement as there were no Rangers events. See Note 7 for more information regarding Arena License Agreements.

Note 16. Income Taxes

Income tax expense for the three months ended December 31, 2021 of \$17,115 reflects an effective tax rate of 53%. In general, the Company is required to use an estimated annual effective tax rate to measure the tax benefit or tax expense recognized in an interim period. The estimated annual effective tax rate exceeds the statutory federal tax rate of 21% primarily due to state taxes, nondeductible officers' compensation, and disability insurance premiums expense. The estimated annual effective tax rate is revised on a quarterly basis.

Income tax benefit for the six months ended December 31, 2021 of \$4,054 reflects an effective tax rate of 71%. The effective tax rate for the six months ended December 31, 2021 is higher than the estimated annual effective tax rate primarily due to \$752 of excess tax benefit on share-based payment awards that was recognized in the first quarter of the fiscal year.

Income tax expense for the three months ended December 31, 2020 of \$170 differs from income tax benefit derived from applying the statutory federal rate of 21% to the pretax loss primarily due to tax expense of \$9,842 related to an increase in the valuation allowance, tax expense of \$1,558 resulting from the acceleration of share-based compensation expense in connection with the cancellation of certain awards and tax expense of \$533 resulting from nondeductible officers' compensation, partially offset by state income tax benefit of \$3,427.

Income tax benefit for the six months ended December 31, 2020 of \$328 differs from income tax benefit derived from applying the statutory federal rate of 21% to the pretax loss primarily due to tax expense of \$17,463 related to an increase in the valuation allowance, tax expense of \$1,558 resulting from the acceleration of share-based compensation expense in connection with the cancellation of certain awards and tax expense of \$1,393 resulting from nondeductible officers' compensation, partially offset by state income tax benefit of \$6,261.

The Company was notified in April 2020 that the City of New York was commencing an audit of the state income tax returns for the fiscal years ended June 30, 2016 and 2017. The Company does not expect the examination, when finalized, to result in material changes.

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 Madison Square Garden Sports Corp. and its direct and indirect subsidiaries (collectively, "we," "us," "our," "MSG Sports," or the "Company") including the impact of COVID-19 on our future operations. Words such as "expects," "anticipates," "believes," "estimates," "may," "will," "should," "could," "potential," "continue," "intends," "plans," and similar words and terms used in the discussion of future operating and future financial performance identify forward-looking statements. Investors are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to:

- the duration and severity of the COVID-19 pandemic and our ability to effectively manage the impacts, including the availability of The Garden with no or limited fans, league decisions regarding play and other matters, the cancellation of games, the impact of restrictions imposed by New York State, New York City, or otherwise, reduced tourism, and general hesitancy among the public to return to pre-COVID-19 activity levels;
- the level of our revenues, which depends in part on the popularity and competitiveness of our sports teams;
- 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;
- general economic conditions, especially in the New York City metropolitan area;
- the demand for sponsorship arrangements and for advertising;
- competition, for example, from other teams, and other sports and entertainment options;
- changes in laws, NBA or NHL rules, regulations, guidelines, bulletins, directives, policies and agreements, including the leagues' respective collective bargaining agreements with their players' associations, salary caps, escrow requirements, revenue sharing, NBA luxury tax thresholds and media rights, or other regulations under which we operate;
- any NBA, NHL or other work stoppage in addition to those related to COVID-19 impacts;
- any economic, political or other actions, such as boycotts, protests, work stoppages or campaigns by labor organizations;
- seasonal fluctuations and other variation in our operating results and cash flow from period to period;
- the level of our expenses, including our corporate expenses;
- 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 The Garden where the home games of the Knicks and the Rangers are played;
- a default by our subsidiaries under their respective credit facilities;
- 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 or new businesses into our operations;
- the operating and financial performance of our strategic acquisitions and investments, including those we may not control;
- 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 (including for The Garden) and the ability for us and MSG Entertainment to maintain necessary permits or licenses;
- the impact of any government plans to redesign New York City's Pennsylvania Station;

[Table of Contents](#)

- business, economic, reputational and other risks associated with, and the outcome of, litigation and other proceedings;
- financial community and rating agency perceptions of our business, operations, financial condition and the industry in which we operate;
- 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 MSGS Distribution and the MSGE Distribution;
- the performance by MSG Entertainment and its subsidiaries of its obligations under various agreements with the Company related to the MSGE Distribution and ongoing commercial arrangements; and
- the factors described under “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021.

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

[Table of Contents](#)

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 fiscal year ended June 30, 2021, 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," "MSG Sports," or the "Company" refer collectively to Madison Square Garden Sports Corp., a holding company, and its direct and indirect subsidiaries through which substantially all of our operations are conducted.

On April 17, 2020, the Company distributed all of the outstanding common stock of MSG Entertainment to its stockholders. MSG Entertainment owns, directly or indirectly, the entertainment business previously owned and operated by the Company through its MSG Entertainment business segment and the sports booking business previously owned and operated by the Company through its MSG Sports business segment. In the MSGE Distribution, (a) each holder of the Company's Class A common stock, received one share of MSG Entertainment Class A common stock, par value \$0.01 per share, for every share of the Company's Class A common stock held of record as of the close of business, New York City time, on the Record Date, and (b) each holder of the Company's Class B common stock, received one share of MSG Entertainment Class B common stock, par value \$0.01 per share, for every share of the Registrant's Class B common stock held of record as of the close of business, New York City time, on the Record Date.

After giving effect to the MSGE Distribution, the Company operates and reports financial information in one segment.

Factors Affecting Results of Operations

Impact of COVID-19 on Our Business

COVID-19 disruptions have materially impacted the Company's revenues and the Company recognized materially less revenues, or in some cases no revenues, across a number of areas during the fiscal year 2021.

In March 2020, the NBA and NHL suspended their 2019-20 seasons due to COVID-19. As a result of the suspension of the 2019-20 NBA and NHL seasons and subsequent resumption of play in July and August 2020, respectively, during the first quarter of fiscal year 2021, the Company recognized certain revenues that otherwise would have been recognized during the third and fourth quarters of fiscal year 2020.

In addition, the start of the 2020-21 NBA and NHL regular seasons were delayed and the Knicks and the Rangers played fewer games, with the NBA playing a 72-game regular season schedule and the NHL playing a 56-game regular season schedule. These compare to traditional 82-game regular season schedules for both the NBA and NHL.

On December 16, 2020 and January 14, 2021, respectively, the Knicks and the Rangers resumed playing their homes games at The Garden as part of their 2020-21 seasons. However, fans were initially prohibited from attending games due to government-mandated assembly restrictions. Effective February 23, 2021, New York venues with at least a 10,000-person capacity were permitted to operate at 10% capacity, and the Knicks and the Rangers began playing games at The Garden with a limited number of fans in attendance on February 23 and 26, respectively.

Effective May 19, 2021, event venues such as The Garden were permitted to host guests at full capacity, subject to certain restrictions, including, for example, restrictions for unvaccinated guests. As a result, the Knicks played three home playoff games with ticket sales of approximately 15,000-16,500 per game during the fiscal year ended June 30, 2021.

These disruptions materially impacted the Company's revenues across a number of areas, including, ticket sales; the Company's share of suite licenses; sponsorships; signage and in-venue advertising at The Garden; local media rights fees; and food, beverage and merchandise sales.

In connection with the MSGE Distribution, we entered into the Arena License Agreements with MSG Entertainment. The Garden was not available for use between April 17, 2020 (the date of the MSGE Distribution) and the start of the NBA and NHL 2020-21 seasons in December 2020 and January 2021, respectively, due to the government-mandated suspension of events in response to COVID-19, and was available at reduced capacity through May 2021. As a result, the Company was not required to pay license fees to MSG Entertainment under the Arena License Agreements until games resumed at The Garden, and the Company continued to pay substantially reduced fees while attendance was limited. Effective July 1, 2021, the Company began paying license fees to MSG Entertainment under the Arena License Agreements in their full contractual amounts.

During the fiscal year 2021, as a result of COVID-19, the Company implemented cost-reduction measures that included workforce reductions and limits on discretionary spending. In addition, as a result of the disruptions caused by COVID-19, certain operating expenses were reduced, including, in addition to the reduced payments to MSG Entertainment under the

[Table of Contents](#)

Arena License Agreements described above, (i) NBA league assessments and day-of-game expenses for Knicks and Rangers games, and (ii) league revenue sharing, net of escrow and team personnel expense. These expense reductions did not fully offset revenue losses.

As a result of New York City regulations effective August 17, 2021, indoor entertainment venues such as The Garden were permitted to host guests at full capacity, subject to certain restrictions, including that all guests 12 years of age and older were required to show proof they had received at least one dose of a COVID-19 vaccine. Following updated New York City regulations, effective January 29, 2022, all guests five years of age and older and employees must provide proof that they have received either two doses of a two-shot COVID-19 vaccination, or one dose of a single-shot vaccine. Children under age five can attend events with a vaccinated adult, but ages two to four need to wear a mask while inside venues such as The Garden.

At this time, the Company's management is unable to predict if there will be any longer-term effects due to these COVID-19 related disruptions. Fan attendance for the 2021-22 NBA and NHL seasons has been and may continue to be impacted by a resurgence in the COVID-19 pandemic, such as the Delta and Omicron variants, , reduced tourism, as well as general hesitancy among the public to return to pre-COVID-19 activity levels, and may also be impacted by new governmental and league restrictions on attendance of games at The Garden and vaccination requirements for fans. The Company's business is also particularly sensitive to discretionary business and consumer spending. COVID-19 could impede economic activity in impacted regions or globally over the long-term, causing a global recession and leading to a further decline in discretionary spending on sporting events and other leisure activities, including declines in domestic and international tourism, which could result in long-term effects on the Company's business.

This MD&A is organized as follows:

Results of Operations. This section provides an analysis of our unaudited results of operations for the three and six months ended December 31, 2021 compared to the three and six months ended December 31, 2020.

Liquidity and Capital Resources. This section focuses primarily on (i) the liquidity and capital resources of the Company, (ii) an analysis of the Company's cash flows for the six months ended December 31, 2021 compared to the six months ended December 31, 2020, and (iii) certain contractual obligations.

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

Recently Issued Accounting Pronouncements and Critical Accounting Policies. This section discusses accounting pronouncements that have been 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 2022. This section should be read together with our critical accounting policies, which are discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021 under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Recently Issued Accounting Pronouncements and Critical Accounting Policies — Critical Accounting Policies" and in the notes to the consolidated financial statements of the Company included therein.

[Table of Contents](#)

Results of Operations

Comparison of the three and six months ended December 31, 2021 versus the three and six months ended December 31, 2020

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

	Three Months Ended December 31,		Change ^(a)		Six Months Ended December 31,		Change ^(a)	
	2021	2020	\$	%	2021	2020	\$	%
Revenues	\$ 289,581	\$ 28,771	\$ 260,810	NM	\$ 308,375	\$ 85,809	\$ 222,566	NM
Direct operating expenses	192,847	16,661	176,186	NM	201,425	56,447	144,978	NM
Selling, general and administrative expenses	59,600	48,909	10,691	22 %	103,328	91,905	11,423	12 %
Depreciation and amortization	1,215	1,607	(392)	(24)%	2,641	3,267	(626)	(19)%
Operating income (loss)	35,919	(38,406)	74,325	NM	981	(65,810)	66,791	NM
Other expense:								
Interest expense, net	(3,542)	(2,487)	(1,055)	(42)%	(6,595)	(4,476)	(2,119)	(47)%
Miscellaneous expense, net	(64)	(70)	6	9 %	(127)	(190)	63	33 %
Income (loss) from operations before income taxes	32,313	(40,963)	73,276	NM	(5,741)	(70,476)	64,735	92 %
Income tax (expense) benefit	(17,115)	(170)	(16,945)	NM	4,054	328	3,726	NM
Net income (loss)	15,198	(41,133)	56,331	NM	(1,687)	(70,148)	68,461	98 %
Less: Net loss attributable to nonredeemable noncontrolling interests	(647)	(508)	(139)	(27)%	(1,127)	(1,106)	(21)	(2)%
Net income (loss) attributable to Madison Square Garden Sports Corp.'s stockholders	\$ 15,845	\$ (40,625)	\$ 56,470	NM	\$ (560)	\$ (69,042)	\$ 68,482	99 %

NM – Percentage is not meaningful

^(a) Operating results in the prior year period were materially impacted by the COVID-19 pandemic. Please see “— Factors Affecting Results of Operations — Impact of COVID-19 on Our Business” for more information.

Revenues

Revenues increased \$260,810 to \$289,581 for the three months ended December 31, 2021 as compared to the prior year period. Revenues increased \$222,566 to \$308,375 for the six months ended December 31, 2021 as compared to the prior year period. The net increases were attributable to the following:

	Three Months	Six Months
Increase in pre/regular season ticket-related revenues	\$ 100,802	\$ 104,484
Increase in local media rights fees	50,871	49,107
Increase in revenues from league distributions	44,790	3,575
Increase in suite license fee revenues	34,349	34,613
Increase in sponsorship and signage revenues	20,190	20,146
Increase in pre/regular season food, beverage and merchandise sales	8,522	8,827
Other net increases	1,286	1,814
	<u>\$ 260,810</u>	<u>\$ 222,566</u>

The increases in pre/regular season ticket-related revenues for the three and six months ended December 31, 2021 were a result of fans being prohibited from attending events at The Garden due to government-mandated assembly restrictions in the prior year periods.

The increases in local media rights fees for the three and six months ended December 31, 2021 were due to the delayed start of the 2020-21 NBA and NHL regular seasons and the impact of the shortened 2020-21 NHL regular season schedule in the prior year

[Table of Contents](#)

period, as well as contractual rate increases. In addition, the increase for the six months ended December 31, 2021 was slightly offset by the recognition of local media rights fees in the prior year period associated with the Rangers' participation in the Stanley Cup Qualifiers.

The increases in revenues from league distributions for the three and six months ended December 31, 2021 were primarily due to (i) higher national media rights fees and other league distributions as a result of the delayed start of the 2020-21 NBA and NHL regular seasons in the prior year period and to a lesser extent (ii) increased NHL national media rights fees in the current year period. In addition, the increase for the six months ended December 31, 2021 was partially offset by the recognition of the remainder of national media rights fees related to the 2019-20 NBA and NHL seasons during the three months ended September 30, 2020 that otherwise would have been recognized during the third and fourth quarters of fiscal year 2020. After suspending the 2019-20 seasons in March 2020 due to the COVID-19 pandemic, the NHL and NBA subsequently restarted their seasons which were completed in September and October 2020, respectively.

The increases in suite license fee revenues for the three and six months ended December 31, 2021 were a result of fans being prohibited from attending events at The Garden due to government-mandated assembly restrictions in the prior year periods.

The increases in sponsorship and signage revenues for the three and six months ended December 31, 2021 were due to the delayed start of the 2020-21 NBA and NHL regular seasons and fans being prohibited from attending events at The Garden due to government-mandated assembly restrictions in the prior year periods.

The increases in pre/regular season food, beverage and merchandise sales for the three and six months ended December 31, 2021 were a result of fans being prohibited from attending events at The Garden due to government-mandated assembly restrictions in the prior year periods.

Direct operating expenses

Direct operating expenses increased \$176,186 to \$192,847 for the three months ended December 31, 2021 as compared to the prior year period. Direct operating expenses increased \$144,978 to \$201,425 for the six months ended December 31, 2021 as compared to the prior year period. The net increases were attributable to the following:

	Three Months	Six Months
Increase in team personnel compensation	\$ 91,147	\$ 77,685
Increase in other team operating expenses not discussed elsewhere in this table	36,423	35,752
Increase in operating lease costs associated with the Knicks and the Rangers playing home games at The Garden	25,459	26,770
Increase in net provisions for league revenue sharing expense (net of escrow and excluding playoffs) and NBA luxury tax	20,848	11,967
Decrease in net provisions for certain team personnel transactions	(1,551)	(11,697)
Other net increases	3,860	4,501
	<u>\$ 176,186</u>	<u>\$ 144,978</u>

The increases in team personnel compensation for the three and six months ended December 31, 2021 were primarily due to the delayed start of the 2020-21 NBA and NHL regular seasons in the prior year periods.

The increases in other team operating expenses not discussed elsewhere in this table for the three and six months ended December 31, 2021 were driven by fans being prohibited from attending events at The Garden due to government-mandated assembly restrictions and the delayed start of the 2020-21 NBA and NHL regular seasons in the prior year periods.

Net provisions for league revenue sharing expense (net of escrow and excluding playoffs) and NBA luxury tax were as follows:

	Three Months Ended December 31,			Six Months Ended December 31,		
	2021	2020	Increase	2021	2020	Increase
Net provisions for league revenue sharing expense (net of escrow) and NBA luxury tax	\$ 19,821	\$ (1,027)	\$ 20,848	\$ 21,277	\$ 9,310	\$ 11,967

The increases in net provisions for league revenue sharing expense (net of escrow) and NBA luxury tax for the three and six months ended December 31, 2021 were primarily due to higher provisions for league revenue sharing expense (net of escrow) of \$25,111 and \$16,232, respectively, as a result of impact of the COVID-19 pandemic in the prior year period partially offset by higher recoveries of NBA luxury tax. In addition, the increase in league revenue sharing expense (net of escrow) for the six months ended December 31, 2021 was partially offset by adjustments to revenue sharing expense for the 2019-20 NBA and NHL seasons in the

[Table of Contents](#)

prior year period. Based on the completion of the 2019-20 NBA and NHL seasons during the three months ended September 30, 2020, the Company recognized a portion of revenue sharing expense (net of escrow) related to those seasons during that period that otherwise would have been recognized during the third and fourth quarters of fiscal year 2020.

The Knicks were not a luxury tax payer for the 2020-21 season and, therefore, received an equal share of the portion of luxury tax receipts that were distributed to non-tax paying teams. The Knicks' roster as of December 31, 2021 would not result in the team being a luxury tax payer for the 2021-22 season.

The actual amounts for the 2021-22 seasons may vary significantly from the recorded provisions based on actual operating results for each league and all teams within each league for the season and other factors.

Net provisions for certain team personnel transactions were as follows:

	Three Months Ended December 31,			Six Months Ended December 31,		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Waivers/contract terminations	\$ (69)	\$ 2,756	\$ (2,825)	\$ 658	\$ 11,129	\$ (10,471)
Player trades	—	83	(83)	—	2,583	(2,583)
Season-ending player injuries	1,357	—	1,357	1,357	—	1,357
Net provisions for certain team personnel transactions	<u>\$ 1,288</u>	<u>\$ 2,839</u>	<u>\$ (1,551)</u>	<u>\$ 2,015</u>	<u>\$ 13,712</u>	<u>\$ (11,697)</u>

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2021 increased \$10,691, or 22%, to \$59,600 as compared to the prior year period. Selling, general and administrative expenses for the six months ended December 31, 2021 increased \$11,423, or 12%, to \$103,328 as compared to the prior year period. For the three and six months ended December 31, 2021 the increases were primarily due to higher (i) marketing costs, (ii) fees related to the Company's sponsorship sales and service representation agreements with MSG Entertainment, and (iii) costs related to the Company's TSA with MSG Entertainment.

Depreciation and amortization

Depreciation and amortization for the three months ended December 31, 2021 decreased \$392, or 24%, to \$1,215 as compared to the prior year period. Depreciation and amortization for the six months ended December 31, 2021 decreased \$626, or 19%, to \$2,641 as compared to the prior year period.

Operating income (loss)

Operating income of \$35,919 improved \$74,325 for the three months ended December 31, 2021 as compared to the prior year period. For the six months ended December 31, 2021, operating income of \$981 improved \$66,791 as compared to the period year period. For the three and six months ended December 31, 2021 the improvements to operating income were primarily due to increases in revenues, partially offset by higher direct operating expenses and, to a lesser extent, higher selling, general and administrative expenses.

Interest expense, net

Net interest expense for the three months ended December 31, 2021 increased \$1,055, or 42%, to \$3,542 as compared to the prior year period. Net interest expense for the six months ended December 31, 2021 increased \$2,119, or 47%, to \$6,595 as compared to the prior year period. The increases in net interest expense for the three and six months ended December 31, 2021 were primarily due to interest expense associated with the Knicks and the Rangers revolving credit facilities. During the second quarter of fiscal year 2021, the Company amended and restated the Knicks and the Rangers credit agreements and as a result incurred additional financing costs that are being amortized over the term of the revolving credit facilities. In addition, during December 2021, the Company terminated the 2020 Knicks Holdings Revolving Credit Facility in its entirety resulting in acceleration of certain previously incurred financing costs.

Income taxes

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

[Table of Contents](#)

Adjusted operating income (loss)

The Company evaluates performance based on several factors, of which the key financial measure is operating income (loss) excluding (i) deferred rent expense under the Arena License Agreements with MSG Entertainment, (ii) depreciation, amortization and impairments of property and equipment, goodwill and other intangible assets, (iii) share-based compensation expense or benefit, (iv) restructuring charges or credits, (v) gains or losses on sales or dispositions of businesses, and (vi) the impact of purchase accounting adjustments related to business acquisitions, which is referred to as adjusted operating income (loss), a non-GAAP measure.

Management believes that the exclusion of share-based compensation expense or benefit allows investors to better track the performance of the Company's business without regard to the settlement of an obligation that is not expected to be made in cash. In addition, management believes that given the length of the Arena License Agreements and resulting magnitude of the difference in deferred rent expense and the cash rent payments, the exclusion of deferred rent expense provides investors with a clearer picture of the Company's operating performance.

The Company believes adjusted operating income (loss) is an appropriate measure for evaluating the operating performance of the Company. 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 following are the reconciliations of operating income (loss) to adjusted operating income (loss) for the three and six months ended December 31, 2021 as compared to the prior year period:

	Three Months Ended				Six Months Ended			
	December 31,		Change		December 31,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Operating income (loss)	\$ 35,919	\$ (38,406)	\$ 74,325	NM	\$ 981	\$ (65,810)	\$ 66,791	NM
Deferred rent	11,179	1,802			11,708	1,802		
Depreciation and amortization	1,215	1,607			2,641	3,267		
Share-based compensation	7,354	15,981			12,205	22,326		
Restructuring charges	—	—			—	1,644		
Adjusted operating income (loss)	<u>\$ 55,667</u>	<u>\$ (19,016)</u>	\$ 74,683	NM	<u>\$ 27,535</u>	<u>\$ (36,771)</u>	\$ 64,306	NM

For the three months ended December 31, 2021, adjusted operating income of \$55,667 improved \$74,683 as compared to the prior year period. For the six months ended December 31, 2021, adjusted operating income of \$27,535 improved \$64,306 as compared to the prior year period. For the three and six months ended December 31, 2021 the improvements were primarily due to increases in revenues partially offset by higher direct operating expenses and, to a lesser extent, higher selling, general and administrative expenses.

Liquidity and Capital Resources

Overview

Our operations and operating results have been, and may continue to be, materially impacted by the COVID-19 pandemic and government and league actions taken in response. For more information about the impacts and risks to the Company as a result of COVID-19, see “— Factors Affecting Results of Operations — Impact of COVID-19 on Our Business” and “Item 1A. Risk Factors — Sports Business Risks — Our Operations and Operating Results Have Been, and May Continue to be, Materially Impacted by the COVID-19 Pandemic and Government and League Actions Taken in Response” in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2021. In addition, see also 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 information.

Our primary sources of liquidity are cash and cash equivalents and available borrowing capacity under our credit facilities as well as cash flow from our operations. On December 14, 2021, the Company amended and extended the 2020 Knicks Credit Agreement and the 2020 Rangers Credit Agreement. In addition, in March 2021, the NHL advanced the Company \$30,000, which the league made

[Table of Contents](#)

available to each team following the completion of the NHL's approximately \$1,000,000 private placement in January 2021, pursuant to the 2021 Rangers NHL Advance Agreement. 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 2021 Knicks Credit Agreement, 2021 Rangers Credit Agreement, and 2021 Rangers NHL Advance Agreement.

Our principal uses of cash include the operation of our businesses, working capital-related items, the repayment of outstanding debt, and potential repurchases of shares of the Company's Class A Common Stock.

As of December 31, 2021, we had approximately \$54,800 in Cash and cash equivalents. In addition, as of December 31, 2021, the Company's deferred revenue obligations were approximately \$167,438, net of billed, but not yet collected deferred revenue. The current portion of this balance is primarily comprised of obligations in connection with tickets, suites and local media rights. In addition, the Company's deferred revenue obligations included \$30,000 from the NBA, which the league provided to each team following the completion of the NBA's \$900,000 private placement in December 2020.

We regularly monitor and assess our ability to meet our net funding and investing requirements. 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, management's view of a favorable 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, restrictions imposed by the NBA and NHL and challenging U.S. and global economic and market conditions could adversely impact its ability to do so at that time.

We believe we have sufficient liquidity, including approximately \$54,800 in Cash and cash equivalents as of December 31, 2021, along with \$195,000 of additional available borrowing capacity under existing credit facilities, to fund our operations and satisfy any obligations, including with respect to the return or application of deferred revenue for the foreseeable future. In addition, on February 2, 2022, the Company made a principal repayment of \$25,000 under the 2021 Rangers Revolving Credit Facility using cash on hand.

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.

Contractual Obligations

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 discussions of the Company's contractual obligations related to future lease payments. The Company did not have any material changes in its contractual obligations, including off-balance sheet commitments, since the end of fiscal year 2021 other than the lease commitments discussed in Note 7 and activities in the ordinary course of business.

Cash Flow Discussion

The following table summarizes the Company's cash flow activities for the six months ended December 31, 2021 and 2020:

	Six Months Ended December 31,	
	2021	2020
Net loss	\$ (1,687)	\$ (70,148)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities	12,053	25,461
Subtotal	10,366	(44,687)
Changes in working capital assets and liabilities	13,664	23,054
Net cash provided by (used in) operating activities	24,030	(21,633)
Net cash used in investing activities	(627)	(141)
Net cash (used in) provided by financing activities	(39,879)	11,363
Net decrease in cash, cash equivalents and restricted cash	<u>\$ (16,476)</u>	<u>\$ (10,411)</u>

Operating Activities

Net cash provided by operating activities for the six months ended December 31, 2021 was \$24,030 as compared to net cash used in operating activities in the prior year period of \$21,633. This was primarily due to the decrease in net loss adjusted for non-cash items slightly offset by changes in working capital assets and liabilities driven by the COVID-19 pandemic in the prior year period.

[Table of Contents](#)

Investing Activities

Net cash used in investing activities for the six months ended December 31, 2021 increased by \$486 to \$627 as compared to the prior year period primarily due to higher other investing activities and capital expenditures in the current year period as compared to prior year period.

Financing Activities

Net cash used in financing activities for the six months ended December 31, 2021 was \$39,879 as compared to net cash provided by financing activities in the prior year period of \$11,363. This was due to additional borrowings in the prior year period under the amended and extended 2021 Knicks Credit Agreement and 2021 Rangers Credit Agreement (prior to the amendment and restatement thereof) as compared to no borrowings in the current year period and a partial repayment on the 2021 Rangers Credit Agreement in the current year period.

Seasonality of Our Business

The Company's dependence on revenues from its NBA and NHL sports teams generally means that it earns a disproportionate share of its revenues in the second and third quarters of the Company's fiscal year. On March 11 and 12, 2020, respectively, the NBA and NHL suspended their 2019-20 seasons due to COVID-19. In July and August 2020, the NBA and NHL, respectively, resumed their seasons and the NHL and NBA subsequently completed their seasons in September and October 2020, respectively. As a result, during the first quarter of fiscal year 2021 the Company recognized certain revenues that otherwise would have typically been recognized during the third and fourth quarter of fiscal year 2020.

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 2022. 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 fiscal year ended June 30, 2021.

Goodwill

The carrying amount of goodwill as of December 31, 2021 is \$226,955. Goodwill is tested annually for impairment as of August 31st and at any time upon the occurrence of certain events or changes in circumstances. The Company performs its goodwill impairment test at the reporting unit level, which is the same as or one level below the operating segment level. The Company has one operating and reportable segment, and one reporting unit for goodwill impairment testing purposes.

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 a quantitative 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. The amount of an impairment loss is measured as the amount by which a reporting unit's carrying value exceeds its fair value determined in step one, not to exceed the carrying amount of goodwill.

The Company elected to perform the qualitative assessment of impairment for the Company's reporting unit for the fiscal year 2022 impairment test. These assessments considered factors such as:

- macroeconomic conditions;
- industry and market considerations;
- market capitalization;

[Table of Contents](#)

- cost factors;
- overall financial performance of the reporting unit;
- 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.

The Company performed its most recent annual impairment test of goodwill during the first quarter of fiscal year 2022, and there was no impairment of goodwill. Based on this impairment test, the Company concluded it was not more likely than not that the fair value of the reporting unit was less than its carrying amount.

Identifiable Indefinite-Lived Intangible Assets

Identifiable indefinite-lived intangible assets are tested annually for impairment as of August 31st and at any time upon the occurrence of certain events or substantive changes in circumstances. The following table sets forth the amount of identifiable indefinite-lived intangible assets reported in the Company's consolidated balance sheet as of December 31, 2021:

Sports franchises	\$	111,064
Photographic related rights		1,080
	\$	<u>112,144</u>

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. For all periods presented, the Company elected to perform a qualitative assessment of impairment for the indefinite-lived intangible assets. 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.

The Company performed its most recent annual impairment test of identifiable indefinite-lived intangible assets during the first quarter of fiscal year 2022, and there were no impairments identified. Based on this impairment test, the Company concluded it was not more likely than not that the fair value of the indefinite-lived intangible assets was less than their carrying amount.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Except for the broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets, there were no material changes to the disclosures regarding market risks in connection with our interest rate risk exposure. See Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2021. In addition, see Item 2, “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Impact of COVID-19 on Our Business” of this Quarterly Report on Form 10-Q for discussions of disruptions caused by COVID-19.

Potential interest rate risk exposure:

We have potential interest rate risk exposure related to outstanding borrowings incurred under our credit facilities. Changes in interest rates may increase interest expense payments with respect to any borrowings incurred under the credit facilities.

Borrowings under our credit facilities incur interest, depending on our election, at a floating rate based upon SOFR plus a credit spread adjustment, the U.S. Federal Funds Rate or the U.S. Prime Rate, plus, in each case, a fixed spread. If appropriate, we may seek to reduce such exposure through the use of interest rate swaps or similar instruments. As of December 31, 2021, we had a total of \$330 million borrowings outstanding under our credit facilities. The effect of a hypothetical 100 basis point increase in floating interest rates prevailing as of December 31, 2021 and continuing for a full year would increase interest expense by approximately \$3.3 million.

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 December 31, 2021 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 December 31, 2021 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

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.

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

As of December 31, 2021, 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 December 31, 2021, the Company did not engage in any share repurchase activity under its share repurchase program.

[Table of Contents](#)

Item 6. Exhibits

(a) Index to Exhibits

EXHIBIT NO.	DESCRIPTION
10.1	Madison Square Garden Sports Corp. Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 19, 2021). †
10.2	Employment Agreement dated November 17, 2021, between Madison Square Garden Sports Corp. and Victoria Mink (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 19, 2021). †
10.3	Amendment No. 2 to Amended and Restated Credit Agreement, dated as of December 14, 2021, by and among New York Knicks, LLC, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 16, 2021).
10.4	Amendment No. 3 to Amended and Restated Credit Agreement, dated as of December 14, 2021, by and among New York Rangers, LLC, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 16, 2021).
10.5	Employment Agreement, dated as of December 16, 2021, between Madison Square Garden Sports Corp. and Andrew Lustgarten (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 21, 2021). †
10.6	Employment Agreement, dated as of December 27, 2021, between Madison Square Garden Sports Corp. and James L. Dolan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 30, 2021). †
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	The following materials from Madison Square Garden Sports Corp. Quarterly Report on Form 10-Q for the quarter ended December 31, 2021 formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, and (vi) Notes to Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2021 formatted in Inline XBRL and contained in Exhibit 101.

† This exhibit is a management contract or a compensatory plan or arrangement.

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 3rd day of February 2022.

Madison Square Garden Sports Corp.

By: /s/ VICTORIA M. MINK

Name: Victoria M. Mink

Title: Executive Vice President, Chief
Financial Officer and Treasurer

Certification

I, Andrew Lustgarten, certify that:

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

Date: February 3, 2022

/s/ Andrew Lustgarten

Andrew Lustgarten

President and Chief Executive Officer

Certification

I, Victoria M. Mink, certify that:

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

Date: February 3, 2022

/s/ Victoria M. Mink

Victoria M. Mink

Executive Vice President, Chief Financial Officer and Treasurer

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of Madison Square Garden Sports Corp. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the Quarter ended December 31, 2021 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 3, 2022

/s/ Andrew Lustgarten

Andrew Lustgarten

President 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 Madison Square Garden Sports Corp. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the Quarter ended December 31, 2021 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 3, 2022

/s/ Victoria M. Mink

Victoria M. Mink

Executive Vice President, Chief Financial Officer and Treasurer

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.