

**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: 001-39245



**MADISON SQUARE GARDEN
ENTERTAINMENT**

MADISON SQUARE GARDEN ENTERTAINMENT CORP.

(Exact name of registrant as specified in its charter)

Delaware

84-3755666

(State or other jurisdiction of
incorporation or organization)

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

Two Penn Plaza New York, NY

10121

(Address of principal executive offices)

(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock	MSGE	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	—	27,340,882
Class B Common Stock par value \$0.01 per share	—	6,866,754

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

MADISON SQUARE GARDEN ENTERTAINMENT CORP.
CONSOLIDATED BALANCE SHEETS (Unaudited)
(in thousands)

	December 31, 2021	June 30, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,258,105	\$ 1,516,992
Restricted cash	23,914	22,984
Accounts receivable, net	190,491	184,613
Net related party receivables	48,929	31,916
Prepaid income taxes	1,850	12,772
Prepaid expenses	69,476	67,445
Other current assets	42,637	36,014
Total current assets	1,635,402	1,872,736
Investments in nonconsolidated affiliates	46,412	49,221
Property and equipment, net	2,474,693	2,156,292
Right-of-use lease assets	470,253	280,579
Amortizable intangible assets, net	182,006	198,274
Indefinite-lived intangible assets	63,801	63,801
Goodwill	500,181	502,195
Other assets	150,326	166,781
Total assets	<u>\$ 5,523,074</u>	<u>\$ 5,289,879</u>

See accompanying notes to unaudited consolidated financial statements.

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

	December 31, 2021	June 30, 2021
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 43,815	\$ 26,644
Net related party payables, current	56,597	23,173
Current portion of long-term debt, net of deferred financing costs	56,483	53,973
Income taxes payable	406	2,527
Accrued liabilities:		
Employee related costs	73,078	91,853
Other accrued liabilities	268,135	210,749
Operating lease liabilities, current	65,663	73,423
Collections due to promoters	49,513	37,877
Deferred revenue	256,154	209,651
Total current liabilities	869,844	729,870
Long-term debt, net of deferred financing costs	1,606,759	1,650,628
Operating lease liabilities, noncurrent	450,019	233,556
Defined benefit and other postretirement obligations	52,653	54,179
Other employee related costs	17,814	21,193
Collections due to promoters, noncurrent	—	6,625
Deferred tax liabilities, net	181,214	200,325
Other liabilities	74,952	75,263
Total liabilities	3,253,255	2,971,639
Commitments and contingencies (see Note 11)		
Redeemable noncontrolling interests	142,004	137,834
Madison Square Garden Entertainment Corp. Stockholders' Equity:		
Class A Common stock, par value \$0.01, 120,000 shares authorized; 27,327 and 27,093 shares outstanding as of December 31, 2021 and June 30, 2021, respectively	273	271
Class B Common stock, par value \$0.01, 30,000 shares authorized; 6,867 shares outstanding as of December 31, 2021 and June 30, 2021	69	69
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	2,317,415	2,294,775
Accumulated deficit	(173,302)	(96,341)
Accumulated other comprehensive loss	(32,632)	(30,272)
Total Madison Square Garden Entertainment Corp. stockholders' equity	2,111,823	2,168,502
Nonredeemable noncontrolling interests	15,992	11,904
Total equity	2,127,815	2,180,406
Total liabilities, redeemable noncontrolling interests and equity	\$ 5,523,074	\$ 5,289,879

See accompanying notes to unaudited consolidated financial statements.

MADISON SQUARE GARDEN ENTERTAINMENT 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)	\$ 516,439	\$ 168,752	\$ 810,949	\$ 339,298
Operating expenses:				
Direct operating expenses ^(b)	296,258	92,497	462,019	191,728
Selling, general and administrative expenses ^(c)	162,277	96,018	337,116	177,675
Depreciation and amortization	30,533	25,677	59,963	54,087
Impairment and other (gains) loss, net	(7,979)	—	(161)	—
Restructuring charges	—	1,372	—	21,299
Operating income (loss)	35,350	(46,812)	(47,988)	(105,491)
Other income (expense):				
Loss in equity method investments	(1,774)	(1,568)	(2,981)	(3,264)
Interest income	773	837	1,548	1,609
Interest expense	(8,167)	(5,262)	(17,415)	(10,535)
Miscellaneous income (expense), net	(17,100)	(7,568)	(19,647)	26,449
	(26,268)	(13,561)	(38,495)	14,259
Income (loss) from operations before income taxes	9,082	(60,373)	(86,483)	(91,232)
Income tax benefit (expense)	(4,063)	298	14,847	(9,159)
Net income (loss)	5,019	(60,075)	(71,636)	(100,391)
Less: Net income (loss) attributable to redeemable noncontrolling interests	2,642	(3,342)	4,854	(7,231)
Less: Net income (loss) attributable to nonredeemable noncontrolling interests	106	(902)	471	(1,532)
Net income (loss) attributable to Madison Square Garden Entertainment Corp.'s stockholders	\$ 2,271	\$ (55,831)	\$ (76,961)	\$ (91,628)
Basic earnings (loss) per common share attributable to Madison Square Garden Entertainment Corp.'s stockholders	\$ 0.07	\$ (1.64)	\$ (2.25)	\$ (2.70)
Diluted earnings (loss) per common share attributable to The Madison Square Garden Company's stockholders	\$ 0.07	\$ (1.64)	\$ (2.25)	\$ (2.70)
Weighted-average number of common shares outstanding:				
Basic	34,278	34,021	34,186	33,961
Diluted	34,436	34,021	34,186	33,961

^(a) Includes revenues from related parties of \$30,702 and \$4,638 for the three months ended December 31, 2021 and 2020, respectively, and \$34,889 and \$7,461 for the six months ended December 31, 2021 and 2020, respectively.

^(b) Includes net charges from related parties of \$37,027 and \$35,270 for the three months ended December 31, 2021 and 2020, respectively, and \$79,360 and \$75,186 for the six months ended December 31, 2021 and 2020, respectively.

^(c) Includes net charges to related parties of \$(9,526) and \$(10,491) for the three months ended December 31, 2021 and 2020, respectively, and \$(16,786) and \$(20,538) for the six months ended December 31, 2021 and 2020, respectively.

See accompanying notes to unaudited consolidated financial statements.

MADISON SQUARE GARDEN ENTERTAINMENT 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)	\$ 5,019	\$ (60,075)	\$ (71,636)	\$ (100,391)
Other comprehensive income (loss), before income taxes:				
Amortization of prior service credit included in net periodic benefit cost	510	416	1,020	894
Cumulative translation adjustments	2,486	11,883	(3,932)	25,834
Other comprehensive income (loss), before income taxes	2,996	12,299	(2,912)	26,728
Income tax benefit (expense) related to items of other comprehensive income (loss)	(568)	(3,733)	552	(6,465)
Other comprehensive income (loss), net of income taxes	2,428	8,566	(2,360)	20,263
Comprehensive income (loss)	7,447	(51,509)	(73,996)	(80,128)
Less: Net income (loss) attributable to redeemable noncontrolling interests	2,642	(3,342)	4,854	(7,231)
Less: Net income (loss) attributable to nonredeemable noncontrolling interests	106	(902)	471	(1,532)
Comprehensive income (loss) attributable to Madison Square Garden Entertainment Corp.'s stockholders	\$ 4,699	\$ (47,265)	\$ (79,321)	\$ (71,365)

See accompanying notes to unaudited consolidated financial statements.

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

	Six Months Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (71,636)	\$ (100,391)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	59,963	54,087
Amortization of deferred financing costs	4,367	1,898
Benefit from deferred income taxes	(17,173)	(29,505)
Share-based compensation expense	43,699	45,984
Loss in equity method investments	2,981	3,264
Net unrealized loss (gains) on equity investments with readily determinable fair value	19,615	(26,431)
Provision for credit losses	1,236	495
Other non-cash adjustments	2,202	263
Change in assets and liabilities:		
Accounts receivable	(20,857)	(9,821)
Receivables from related parties, net of payables	16,411	(2,049)
Prepaid expenses and other assets	(11,504)	(9,173)
Accounts payable	17,796	(12,614)
Prepaid/payable for income taxes	8,044	2,033
Accrued and other liabilities	5,133	(32,420)
Collections due to promoters, including noncurrent portion	5,011	(6,824)
Deferred revenue	47,016	14,077
Operating lease right-of-use assets and lease liabilities	20,482	4,660
Net cash provided by (used in) operating activities	\$ 132,786	\$ (102,467)
Cash flows from investing activities:		
Capital expenditures	\$ (313,076)	\$ (221,829)
Capitalized interest	(19,926)	(7,911)
Proceeds from maturity of short-term investments	—	339,110
Proceeds from sale of equity securities	—	20,583
Cash received for notes receivable	—	6,328
Other investing activities	470	(43)
Net cash (used in) provided by investing activities	\$ (332,532)	\$ 136,238

See accompanying notes to unaudited consolidated financial statements.

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

	Six Months Ended December 31,	
	2021	2020
Cash flows from financing activities:		
Proceeds from issuance of term loan, net of issuance discount	\$ —	\$ 630,500
Proceeds from revolving credit facility	—	6,500
Taxes paid in lieu of shares issued for equity-based compensation	(15,240)	(8,123)
Noncontrolling interest holders' capital contribution	4,677	500
Distributions to noncontrolling interest holders	(1,060)	—
Distribution to related parties associated with the settlement of certain share-based awards	(516)	—
Repayments of revolving credit facility	(15,000)	—
Principal repayments on long-term debt	(30,500)	(16,250)
Payments for financing costs	—	(14,615)
Net cash (used in) provided by financing activities	\$ (57,639)	\$ 598,512
Effect of exchange rates on cash, cash equivalents and restricted cash	(572)	7,795
Net (decrease) increase in cash, cash equivalents and restricted cash	(257,957)	640,078
Cash, cash equivalents and restricted cash at beginning of period	1,539,976	1,121,141
Cash, cash equivalents and restricted cash at end of period	\$ 1,282,019	\$ 1,761,219
Non-cash investing and financing activities:		
Investments and loans to nonconsolidated affiliates	\$ 675	\$ —
Capital expenditures incurred but not yet paid	\$ 154,131	\$ 79,478
Share-based compensation capitalized in property and equipment	\$ 1,763	\$ 2,784

See accompanying notes to unaudited consolidated financial statements.

MADISON SQUARE GARDEN ENTERTAINMENT CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND REDEEMABLE NONCONTROLLING INTERESTS
(Unaudited)
(in thousands)

	Three Months Ended December 31, 2021							
	Common Stock Issued	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Madison Square Garden Entertainment Corp. Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance as of September 30, 2021	\$ 342	\$ 2,293,157	\$ (175,573)	\$ (35,060)	\$ 2,082,866	\$ 13,141	\$ 2,096,007	\$ 140,410
Net income	—	—	2,271	—	2,271	106	2,377	2,642
Other comprehensive income	—	—	—	2,428	2,428	—	2,428	—
Comprehensive income	—	—	—	—	4,699	106	4,805	2,642
Share-based compensation	—	24,595	—	—	24,595	—	24,595	—
Tax withholding associated with shares issued for equity-based compensation	—	(337)	—	—	(337)	—	(337)	—
Accretion of put options	—	—	—	—	—	—	—	587
Contributions from noncontrolling interest holders	—	—	—	—	—	3,805	3,805	—
Distributions to noncontrolling interest holders	—	—	—	—	—	(1,060)	(1,060)	(1,635)
Balance as of December 31, 2021	<u>\$ 342</u>	<u>\$ 2,317,415</u>	<u>\$ (173,302)</u>	<u>\$ (32,632)</u>	<u>\$ 2,111,823</u>	<u>\$ 15,992</u>	<u>\$ 2,127,815</u>	<u>\$ 142,004</u>

See accompanying notes to unaudited consolidated financial statements.

MADISON SQUARE GARDEN ENTERTAINMENT CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND REDEEMABLE NONCONTROLLING INTERESTS (Continued)
(Unaudited)
(in thousands)

	Three Months Ended December 31, 2020							
	Common Stock Issued	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Madison Square Garden Entertainment Corp. Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance as of September 30, 2020	\$ 340	\$ 2,294,072	\$ 16,345	\$ (37,295)	\$ 2,273,462	\$ 11,773	\$ 2,285,235	\$ 17,298
Reversal of valuation allowance			1,415	—	1,415	—	1,415	—
Net loss	—	—	(55,831)	—	(55,831)	(902)	(56,733)	(3,342)
Other comprehensive income	—	—	—	8,566	8,566	—	8,566	—
Comprehensive loss	—	—	—	—	(47,265)	(902)	(48,167)	(3,342)
Share-based compensation	—	31,158	—	—	31,158	—	31,158	—
Tax withholding associated with shares issued for equity-based compensation	—	(53)	—	—	(53)	—	(53)	—
Accretion of put options	—	—	—	—	—	—	—	587
Contribution from noncontrolling interest holders	—	—	—	—	—	300	300	—
Balance as of December 31, 2020	<u>\$ 340</u>	<u>\$ 2,325,177</u>	<u>\$ (38,071)</u>	<u>\$ (28,729)</u>	<u>\$ 2,258,717</u>	<u>\$ 11,171</u>	<u>\$ 2,269,888</u>	<u>\$ 14,543</u>

See accompanying notes to unaudited consolidated financial statements.

MADISON SQUARE GARDEN ENTERTAINMENT CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND REDEEMABLE NONCONTROLLING INTERESTS
(Unaudited)
(in thousands)

Six Months Ended December 31, 2021

	Common Stock Issued	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Madison Square Garden Entertainment Corp. Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance as of June 30, 2021	\$ 340	\$ 2,294,775	\$ (96,341)	\$ (30,272)	\$ 2,168,502	\$ 11,904	\$ 2,180,406	\$ 137,834
Net (loss) income	—	—	(76,961)	—	(76,961)	471	(76,490)	4,854
Other comprehensive loss	—	—	—	(2,360)	(2,360)	—	(2,360)	—
Comprehensive (loss) income	—	—	—	—	(79,321)	471	(78,850)	4,854
Share-based compensation	—	44,287	—	—	44,287	—	44,287	—
Tax withholding associated with shares issued for equity-based compensation	2	(15,242)	—	—	(15,240)	—	(15,240)	—
Adjustment of redeemable noncontrolling interest for change in ownership	—	—	—	—	—	—	—	(7,500)
Redeemable noncontrolling interest adjustment to redemption fair value	—	(6,178)	—	—	(6,178)	—	(6,178)	7,566
Accretion of put options	—	—	—	—	—	—	—	1,174
Contributions from noncontrolling interest holders	—	—	—	—	—	4,677	4,677	—
Distributions to noncontrolling interest holders	—	—	—	—	—	(1,060)	(1,060)	(1,635)
Distribution to related parties associated with the settlement of certain share-based awards	—	(227)	—	—	(227)	—	(227)	(289)
Balance as of December 31, 2021	\$ 342	\$ 2,317,415	\$ (173,302)	\$ (32,632)	\$ 2,111,823	\$ 15,992	\$ 2,127,815	\$ 142,004

See accompanying notes to unaudited consolidated financial statements.

MADISON SQUARE GARDEN ENTERTAINMENT CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND REDEEMABLE NONCONTROLLING INTERESTS (Continued)
(Unaudited)
(in thousands)

	Six Months Ended December 31, 2020							
	Common Stock Issued	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Madison Square Garden Entertainment Corp. Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance as of June 30, 2020	\$ 338	\$2,285,709	\$ 50,246	\$ (48,992)	\$ 2,287,301	\$ 12,203	\$2,299,504	\$ 20,600
Cumulative effect of adoption of ASU 2016-13, credit losses			(480)	—	(480)		(480)	
Reversal of valuation allowance	—	—	3,791	—	3,791	—	3,791	—
Net loss	—	—	(91,628)	—	(91,628)	(1,532)	(93,160)	(7,231)
Other comprehensive income	—	—	—	20,263	20,263	—	20,263	—
Comprehensive loss	—	—	—	—	(71,365)	(1,532)	(72,897)	(7,231)
Share-based compensation	—	47,593	—	—	47,593	—	47,593	—
Tax withholding associated with shares issued for equity-based compensation	2	(8,125)	—	—	(8,123)	—	(8,123)	—
Accretion of put options	—	—	—	—	—	—	—	1,174
Contributions from noncontrolling interest holders	—	—	—	—	—	500	500	—
Balance as of December 31, 2020	<u>\$ 340</u>	<u>\$2,325,177</u>	<u>\$ (38,071)</u>	<u>\$ (28,729)</u>	<u>\$ 2,258,717</u>	<u>\$ 11,171</u>	<u>\$2,269,888</u>	<u>\$ 14,543</u>

See accompanying notes to unaudited consolidated financial statements.

**MADISON SQUARE GARDEN ENTERTAINMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

All amounts included in the following notes to consolidated financial statements (unaudited) are presented in thousands, except per share data or as otherwise noted.

Note 1. Description of Business and Basis of Presentation

Entertainment Distribution and Merger with MSG Networks Inc.

Madison Square Garden Entertainment Corp. (together with its subsidiaries, the “Company” or “MSG Entertainment”) was incorporated on November 21, 2019 as a direct, wholly-owned subsidiary of Madison Square Garden Sports Corp. (“MSG Sports”), formerly known as The Madison Square Garden Company. On March 31, 2020, MSG Sports’ board of directors approved the distribution of all the outstanding common stock of MSG Entertainment to MSG Sports’ stockholders (the “Entertainment Distribution”), which occurred on April 17, 2020 (the “Entertainment Distribution Date”). See Note 1 to the Company’s audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Company’s Annual Report on Form 10-K, as amended by Form 10-K/A filed on February 9, 2022 (the “Form 10-K”) for more information regarding the Entertainment Distribution. As part of the Entertainment Distribution, the Company has entered into various agreements with MSG Sports as detailed in Note 18.

On July 9, 2021, the Company completed its previously announced acquisition of MSG Networks Inc. pursuant to the Agreement and Plan of Merger, dated as of March 25, 2021 (the “Merger Agreement”), among the Company, Broadway Sub Inc., a Delaware corporation and wholly-owned subsidiary of the Company (“Merger Sub”), and MSG Networks Inc. Merger Sub merged with and into MSG Networks Inc. (the “Merger”), with MSG Networks Inc. surviving and continuing as the surviving corporation in the Merger as a wholly-owned subsidiary of the Company. On July 9, 2021, at the effective time of the Merger (the “Effective Time”), (i) each share of Class A common stock, par value \$0.01 per share, of MSG Networks Inc. (“MSGN Class A Common Stock”) issued and outstanding immediately prior to the Effective Time was automatically converted into the right to receive a number of shares of Class A common stock, par value \$0.01 per share, of the Company (“Class A Common Stock”) such that each holder of record of shares of MSGN Class A Common Stock had the right to receive, in the aggregate, a number of shares of Class A Common Stock equal to the total number of shares of MSGN Class A Common Stock held of record immediately prior to the Effective Time *multiplied* by 0.172, with such product rounded up to the next whole share and (ii) each share of Class B common stock, par value \$0.01 per share, of MSG Networks Inc. (“MSGN Class B Common Stock”) issued and outstanding immediately prior to the Effective Time was automatically converted into the right to receive a number of shares of Class B common stock, par value \$0.01 per share, of the Company (“Class B Common Stock”) such that each holder of record of shares of MSGN Class B Common Stock had the right to receive, in the aggregate, a number of shares of Class B Common Stock equal to the total number of shares of MSGN Class B Common Stock held of record immediately prior to the Effective Time *multiplied* by 0.172, with such product rounded up to the next whole share, in each case except for Excluded Shares (as defined in the Merger Agreement). The Company issued 7,476 shares of the Class A Common Stock and 2,337 shares of Class B Common Stock on July 9, 2021 to holders of MSGN Class A Common Stock and MSGN Class B Common Stock, respectively, which shares are reflected as outstanding for all periods presented.

The Merger has been accounted for as a transaction between entities under common control as the Company and MSG Networks Inc. were, prior to the Merger, each controlled by the Dolan Family Group (as defined herein). Upon the closing of the Merger, the net assets of MSG Networks Inc. were combined with those of the Company at their historical carrying amounts and the companies have been presented on a combined basis for all historical periods that the companies were under common control. As a result, all prior period balances in these consolidated financial statements (including share activities) were retrospectively adjusted as if MSG Entertainment and MSG Networks Inc. had been operating as a single company.

Description of Business

The Company is a leader in live experiences comprised of iconic venues; marquee entertainment brands; regional sports and entertainment networks; popular dining and nightlife offerings; and a premier music festival. Utilizing the Company’s powerful brands and live entertainment expertise, the Company delivers unique experiences that set the standard for excellence and innovation while forging deep connections with diverse and passionate audiences.

The Company is comprised of three reportable segments: Entertainment, MSG Networks and Tao Group Hospitality.

- The Entertainment segment includes the Company’s portfolio of venues: Madison Square Garden (“The Garden”), Hulu Theater at Madison Square Garden, Radio City Music Hall, the Beacon Theatre, and The Chicago Theatre. In addition, the Company has unveiled its vision for state-of-the-art venues, called MSG Sphere, and is currently building its first such venue in Las Vegas. The Entertainment segment also includes the original production, the *Christmas*

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Spectacular Starring the Radio City Rockettes (“*Christmas Spectacular*”), as well as Boston Calling Events, LLC (“BCE”), the entertainment production company that owns and operates the Boston Calling Music Festival. This segment also includes our bookings business, which features a variety of live entertainment and sports experiences.

- The MSG Networks segment is comprised of the Company’s regional sports and entertainment networks, MSG Network and MSG+, a companion streaming app, MSG GO, and other digital properties. MSG Networks serves the New York Designated Market Area (“DMA”), as well as other portions of New York, New Jersey, Connecticut and Pennsylvania and features a wide range of sports content, including exclusive live local games and other programming of the New York Knicks (the “Knicks”) of the National Basketball Association (the “NBA”) and the New York Rangers (the “Rangers”), New York Islanders, New Jersey Devils and Buffalo Sabres of the National Hockey League (the “NHL”), as well as significant coverage of the New York Giants and Buffalo Bills of the National Football League.
- The Tao Group Hospitality segment features the Company’s controlling interest in TAO Group Holdings LLC, a hospitality group with globally-recognized entertainment dining and nightlife brands including: Tao, Marquee, Lavo, Beauty & Essex, Cathédrale, Hakkasan and Omnia.

The Company conducts a significant portion of its operations at venues that it either owns or operates under long-term leases. The Company owns The Garden, Hulu Theater at Madison Square Garden and The Chicago Theatre. The Company leases Radio City Music Hall and the Beacon Theatre. Additionally, Tao Group Hospitality operates various restaurants, nightlife and hospitality venues under long-term leases and management contracts in Las Vegas, New York, Southern California, London, Singapore, Sydney and various other domestic and international locations.

Basis of Presentation

The Company reports on a fiscal year basis ending on June 30th (“Fiscal Year”). In these consolidated financial statements, the year ending on June 30, 2022 is referred to as “Fiscal Year 2022,” and the years ended on June 30, 2021 and 2020 are referred to as “Fiscal Year 2021” and “Fiscal Year 2020”, respectively.

The accompanying interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and the instruction of Rule 10-01 of Regulation S-X of Securities and Exchange Commission (“SEC”), and should be read in conjunction with the Company’s audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Company’s Annual Report on Form 10-K and the Company’s consolidated financial statements and notes thereto for the three months ended September 30, 2021 included in the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2021, as amended by Form 10-Q/A filed on February 9, 2022. The consolidated financial statements as of December 31, 2021 and for the three and six months ended December 31, 2021 and 2020 presented herein 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. As a result of the production of the *Christmas Spectacular* and arena license fees from MSG Sports in connection with the Knicks and Rangers use of the Garden, the Company generally earns a disproportionate share of its annual revenues in the second and third quarters of its fiscal year. In addition, the Company’s operating results since the third quarter of Fiscal Year 2020 have been negatively impacted due to the COVID-19 pandemic.

As discussed above, the Merger has been accounted for as a transaction between entities under common control and resulted in a change in reporting entity for purposes of U.S. GAAP. The results of operations for the eight days ended July 8, 2021 from MSG Networks were immaterial and the Company has included these results in the period for the six months ended December 31, 2021. The following table provides the impact of the change in reporting entity on the results of operations for the three and six months ended December 31, 2020 in accordance with Accounting Standards Codification (“ASC”) Subtopic 250-10-50-6:

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	Three Months Ended	Six Months Ended
	December 31, 2020	
Decrease in net loss attributable to Madison Square Garden Entertainment Corp.'s stockholders	\$ 61,472	\$ 115,165
Decrease in other comprehensive income	\$ (3,607)	\$ (6,213)
Decrease in net loss per common share attributable to Madison Square Garden Entertainment Corp.'s stockholders (basic and diluted)	\$ 3.25	\$ 5.88

Impact of the COVID-19 Pandemic

The Company's operations and operating results have been, and continue to be, materially impacted by the COVID-19 pandemic (including COVID-19 variants) and actions taken in response by governmental authorities and certain professional sports leagues. For the majority of Fiscal Year 2021, substantially all of the Entertainment business operations were suspended, MSG Networks aired substantially fewer games and Tao Group Hospitality was operating at significantly reduced capacity and demand. While operations have resumed, it is not clear when we will fully return to normal operations.

As a result of government-mandated assembly limitations and closures, all of our performance venues were closed beginning in March 2020. Use of The Garden resumed for Knicks and Rangers home games without fans in December 2020 and January 2021, respectively, and was available at 10% seating capacity from February through May 2021 with certain safety protocols and social distancing. Beginning in May 2021, all of our New York performance venues were permitted to host guests at full capacity, subject to certain restrictions, and effective June 2021, The Chicago Theatre was permitted to host events without restrictions. Effective August 17, 2021, all workers and customers in New York City indoor dining, indoor fitness and indoor entertainment facilities, including our venues, were subject to certain vaccination requirements. Following updated regulations, effective January 3, 2022 for the Chicago Theatre, and January 29, 2022 for our New York venues, all guests five and older, as well as employees, are required to provide proof that they have received two doses of a two-shot COVID-19 vaccine or one dose of a single-shot vaccine (although specific performers may require enhanced protocols). Children under age 5 can attend events with a vaccinated adult, but ages 2 to 4 need to wear a mask while inside our venues. In addition, effective August 20, 2021 and continuing, masks are required for all individuals in indoor public spaces in Chicago, including our venues.

For Fiscal Year 2021, the majority of ticketed events at our venues were postponed or cancelled. For the six months ended December 31, 2021 and as of this date, live events have been permitted to be held at all of our performance venues and we are continuing to host and book new events. As a result of an increase in cases of a COVID-19 variant, select bookings were postponed or cancelled at our performance venues in the second quarter of Fiscal Year 2022. Variants of COVID-19 that arise in the future may result in additional postponements or cancellations of bookings at our performance venues.

The impact of the COVID-19 pandemic on our operations also included (i) the partial cancellation of the 2021 production of the *Christmas Spectacular*, (ii) the cancellation of the 2020 production of the *Christmas Spectacular*, and (iii) the cancellation of both the 2020 and 2021 Boston Calling Music Festivals.

The Company has long-term arena license agreements (the "Arena License Agreements") with MSG Sports that require the Knicks and Rangers to play their home games at The Garden. As discussed above, capacity restrictions, use limitations and social distancing requirements were in place for the entirety of the Knicks and Rangers 2020-21 regular seasons, which materially impacted the payments we received under the Arena License Agreements for Fiscal Year 2021. On July 1, 2021, the Knicks and Rangers began paying the full amounts provided for under their respective Arena License Agreements and full 82-game regular seasons for the 2021-22 NBA and NHL seasons are scheduled.

As a result of the COVID-19 pandemic and league and government actions relating thereto, MSG Networks aired substantially fewer NBA and NHL telecasts during Fiscal Year 2021, as compared with Fiscal Year 2019 (the last full fiscal year not impacted by COVID-19), and consequently experienced a decrease in revenues, including a material decrease in advertising revenue. The absence of live sports games also resulted in a decrease in certain MSG Networks expenses, including rights fees, variable production expenses, and advertising sales commissions. MSG Networks has resumed airing full regular season telecast schedules for its five professional teams across both the NBA and NHL, and, as a result, our advertising revenue and certain operating expenses, including rights fees expense, reflect the same.

Disruptions caused by the COVID-19 pandemic had a significant and negative impact on Tao Group Hospitality's operations and financial performance for Fiscal Year 2021. Due to government actions taken in response to the COVID-19 pandemic,

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virtually all of Tao Group Hospitality's venues were closed for approximately three months starting in March 2020. Additionally, three venues were permanently closed. Throughout Fiscal Year 2021, Tao Group Hospitality conducted limited operations at certain venues, subject to significant regulatory requirements, including capacity limits, curfews and social distancing requirements for outdoor and indoor dining. Tao Group Hospitality's operations fluctuated throughout Fiscal Year 2021 and during the first two quarters of Fiscal Year 2022 as certain markets lifted restrictions, imposed restrictions, and changed operational requirements over time. Following updated regulations applicable to indoor dining facilities and entertainment venues, effective January 3, 2022 for Chicago, and January 29, 2022 for New York, all guests five and older, as well as employees, are required to provide proof that they have received two doses of a two-shot COVID-19 vaccine or one dose of a single-shot vaccine. In addition, certain jurisdictions have reinstated safety protocols, such as mask mandates in Nevada and Chicago, but Tao Group Hospitality is continuing to operate without capacity restrictions in domestic and key international markets.

It is unclear how long and to what extent COVID-19 concerns, including with respect to new variants, will continue to impact government and league-mandated capacity restrictions or vaccination/mask requirements, the use of and/or demand for our entertainment and dining and nightlife venues, demand for our sponsorship and advertising assets, deter our employees and vendors from working at our venues (which may lead to difficulties in staffing) or otherwise materially impact our operations.

Impairment and other (gains) loss, net

For the three months ended December 31, 2021, the Company recorded other gains of \$7,979 primarily from extinguishments and modification of lease liabilities associated with certain Hakkasan venues and a gain on disposal of one of the Hakkasan venues. For the three months ended September 30, 2021, Tao Group Hospitality recorded an impairment charge for long-lived assets of \$7,818 due to decisions made by management to cease operations at certain Hakkasan venues subsequent to the Hakkasan acquisition date, resulting in the impairment of the respective right-of-use asset and a leasehold improvement. There were no other impairment charges recorded by the Company for the six months ended December 31, 2021. The duration and impact of the COVID-19 pandemic may result in future impairment charges that management will evaluate as facts and circumstances evolve over time. Refer to Note 8, Note 9 and Note 10 for further detail of the Company's intangible assets, long-lived assets and goodwill.

Note 2. Accounting Policies

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Madison Square Garden Entertainment 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 Tao Group Hospitality and BCE, in which the Company has controlling voting interests. The Company's consolidation criteria are based on authoritative accounting guidance for voting interest or variable interest entities. Tao Group Hospitality and BCE are consolidated with the equity owned by other stockholders shown as redeemable or nonredeemable noncontrolling interests in the accompanying consolidated balance sheets, and the other stockholders' portion of net income (loss) and other comprehensive income (loss) shown as net income (loss) or comprehensive income (loss) attributable to redeemable or nonredeemable noncontrolling interests in the accompanying consolidated statements of operations and consolidated statements of comprehensive income (loss), respectively.

See Note 2 to the Company's audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Company's Annual Report on Form 10-K regarding the classification of redeemable noncontrolling interests of Tao Group Hospitality.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amount of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the provision for credit losses, valuation of investments, goodwill, intangible assets, other long-lived assets, pension and other postretirement benefit obligations and the related net periodic benefit cost, tax accruals and other liabilities. In addition, estimates are used in revenue recognition, rights fees, income tax, performance and share-based compensation, depreciation and amortization, litigation matters and other matters, as well as in the valuation of contingent consideration and noncontrolling interests resulting from business combination transactions. Management believes its use of estimates in the financial statements to be reasonable.

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

Summary of Significant Accounting Policies

The following is an update to the Company's Summary of Significant Accounting Policies, disclosed in its Form 10-K. The update primarily reflects specific policies for the MSG Networks segment in connection with the Merger.

Revenue Recognition — Media Affiliation Fee and Advertising Revenues

The MSG Networks segment generates revenues principally from affiliation fees charged to cable, satellite, telephone and other platforms ("Distributors") for the right to carry its networks, as well as from the sale of advertising, largely derived from the sale of inventory in its live professional sports programming. Due to the COVID-19 pandemic, the NBA and NHL 2020-21 regular seasons were delayed and primarily occurred during the third and fourth quarters of Fiscal Year 2021 and will affect the comparability in the second, third and the fourth fiscal quarters of Fiscal Year 2022.

Affiliation fee revenue is earned from Distributors for the right to carry the segment's networks under contracts, commonly referred to as "affiliation agreements." The performance obligation under its affiliation agreements is satisfied as MSG Networks provides its programming over the term of the affiliation agreement.

Affiliation fee is the predominant revenue stream of the MSG Networks segment. Substantially all of the MSG Networks' affiliation agreements are sales-based and usage-based royalty arrangements, the revenue for which is recognized as the sale or usage occurs. The transaction price is represented by affiliation fees that are generally based upon contractual rates applied to the number of the Distributor's subscribers who receive or can receive the MSG Networks programming. Such subscriber information is generally not received until after the close of the reporting period, and in these cases, the Company estimates the number of subscribers. Historical adjustments to recorded estimates have not been material.

In addition to affiliation fee revenue, the MSG Networks segment also earns advertising revenue primarily through the sale of commercial time and other advertising inventory during its live professional sports programming. In general, these advertising arrangements either do not exceed one year or are primarily multi-year media banks, the elements of which are agreed upon each year. Advertising revenue is recognized as advertising is aired. In certain advertising arrangements, the Company guarantees specified viewer ratings for its programming. In such cases, the promise to deliver the guaranteed viewer ratings by airing the advertising represents MSG Networks' performance obligation. A contract liability is recognized as deferred revenue to the extent any guaranteed viewer ratings are not met and the customer is expected to exercise a contractual right for additional advertising time. The related revenue is subsequently recognized as revenue either when MSG Networks provides the required additional advertising time, or additional performance requirements become remote, which may be at the time the guarantee obligation contractually expires.

Direct Operating Expenses

Direct operating expenses from the MSG Networks segment primarily represent media rights fees and other direct programming and production costs, such as the salaries of on-air personalities, producers, directors, technicians, writers and other creative staff, as well as expenses associated with location costs, remote facilities and maintaining studios, origination, and transmission services and facilities. The professional team media rights acquired under media rights agreements to telecast various sporting events and other programming for exhibition on the segment's networks are typically expensed on a straight-line basis over the applicable annual contract or license period.

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Advertising Expenses

Advertising costs are typically charged to expense when incurred. The MSG Networks segment enters into nonmonetary transactions, primarily with its Distributors (see discussion below), that involve the exchange of advertising and promotional benefits, for the segment's services. Total advertising costs, which includes the aforementioned nonmonetary transactions and are classified in selling, general and administrative expenses, were \$11,102 and \$16,229 for the three and six months ended December 31, 2021, respectively, and \$3,667 and \$8,469 for the three and six months ended December 31, 2020, respectively.

Noncash Consideration

The MSG Networks segment enters into nonmonetary transactions, primarily with its Distributors, that involve the exchange of products or services, such as advertising and promotional benefits, for the segment's services. For arrangements that are subject to sales based and usage-based royalty guidance, MSG Networks measures noncash consideration that it receives at fair value as the sale or usage occurs. For other arrangements, the MSG Networks segment measures the estimated fair value of the noncash consideration that it receives at contract inception. If the MSG Networks segment cannot reasonably estimate the fair value of the noncash consideration, the segment measures the fair value of the consideration indirectly by reference to the standalone selling price of the services promised to the customer in exchange for the consideration as revenues.

Interest Capitalization

For significant long term construction projects, such as MSG Sphere, the Company begins to capitalize qualified interest costs once activities necessary to get the asset ready for its intended use have commenced. The Company calculates qualified interest capitalization using the average amount of accumulated expenditures during the period the asset is being prepared for its intended use and a capitalization rate which is derived from the Company's weighted average borrowing rate during such time, in the absence of specific borrowings related to the significant long term construction projects. The Company ceases capitalization on any portions substantially completed and ready for their intended use. See Note 8 for further details on interest capitalization during the three and six months ended December 31, 2021 and 2020.

Recently Issued Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") 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 ASC Topic 740 and includes methods of simplification to the existing guidance. This standard was adopted by the Company in the first quarter of Fiscal Year 2022. The adoption of the standard had no impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions to the guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate and other interbank offered rates to alternative reference rates. In January 2021, the FASB issued ASU 2021-01, which refines the scope of Topic 848 and clarifies some of its guidance as part of the FASB's monitoring of global reference rate activities. The new guidance was effective upon issuance, and the Company is allowed to elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

Note 3. Acquisition

Acquisition of Hakkasan

See Note 3 to the Company's audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Company's Annual Report on Form 10-K regarding the details of Tao Group Hospitality's acquisition of the business ("Hakkasan") of Hakkasan USA, Inc., a Delaware corporation ("Hakkasan Parent") on April 27, 2021. During the three months ended September 30, 2021, the Company completed the finalization of a working capital adjustment and net debt against agreed upon targets. As a result, the initial determination of approximately 18% noncontrolling interest ownership

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of common equity interests in Tao Group Sub-Holdings LLC owned by the Hakkasan Parent was subsequently revised to approximately 15%. The Company continues to own a 77.5% controlling interest in Tao Group Holdings LLC, which, after the ownership adjustments, translates to an approximately 66% indirect controlling interest in Tao Group Sub-Holdings LLC. Tao Group Hospitality's results will continue to be consolidated in the financial results of the Company.

The Company's purchase price allocation and measurement period adjustment for the Hakkasan acquisition is presented below:

	Fair Value Recognized as of Acquisition Date (as previously reported)	Measurement Period Adjustment ^(a)	Fair Value Recognized as of September 30, 2021 as adjusted ^(b)
Cash and cash equivalents	\$ 16,737	\$ —	\$ 16,737
Property and equipment, net	33,393	—	33,393
Right-of-use lease assets	44,818	—	44,818
Amortizable intangible assets, net	47,170	(7,020)	40,150
Other assets	12,641	—	12,641
Accrued expenses and other current liabilities	(15,957)	1,534	(14,423)
Operating lease liabilities	(52,025)	—	(52,025)
Other liabilities	(13,655)	—	(13,655)
Total identifiable net assets acquired	73,122	(5,486)	67,636
Goodwill	3,378	(2,014)	1,364
Redeemable noncontrolling interests	\$ (76,500)	\$ 7,500	\$ (69,000)

^(a) During the three months ended September 30, 2021, the Company recorded an adjustment to reflect a measurement period adjustment. Upon the finalization of the closing statement during the first quarter of Fiscal Year 2022, the noncontrolling interest owned by Hakkasan Parent in Tao Group Sub-Holdings LLC was reduced from approximately 18% as initially estimated to approximately 15%. Such change resulted in a decrease in the Company's redeemable noncontrolling interest of \$7,500, a decrease in Goodwill of \$480, and a decrease in amortizable intangibles of approximately \$7,020 related to trade names and venue management contracts. Additionally, the Company wrote-off a previously reported accrual of \$1,534, which resulted in an additional decrease in Goodwill of \$1,534.

^(b) No additional adjustments were recorded during the three months ended December 31, 2021.

Note 4. Revenue Recognition

Contracts with Customers

See Note 4 to the Company's audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Company's Annual Report on Form 10-K and "— Note 2. Accounting Policies — Summary of Significant Accounting Policies — Revenue Recognition — Media Affiliation Fee and Advertising Revenues" for more information regarding the details of the Company's revenue recognition policies. All revenue recognized in the consolidated statements of operations is considered to be revenue from contracts with customers in accordance with ASC Topic 606, except for revenues from Arena License Agreements, leases and subleases that are accounted for in accordance with ASC Topic 842 of \$29,196 and \$31,512 for the three and six months ended December 31, 2021, respectively, and \$2,334 and \$3,082 for the three and six months ended December 31, 2020, respectively.

The following table presents the activity in the allowance for credit losses for the six months ended December 31, 2021:

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Beginning balance, June 30, 2021	\$ 6,449
Provision for expected credit losses	1,236
Write-offs	(1,760)
Ending balance, December 31, 2021	<u>\$ 5,925</u>

Disaggregation of Revenue

The following tables disaggregate the Company's revenue by major source and reportable segment based upon the timing of transfer of goods or services to the customer, 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, 2021					
	Entertainment	MSG Networks	Tao Group Hospitality	Eliminations	Total
Event-related and entertainment dining and nightlife offerings ^(a)	\$ 155,476	\$ —	\$ 108,241	\$ (657)	\$ 263,060
Sponsorship, signage and suite licenses ^(b)	50,979	1,787	490	(521)	52,735
Media related, primarily from affiliation agreements ^(c)	—	156,202	—	—	156,202
Other ^(d)	11,959	1,992	8,355	(7,060)	15,246
Total revenues from contracts with customers	<u>\$ 218,414</u>	<u>\$ 159,981</u>	<u>\$ 117,086</u>	<u>\$ (8,238)</u>	<u>\$ 487,243</u>

Three Months Ended December 31, 2020					
	Entertainment	MSG Networks	Tao Group Hospitality	Eliminations	Total
Event-related and entertainment dining and nightlife offerings ^(a)	\$ 1,001	\$ —	\$ 9,179	\$ (43)	\$ 10,137
Sponsorship, signage and suite licenses ^(b)	6,064	408	414	21	6,907
Media related, primarily from affiliation agreements ^(c)	—	145,364	—	—	145,364
Other ^(d)	3,270	467	898	(625)	4,010
Total revenues from contracts with customers	<u>\$ 10,335</u>	<u>\$ 146,239</u>	<u>\$ 10,491</u>	<u>\$ (647)</u>	<u>\$ 166,418</u>

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Six Months Ended December 31, 2021					
	Entertainment	MSG Networks	Tao Group Hospitality	Eliminations	Total
Event-related and entertainment dining and nightlife offerings ^(a)	\$ 177,492	\$ —	\$ 216,931	\$ (838)	\$ 393,585
Sponsorship, signage and suite licenses ^(b)	57,956	2,423	625	(521)	60,483
Media related, primarily from affiliation agreements ^(c)	—	296,673	—	—	296,673
Other ^(d)	14,889	2,358	18,994	(7,545)	28,696
Total revenues from contracts with customers	<u>\$ 250,337</u>	<u>\$ 301,454</u>	<u>\$ 236,550</u>	<u>\$ (8,904)</u>	<u>\$ 779,437</u>

Six Months Ended December 31, 2020					
	Entertainment	MSG Networks	Tao Group Hospitality	Eliminations	Total
Event-related and entertainment dining and nightlife offerings ^(a)	\$ 1,729	\$ —	\$ 14,839	\$ (43)	\$ 16,525
Sponsorship, signage and suite licenses ^(b)	8,524	692	486	(211)	9,491
Media related, primarily from affiliation agreements ^(c)	—	302,015	—	—	302,015
Other ^(d)	6,890	895	2,387	(1,986)	8,186
Total revenues from contracts with customers	<u>\$ 17,143</u>	<u>\$ 303,602</u>	<u>\$ 17,712</u>	<u>\$ (2,240)</u>	<u>\$ 336,217</u>

^(a) Consists of (i) ticket sales and other ticket-related revenues, (ii) Tao Group Hospitality's entertainment dining and nightlife offerings, (iii) venue license fees from third-party promoters, and (iv) food, beverage and merchandise sales. Event-related revenues and entertainment dining and nightlife offerings are recognized at a point in time. As such, these revenues have been included in the same category in the table above.

^(b) See Note 4 to the Company's audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Company's Annual Report on Form 10-K for further details on the pattern of recognition of sponsorship, signage and suite license revenues.

^(c) See "— Note 2. Accounting Policies — Summary of Significant Accounting Policies — Revenue Recognition — Media Affiliation Fee and Advertising Revenues" for further details on the pattern of recognition of Media affiliation fee and advertising revenues in the MSG Networks segment.

^(d) Primarily consists of (i) revenues from sponsorship sales and representation agreements with MSG Sports, (ii) Tao Group Hospitality's managed venue revenues, and (iii) advertising commission revenues recognized by the Entertainment segment from the MSG Networks segment of \$6,985 and \$7,395 for the three and six months ended December 31, 2021, respectively, and \$624 and \$1,819 for the three and six months ended December 31, 2020, respectively, that are eliminated in consolidation.

In addition to the disaggregation of the Company's revenue by major source based upon the timing of transfer of goods or services to the customer disclosed above, the following tables disaggregate the Company's consolidated revenues by type of goods or services in accordance with the required entity-wide disclosure requirements of 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:

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	Three Months ended December 31, 2021				
	Entertainment	MSG Networks	Tao Group Hospitality	Eliminations	Total
Ticketing and venue license fee revenues ^(a)	\$ 109,141	\$ —	\$ —	\$ —	\$ 109,141
Sponsorship and signage, suite, and advertising commission revenues ^(b)	70,602	—	—	(7,506)	63,096
Revenues from entertainment dining and nightlife offerings ^(c)	—	—	117,086	(732)	116,354
Food, beverage and merchandise revenues	37,765	—	—	—	37,765
Media networks revenues ^(d)	—	159,981	—	—	159,981
Other	906	—	—	—	906
Total revenues from contracts with customers	<u>\$ 218,414</u>	<u>\$ 159,981</u>	<u>\$ 117,086</u>	<u>\$ (8,238)</u>	<u>\$ 487,243</u>

	Three Months ended December 31, 2020				
	Entertainment	MSG Networks	Tao Group Hospitality	Eliminations	Total
Ticketing and venue license fee revenues ^(a)	\$ 968	\$ —	\$ —	\$ —	\$ 968
Sponsorship and signage, suite, and advertising commission revenues ^(b)	9,130	—	—	(604)	8,526
Revenues from entertainment dining and nightlife offerings ^(c)	—	—	10,491	(43)	10,448
Food, beverage and merchandise revenues	—	—	—	—	—
Media networks revenues ^(d)	—	146,239	—	—	146,239
Other	237	—	—	—	237
Total revenues from contracts with customers	<u>\$ 10,335</u>	<u>\$ 146,239</u>	<u>\$ 10,491</u>	<u>\$ (647)</u>	<u>\$ 166,418</u>

	Six Months Ended December 31, 2021				
	Entertainment	MSG Networks	Tao Group Hospitality	Eliminations	Total
Ticketing and venue license fee revenues ^(a)	\$ 125,977	\$ —	\$ —	\$ —	\$ 125,977
Sponsorship and signage, suite, and advertising commission revenues ^(b)	81,415	—	—	(7,916)	73,499
Revenues from entertainment dining and nightlife offerings ^(c)	—	—	236,550	(988)	235,562
Food, beverage and merchandise revenues	41,688	—	—	—	41,688
Media networks revenues ^(d)	—	301,454	—	—	301,454
Other	1,257	—	—	—	1,257
Total revenues from contracts with customers	<u>\$ 250,337</u>	<u>\$ 301,454</u>	<u>\$ 236,550</u>	<u>\$ (8,904)</u>	<u>\$ 779,437</u>

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

	Six Months Ended December 31, 2020				
	Entertainment	MSG Networks	Tao Group Hospitality	Eliminations	Total
Ticketing and venue license fee revenues ^(a)	\$ 1,698	\$ —	\$ —	\$ —	\$ 1,698
Sponsorship and signage, suite, and advertising commission revenues ^(b)	14,989	—	—	(2,031)	12,958
Revenues from entertainment dining and nightlife offerings ^(c)	—	—	17,712	(209)	17,503
Food, beverage and merchandise revenues	—	—	—	—	—
Media networks revenues ^(d)	—	303,602	—	—	303,602
Other	456	—	—	—	456
Total revenues from contracts with customers	<u>\$ 17,143</u>	<u>\$ 303,602</u>	<u>\$ 17,712</u>	<u>\$ (2,240)</u>	<u>\$ 336,217</u>

^(a) Amounts include ticket sales, including other ticket-related revenue, and venue license fees from the Company's events such as (i) concerts, (ii) the presentation of the Christmas Spectacular, and (iii) other live entertainment and sporting events.

^(b) Amounts include (i) revenues from sponsorship sales and representation agreements with MSG Sports and (ii) advertising commission revenues recognized by the Entertainment segment from the MSG Networks segment of \$6,985 and \$7,395 for the three and six months ended December 31, 2021, respectively, and \$624 and \$1,819 for the three and six months ended December 31, 2020, respectively, that are eliminated in consolidation.

^(c) Primarily consist of revenues from (i) entertainment dining and nightlife offerings and (ii) venue management agreements.

^(d) Primarily consist of affiliation fees from Distributors and, to a lesser extent, advertising revenues through the sale of commercial time and other advertising inventory during MSG Networks programming.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed receivables, contract assets and contract liabilities on the consolidated balance sheets. 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)	\$ 195,945	\$ 185,112
Contract assets, current ^(b)	10,204	7,052
Contract assets, non-current ^(b)	296	87
Deferred revenue, including non-current portion ^(c)	257,054	210,187

^(a) Receivables from contracts with customers, which are reported in Accounts receivable, net and Net related party receivables in the Company's consolidated balance sheets, represent the Company's unconditional rights to consideration under its contracts with customers. As of December 31, 2021 and June 30, 2021, the Company's receivables from contracts with customers above included \$11,239 and \$4,848, respectively, related to various related parties. See Note 18 for further details on related party arrangements.

^(b) Contract assets, which are reported as Other current assets or Other assets (non-current portion) in the Company's consolidated balance sheets, primarily relate to the Company's rights to consideration for goods or services transferred to customers, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

- ^(c) *Deferred revenue primarily relates to the Company's receipt of consideration from customers in advance of the Company's transfer of goods or services to those customers. Deferred revenue is reduced and the related revenue is recognized once the underlying goods or services are transferred to a customer. Revenue recognized for the six months ended December 31, 2021 relating to the contract liability balance (primarily deferred revenue) as of June 30, 2021 was \$86,108.*

Transaction Price Allocated to the Remaining Performance Obligations

The following table depicts the estimated revenue expected to be recognized, based on current projections and expectations of our business resuming, in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2021. This primarily relates to performance obligations under sponsorship and suite license arrangements and to a lesser extent, non-variable affiliation fee arrangements that have original expected durations longer than one year and the consideration is not variable. For arrangements with variable consideration, such variability is based on the Company's ability to deliver the underlying benefits as dictated by the related contractual provisions. 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.

Fiscal Year 2022 (remainder)	\$	114,338
Fiscal Year 2023		170,402
Fiscal Year 2024		143,572
Fiscal Year 2025		101,341
Fiscal Year 2026		72,543
Thereafter		88,109
	<u>\$</u>	<u>690,305</u>

Note 5. 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").

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Weighted-average shares (denominator):				
Weighted-average shares for basic EPS ^(a)	34,278	34,021	34,186	33,961
Dilutive effect of shares issuable under share-based compensation plans ^(a)	158	—	—	—
Weighted-average shares for diluted EPS	<u>34,436</u>	<u>34,021</u>	<u>34,186</u>	<u>33,961</u>
Weighted-average anti-dilutive shares ^(b)	668	—	—	—

- ^(a) *For the three months ended December 31, 2020 and six months ended December 31, 2021 and 2020, all restricted stock units and stock options were excluded from the above table because the Company reported a net loss for the periods presented and, therefore, their impact on reported loss per share would have been antidilutive. See Note 15 for further detail.*

- ^(b) *For the three months ended December 31, 2021, weighted-average anti-dilutive shares primarily consisted of approximately 630 units of stock options and were excluded in the calculation of diluted earnings per share because their effect would have been anti-dilutive. An anti-dilutive option exists when the average stock price for the period is less than the exercise price of the option.*

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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	\$ 1,258,105	\$ 1,516,992	\$ 1,735,012	\$ 1,103,392
Restricted cash ^(a)	23,914	22,984	26,207	17,749
Cash, cash equivalents and restricted cash on the consolidated statements of cash flows	<u>\$ 1,282,019</u>	<u>\$ 1,539,976</u>	<u>\$ 1,761,219</u>	<u>\$ 1,121,141</u>

^(a) See Note 2 to the Company's audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Company's Annual Report on Form 10-K for more information regarding the nature of restricted cash.

Note 7. Investments in Nonconsolidated Affiliates

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

	Ownership Percentage	Investment
December 31, 2021		
Equity method investments:		
SACO Technologies Inc. ("SACO")	30 %	\$ 33,731
Others		5,674
Equity securities without readily determinable fair values ^(a)		7,007
Total investments in nonconsolidated affiliates		<u>\$ 46,412</u>
June 30, 2021		
Equity method investments:		
SACO	30 %	\$ 36,265
Others		6,204
Equity securities without readily determinable fair values ^(a)		6,752
Total investments in nonconsolidated affiliates		<u>\$ 49,221</u>

^(a) In accordance with the ASC Topic 321, *Investments - Equity Securities*, the Company applies the measurement alternative to its equity investments without readily determinable fair values. Under the measurement alternative, equity securities without readily determinable fair values are accounted for at cost, adjusted for impairment and changes resulting from observable price fluctuations in orderly transactions for the identical or a similar investment of the same issuer. For the three and six months ended December 31, 2021 and 2020, the Company did not have impairment charges or change in carrying value recorded to its equity securities without readily determinable fair values.

Equity Investments with Readily Determinable Fair Value

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(Continued)

In addition to the investments discussed above, the Company holds investments of (i) 3,208 shares of the common stock of Townsquare Media, Inc. (“Townsquare”), and (ii) 869 shares of common stock of DraftKings Inc. (“DraftKings”). Townsquare is a media, entertainment and digital marketing solutions company that is listed on the New York Stock Exchange (“NYSE”) under the symbol “TSQ.” DraftKings is a fantasy sports contest and sports gambling provider that is listed on the NASDAQ Stock Market (“NASDAQ”) under the symbol “DKNG” for its common stock. The fair value of the Company’s investments in Class A common stock of Townsquare and Class A common stock of DraftKings are determined based on quoted market prices in active markets on the NYSE and NASDAQ, respectively, which are classified within Level I of the fair value hierarchy. As a holder of Class C common stock of Townsquare, the Company is entitled to convert at any time all or any part of the Company’s shares into an equal number of shares of Class A common stock of Townsquare, subject to restrictions set forth in Townsquare’s certificate of incorporation.

The cost basis and the carrying fair value of these investments, which are reported under Other assets in the accompanying consolidated balance sheets as of December 31, 2021 and June 30, 2021, are as follows:

	Shares / Units Held	December 31, 2021	
		Cost Basis	Carrying value / Fair value
Equity Investment with Readily Determinable Fair Values			
Townsquare Class A common stock	583	\$ 4,221	\$ 7,773
Townsquare Class C common stock	2,625	19,001	34,992
DraftKings common stock	869	6,036	23,884
Total		<u>\$ 29,258</u>	<u>\$ 66,649</u>

	Shares / Units Held	June 30, 2021	
		Cost Basis	Carrying value / Fair value
Equity Investment with Readily Determinable Fair Values			
Townsquare Class A common stock	583	\$ 4,221	\$ 7,435
Townsquare Class C common stock	2,625	19,001	33,469
DraftKings common stock	869	6,036	45,360
Total		<u>\$ 29,258</u>	<u>\$ 86,264</u>

The following table summarizes the realized and unrealized gain (loss) on equity investments with readily determinable fair value 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
Unrealized gain — Townsquare	\$ 834	\$ 6,416	\$ 1,861	\$ 7,026
Unrealized gain (loss) — DraftKings	(17,989)	(10,984)	(21,476)	22,064
Realized loss — DraftKings	—	(2,659)	—	(2,659)
	<u>\$ (17,155)</u>	<u>\$ (7,227)</u>	<u>\$ (19,615)</u>	<u>\$ 26,431</u>

MADISON SQUARE GARDEN ENTERTAINMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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Note 8. Property and Equipment

As of December 31, 2021 and June 30, 2021, property and equipment consisted of the following:

	December 31, 2021	June 30, 2021
Land	\$ 148,919	\$ 150,750
Buildings	997,216	996,295
Equipment	414,243	405,835
Aircraft	38,090	38,090
Furniture and fixtures	38,806	40,660
Leasehold improvements	227,349	214,678
Construction in progress ^(a)	1,546,952	1,194,525
	3,411,575	3,040,833
Less accumulated depreciation and amortization	(936,882)	(884,541)
	<u>\$ 2,474,693</u>	<u>\$ 2,156,292</u>

^(a) Interest is capitalized during the construction period for significant long term construction projects. The Company capitalizes interest within the Entertainment segment in connection with the construction of MSG Sphere in Las Vegas. For the three and six months ended December 31, 2021, the company capitalized \$10,600 and \$19,926 of interest, respectively. As disclosed on the Company's Form 10-K/A filed on February 9, 2022 for the Fiscal Year 2021, the Company determined that the application of ASC Topic 835-20 (Capitalization of Interest) required that a portion of the interest incurred under the Company's credit facilities should have been capitalized during the periods that the Company had been capitalizing costs related to MSG Sphere at the Venetian (the "accounting error"), which capitalization of such costs began in 2017. As a result, the previously reported consolidated statements of operation of the Company for the three and six months ended December 31, 2020 have been revised to correct this immaterial accounting error by decreasing the Company's previously reported interest expense by \$7,566 and \$7,911, respectively.

The increase in Construction in progress is primarily associated with the development and construction of MSG Sphere in Las Vegas. The property and equipment balances above include \$154,131 and \$106,990 of capital expenditure accruals (primarily related to MSG Sphere construction) as of December 31, 2021 and June 30, 2021, respectively, which are reflected in Other accrued liabilities in the accompanying consolidated balance sheets.

Depreciation and amortization expense on property and equipment was \$26,100 and \$51,221 for the three and six months ended December 31, 2021, respectively, and \$21,928 and \$46,589 for the three and six months ended December 31, 2020, respectively.

During the three months ended September 30, 2021, Tao Group Hospitality recorded an impairment charge for leasehold improvements of \$3,269 due to decisions made by management to cease operations at certain venues subsequent to Hakkasan acquisition date.

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

Note 9. Leases

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

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

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

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

As of December 31, 2021, the Company's existing operating leases, which are recorded on the accompanying financial statements, have remaining lease terms ranging from 0.3 years to 20.1 years. In certain instances, leases include options to renew, with varying option terms in each case. The exercise of lease renewal options is generally at the Company's discretion and is considered in the Company's assessment of the respective lease term. The Company's lease agreements do not contain material residual value guarantees or material restrictive covenants.

The following table summarizes the ROU assets and lease liabilities recorded on the Company's consolidated balance sheets as of December 31, 2021 and June 30, 2021:

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	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	\$ 470,253	\$ 280,579
Lease liabilities:			
Operating leases, current	Operating lease liabilities, current	\$ 65,663	\$ 73,423
Operating leases, noncurrent	Operating lease liabilities, noncurrent	450,019	233,556
Total lease liabilities		\$ 515,682	\$ 306,979

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

	Line Item in the Company's Consolidated and Combined Statement of Operations	Three Months Ended December 31,	
		2021	2020
Operating lease cost	Direct operating expenses	\$ 10,324	\$ 6,545
Operating lease cost	Selling, general and administrative expenses	7,723	6,410
Variable lease cost	Direct operating expenses	1,006	315
Variable lease cost	Selling, general and administrative expenses	15	15
Total lease cost		\$ 19,068	\$ 13,285

	Line Item in the Company's Consolidated Statement of Operations	Six Months Ended December 31,	
		2021	2020
Lease cost, operating leases	Direct operating expenses	\$ 21,960	\$ 12,952
Lease cost, operating leases	Selling, general and administrative expenses	14,144	12,903
Variable lease cost	Direct operating expenses	2,092	591
Variable lease cost	Selling, general and administrative expenses	29	38
Total lease cost		\$ 38,225	\$ 26,484

Supplemental Information

For the six months ended December 31, 2021 and 2020, cash paid for amounts included in the measurement of operating lease liabilities was \$30,282 and \$28,261, respectively. For the six months ended December 31, 2021, the Company recorded new operating lease liabilities of \$321,863 arising from obtaining right-of-use lease assets including (i) the renewal of the Radio City Music Hall and Beacon Theatre leases, and to a lesser extent, reflecting (ii) leases associated with MSG Sphere development, net of tenant incentives, (iii) a lease agreement with the existing landlord for the Company's New York corporate office space, which extended the term for certain existing office space in use, and (iv) an aviation lease. For the six months ended December 31, 2021, the Company received approximately \$12,800 of the aforementioned tenant incentives, through a cash receipt from the landlord and payments by the landlord for capital expenditures on behalf of the Company. For the six months ended December 31, 2020, the Company did not enter into new leases.

MADISON SQUARE GARDEN ENTERTAINMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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In November 2021, the Company executed an agreement with the existing landlord for its New York corporate office space pursuant to which it will be relocating from the space that the Company currently occupies to newly renovated office space within the same building. The Company will not be involved in the design or construction of the new space for purposes of the Company's buildout prior to obtaining possession, which is expected to occur in Fiscal Year 2024. Upon obtaining possession of the space, the new lease is expected to result in an additional lease obligation and right of use asset. While lease payments under the new lease agreement will be recognized as a lease expense on a straight-line basis over the lease term, the Company will begin paying full rent in the second half of Fiscal Year 2026 due to certain tenant incentives included in the arrangement. Base rent payments will increase every five years beginning in Fiscal Year 2031 in accordance with the terms of the lease. The Company anticipates entering into a new sublease agreement with MSG Sports for a lease term equivalent to the November 2021 agreement that the Company entered into with the existing landlord. The future lease payments related to this new lease for the next five fiscal years and thereafter are expected to be as follows:

Fiscal Year 2022	\$	—
Fiscal Year 2023		—
Fiscal Year 2024		—
Fiscal Year 2025		10,121
Fiscal Year 2026		19,023
Thereafter (Fiscal Year 2027 to Fiscal Year 2046)		1,026,207
Total lease payments	\$	1,055,351

During the three months ended September 30, 2021, a non-cash impairment charge of \$4,549 was recorded for the right-of-use lease assets associated with certain Hakkasan venues of Tao Group Hospitality due to decisions made by management to cease operations at certain venues subsequent to the Hakkasan acquisition date. For the three months ended December 31, 2021, the Company recorded a net gain of approximately \$5,900 principally from extinguishments and modification of lease liabilities associated with certain Hakkasan venues of Tao Group Hospitality.

As of December 31, 2021, the weighted average remaining lease term for operating leases recorded on the accompanying consolidated balance sheet was 12.2 years. The weighted average discount rate was 6.41% 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, (ii) upon entering a new lease or (iii) the period in which the lease term expectation was modified.

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

Fiscal Year 2022 (remainder)	\$	28,220
Fiscal Year 2023		78,709
Fiscal Year 2024		80,196
Fiscal Year 2025		57,624
Fiscal Year 2026		34,293
Thereafter		479,386
Total lease payments		758,428
Less imputed interest		242,746
Total lease liabilities	\$	515,682

Lessor Arrangements

In connection with the Entertainment Distribution, the Company entered into Arena License Agreements with MSG Sports that, among other things, require the Knicks and the Rangers to play their home games at The Garden in exchange for fixed annual license fees scheduled to be paid monthly over the term of the agreements. The Company accounts for these license fees as operating lease revenue given that the Company provides MSG Sports with the right to direct the use of and obtain substantially all of the economic benefit from The Garden during Knicks and Rangers home games. Operating lease revenue is recognized on

MADISON SQUARE GARDEN ENTERTAINMENT CORP.
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a straight-line basis over the lease term, adjusted pursuant to the terms of the Arena License Agreements. In the case of the Arena License Agreements, the lease terms relate to non-consecutive periods of use when MSG Sports uses The Garden for their professional sports teams' home games, and operating lease revenue is therefore recognized ratably as events occur.

The Arena License Agreements provide that license fees are not required to be paid by MSG Sports during periods when The Garden is unavailable for use due to a force majeure event. As a result of government-mandated suspension of events at The Garden beginning on March 13, 2020 due to the impact of the COVID-19 pandemic, The Garden was not available for use by MSG Sports from the effective date of the Arena License Agreements through the first quarter of Fiscal Year 2021, and, accordingly, the Company did not record any operating lease revenue for this arrangement during the first quarter of Fiscal Year 2021. Use of The Garden resumed for Knicks and Rangers home games without fans in December 2020 and January 2021, respectively, and was available at 10% seating capacity from February through May 2021 when it became available at 100% seating capacity. The Company recorded \$27,854 and \$29,182 of revenues under the Arena License Agreements for the three and six months ended December 31, 2021, respectively, and \$1,585 for the three and six months ended December 31, 2020. In addition, the Company recorded revenues from third party and related party lease and sublease arrangements of \$1,342 and \$2,330 for the three and six months ended December 31, 2021, respectively, and \$749 and \$1,497 for the three and six months ended December 31, 2020, respectively.

Note 10. Goodwill and Intangible Assets

The carrying amount of goodwill as of December 31, 2021 and June 30, 2021 are as follows:

	Entertainment	MSG Networks	Tao Group Hospitality	Total
Balance as of June 30, 2021	\$ 74,309	\$ 424,508	\$ 3,378	\$ 502,195
Measurement period adjustment ^(a)	—	—	(2,014)	(2,014)
Balance as of December 31, 2021	\$ 74,309	\$ 424,508	\$ 1,364	\$ 500,181

^(a) During the three months ended September 30, 2021, the Company recorded an adjustment to reflect a measurement period adjustment in connection with the acquisition of Hakkasan by Tao Group Hospitality. Upon the finalization of the closing statement during the first quarter of Fiscal Year 2022, the noncontrolling interest owned by Hakkasan Parent in Tao Group Sub-Holdings LLC was reduced from approximately 18% as initially estimated to approximately 15%. Such change resulted in a decrease in the Company's redeemable noncontrolling interest of \$7,500, a decrease in Goodwill of \$480 as included above, and a decrease in amortizable intangibles of approximately \$7,020 related to trade names and venue management contracts. Additionally, the Company wrote-off a previously reported accrual of \$1,534, which resulted in an additional decrease in Goodwill of \$1,534, also included above. See Note 3 to the Company's audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Company's Annual Report on Form 10-K regarding the details of the acquisition of Hakkasan. No additional adjustments were recorded during the three months ended December 31, 2021.

During the first quarter of Fiscal Year 2022, the Company performed its annual impairment test of goodwill and determined that there were no impairments of goodwill identified as of the impairment test date.

The carrying amount of indefinite-lived intangible assets, all of which are within the Entertainment segment, as of December 31, 2021 and June 30, 2021 were as follows:

Trademarks	\$ 61,881
Photographic related rights	1,920
Total	\$ 63,801

During the first quarter of Fiscal Year 2022, the Company performed its annual impairment test of indefinite-lived intangible assets and determined that there were no impairments of indefinite-lived intangibles identified as of the impairment test date.

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

December 31, 2021	Gross	Accumulated Amortization	Net
Trade names	\$ 113,333	\$ (28,292)	\$ 85,041
Venue management contracts	85,763	(20,572)	65,191
Affiliate relationships	83,044	(57,951)	25,093
Non-compete agreements	9,000	(7,696)	1,304
Festival rights	8,080	(2,966)	5,114
Other intangibles	4,217	(3,954)	263
	<u>\$ 303,437</u>	<u>\$ (121,431)</u>	<u>\$ 182,006</u>

June 30, 2021	Gross	Accumulated Amortization	Net
Trade names	\$ 121,000	\$ (25,605)	\$ 95,395
Venue management contracts	85,700	(17,518)	68,182
Affiliate relationships	83,044	(56,221)	26,823
Non-compete agreements	9,000	(6,913)	2,087
Festival rights	8,080	(2,696)	5,384
Other intangibles	4,217	(3,814)	403
	<u>\$ 311,041</u>	<u>\$ (112,767)</u>	<u>\$ 198,274</u>

Amortization expense for intangible assets was \$4,433 and \$8,742 for the three and six months ended December 31, 2021, respectively, and \$3,749 and \$7,498 for three and six month ended December 31, 2020, respectively.

Note 11. Commitments and Contingencies

Commitments

See Note 12 to the Company's audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Company's Annual Report on Form 10-K for details on the Company's off-balance sheet commitments. The Company's off-balance sheet commitments as of June 30, 2021 included a total of \$3,646,250 of contract obligations (primarily related to media rights agreements) from the MSG Networks segment, as a result of the Merger, as follows:

Fiscal Year 2022	\$ 276,707
Fiscal Year 2023	273,370
Fiscal Year 2024	253,485
Fiscal Year 2025	246,013
Fiscal Year 2026	249,584
Thereafter	2,347,091
	<u>\$ 3,646,250</u>

During the three and six months ended December 31, 2021, the Company did not have any material changes in its non-cancelable contractual obligations other than activities in the ordinary course of business. See Note 13 for details of the principal repayments required under the Company's various credit facilities, including the MSG Networks Senior Secured Credit Facilities, and Note 9 for details on the commitments under the Company's lease obligations.

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Legal Matters

Fifteen complaints were filed in connection with the Merger by purported stockholders of the Company and MSG Networks Inc.

Nine of these complaints involved allegations of materially incomplete and misleading information set forth in the joint proxy statement/prospectus filed by the Company and MSG Networks Inc. in connection with the Merger. As a result of supplemental disclosures made by the Company and MSG Networks Inc. on July 1, 2021, all of the disclosure actions were voluntarily dismissed with prejudice prior to or shortly following the consummation of the Merger.

On May 27, 2021, a complaint captioned *Hollywood Firefighters' Pension Fund et al. v. James Dolan, et al.*, 2021-0468-KSJM, was filed in the Court of Chancery of the State of Delaware by purported stockholders of the Company against the Company, its Board of Directors (the "Board"), certain Dolan family stockholders and MSG Networks Inc. The complaint purported to allege derivative claims on behalf of the Company and claims on behalf of a putative class of Company stockholders concerning the Merger. Plaintiffs alleged, among other things, that the Merger was a business combination with an interested stockholder that is not allowed under Section 203 of the Delaware General Corporation Law (the "DGCL"), that the Board members and majority stockholders violated their fiduciary duties in agreeing to the Merger, and that the disclosures relating to the Merger were misleading or incomplete. Plaintiffs sought, among other relief, declaratory and preliminary and permanent injunctive relief enjoining the stockholder vote and consummation of the Merger, and an award of damages in the event the transaction was consummated and plaintiffs' attorneys' fees. On June 15, 2021, plaintiffs filed a brief in support of their motion seeking a preliminary injunction enjoining the Company's stockholder vote and consummation of the Merger, which the defendants opposed. The Court of Chancery denied the plaintiffs' preliminary injunction motion on July 2, 2021.

On June 9, 2021, a complaint captioned *Timothy Leisz v. MSG Networks Inc. et al.*, 2021-0504-KSJM, was filed in the Court of Chancery of the State of Delaware by a purported stockholder of MSG Networks Inc. against MSG Networks Inc., the MSG Networks Inc. board of directors, certain Dolan family stockholders and the Company. The complaint purported to allege claims on behalf of a putative class of MSG Networks Inc. stockholders concerning the Merger. The MSG Networks Inc. plaintiff alleged, among other things, that the Merger was a business combination with an interested stockholder that is not allowed under Section 203 of the DGCL, that the MSG Networks Inc. board members and majority stockholders violated their fiduciary duties in agreeing to the Merger, and that the disclosures relating to the merger were misleading or incomplete. Plaintiff sought, among other relief, declaratory and preliminary and permanent injunctive relief enjoining the stockholder vote and consummation of the Merger, and an award of damages in the event the transaction was consummated and plaintiff's attorneys' fees. On June 21, 2021, plaintiff filed a brief in support of his motion seeking a preliminary injunction enjoining the MSG Networks Inc. stockholder vote and consummation of the Merger, which defendants opposed. The Court of Chancery denied the plaintiff's preliminary injunction motion on July 2, 2021.

On July 6, 2021, a complaint captioned *Stevens et al. v. Dolan et al.*, 2021-0575, was filed in the Court of Chancery of the State of Delaware by purported stockholders of MSG Networks Inc. against the MSG Networks Inc. board of directors. The complaint purported to allege claims on behalf of a putative class of MSG Networks Inc. stockholders concerning the Merger. The plaintiffs alleged, among other things, that the MSG Networks Inc. board members and majority stockholders violated their fiduciary duties in agreeing to the Merger and that the disclosures relating to the merger were misleading or incomplete. Plaintiffs sought, among other relief, an order rescinding the merger and rescinding any severance paid to James Dolan in connection with the Merger, an award of damages in the event the transaction was consummated, and plaintiffs' attorneys' fees.

On July 6, 2021, a complaint captioned *The City of Boca Raton Police and Firefighters' Retirement System v. MSG Networks Inc.*, 2021-0578, was filed in the Court of Chancery of the State of Delaware by purported stockholders of MSG Networks Inc. against MSG Networks Inc. The complaint purported to seek to enforce plaintiff's right to inspect certain of MSG Networks Inc.'s books and records under Section 220 of the DGCL. The complaint was voluntarily dismissed on August 10, 2021.

On August 11, 2021, a stockholder derivative complaint captioned *City of Miramar Retirement Plan and Trust Fund for General Employees et al. v. Dolan et al.*, 2021-0692 was filed in the Court of Chancery of the State of Delaware by purported stockholders of the Company. The complaint purported to allege derivative claims on behalf of the Company and direct claims on behalf of a putative class of Company stockholders. Plaintiffs alleged that the Board and the Company's majority stockholders violated their fiduciary duties by failing to protect the Company's interest in connection with the Merger. Plaintiffs sought, among other relief, an award of damages to the purported class and Company including interest, and plaintiffs' attorneys' fees.

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On August 31, 2021, a complaint captioned *Murray v. Dolan et al.*, 2021-0748, was filed in the Court of Chancery of the State of Delaware by purported stockholders of MSG Networks Inc. against the MSG Networks Inc. board of directors. The complaint purported to allege claims on behalf of a putative class of MSG Networks stockholders concerning the Merger. Plaintiffs alleged, among other things, that the MSG Networks Inc. board members and majority stockholders violated their fiduciary duties in agreeing to the Merger and that the disclosures relating to the merger were misleading or incomplete. Plaintiffs sought, among other relief, an order rescinding the merger and rescinding any severance paid to James Dolan in connection with the Merger, an award of damages, and plaintiffs' attorneys' fees.

All of the above complaints have since either been dismissed or consolidated into one of two litigations.

On September 10, 2021, the Court of Chancery entered an order consolidating the complaints in the *Hollywood Firefighters* and *City of Miramar* actions. The new consolidated action is captioned: *In re Madison Square Garden Entertainment Corp. Stockholders Litigation*, C.A. 2021-0468-KSJM. The consolidated plaintiffs filed their Verified Consolidated Derivative Complaint on October 11, 2021. The complaint, which names the Company as only a nominal defendant, retains all of the derivative allegations for breach of fiduciary duties that were present in the *Hollywood Firefighters* and *City of Miramar* complaints and abandons the direct claims in those prior complaints. Plaintiffs seek, among other relief, an award of damages to the Company including interest, and plaintiffs' attorneys' fees. The Company and other defendants filed answers to the complaint on December 30, 2021, and are currently engaged in responding to the consolidated plaintiffs' discovery requests. Pursuant to the indemnity rights in its bylaws and Delaware law, the Company is advancing the costs incurred by defendants in this action, and defendants may assert indemnification rights in respect of any adverse judgment or settlement of the action.

On September 27, 2021, the Court of Chancery entered an order consolidating the complaints in the *Leisz, Stevens, City of Boca Raton*, and *Murray* complaints. The new consolidated action is captioned: *In re MSG Networks Inc. Stockholder Class Action Litigation*, C.A. 2021-0575-KSJM. The consolidated plaintiffs filed their Verified Consolidated Stockholder Class Action Complaint on October 29, 2021. The complaint asserts claims on behalf of a putative class of former MSG Networks Inc. stockholders against each member of the board of directors of MSG Networks Inc. prior to the Merger. Plaintiffs allege that the MSG Networks Inc. board of directors and majority stockholders breached their fiduciary duties in negotiating and approving the Merger. The Company is not named as a defendant. Pursuant to the indemnity rights in its bylaws and Delaware law, the Company is advancing the costs incurred by defendants in this action, and defendants may assert indemnification rights in respect of any adverse judgment or settlement of the action. Plaintiffs seek, among other relief, monetary damages for the putative class and plaintiffs' attorneys' fees. Defendants to the MSG Networks Inc. consolidated action filed answers to the complaint on December 30, 2021 and are currently engaged in responding to the plaintiffs' discovery requests.

We are currently unable to determine a range of potential liability, if any, with respect to these Merger-related claims. Accordingly, no accrual for these matters has been made in our consolidated financial statements.

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

Note 12. Fair Value Measurements

The following table presents the Company's assets that are measured at fair value within Level I of the fair value hierarchy on a recurring basis using observable inputs that reflect quoted prices for identical assets in active markets. These assets include (i) cash equivalents in money market accounts and time deposits, and (ii) equity investments with readily determinable fair value:

	Line Item on Consolidated Balance Sheet	December 31, 2021	June 30, 2021
Assets:			
Money market accounts and time deposits ^(a)	Cash and cash equivalents	\$ 1,107,768	\$ 1,361,729
Equity investments with readily determinable fair value ^(b)	Other assets	66,649	86,264
Total assets measured at fair value		<u>\$ 1,174,417</u>	<u>\$ 1,447,993</u>

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^(a) The carrying amount of the Company's cash equivalents in money market accounts and time deposits approximate fair value due to their short-term maturities.

^(b) See Note 7 for more information on the Company's equity investments with readily determinable fair value in Townsquare and DraftKings.

In addition to the table above, 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				
Current and non-current portion of long-term debt under the MSG Networks Term Loan Facility ^(a)	\$ 1,023,000	\$ 1,012,770	\$ 1,047,750	\$ 1,042,510
Current and non-current portion of long-term debt under the National Properties Term Loan Facility ^(a)	\$ 643,500	\$ 658,783	\$ 646,750	\$ 669,386
Current and non-current portion of long-term debt under the Tao Credit Facilities ^(a)	\$ 26,250	\$ 26,315	\$ 43,750	\$ 43,851

^(a) On October 11, 2019, MSGN Holdings, L.P., certain MSGN Holdings, L.P. subsidiaries and certain MSG Networks Inc. subsidiaries entered into an amended and restated credit facility consisting of a \$1,100,000 five-year term loan facility and a \$250,000 five-year revolving credit facility. On May 23, 2019, Tao Group Intermediate Holdings LLC and Tao Group Operating LLC entered into a \$40,000 five-year term loan facility and a \$25,000 five-year term revolving facility. In November 2020, MSG National Properties and certain subsidiaries of the Company entered into the National Properties Term Loan Facility, providing a five-year \$650,000 term loan facility. The Company's long-term debt is classified within Level II of the fair value hierarchy as it is valued using quoted indices of similar securities for which the inputs are readily observable. See Note 13 for more information and outstanding balances on this long-term debt.

Note 13. Credit Facilities

MSG Networks Senior Secured Credit Facilities

On September 28, 2015, MSGN Holdings, L.P. ("MSGN L.P."), MSGN Eden, LLC, an indirect subsidiary of the Company (through the Merger) and the general partner of MSGN L.P., Regional MSGN Holdings LLC, an indirect subsidiary of the Company and the limited partner of MSGN L.P. (collectively with MSGN Eden, LLC, the "MSGN Holdings Entities"), and certain subsidiaries of MSGN L.P. entered into a credit agreement (the "MSGN Former Credit Agreement") with a syndicate of lenders. The MSGN Former Credit Agreement provided MSGN L.P. with senior secured credit facilities that consisted of: (a) an initial \$1,550,000 term loan facility and (b) a \$250,000 revolving credit facility.

On October 11, 2019, MSGN L.P., the MSGN Holdings Entities and certain subsidiaries of MSGN L.P. amended and restated the MSGN Former Credit Agreement in its entirety (the "MSGN Credit Agreement"). The MSGN Credit Agreement provides MSGN L.P. with senior secured credit facilities (as amended, the "MSG Networks Senior Secured Credit Facilities") consisting of: (i) an initial \$1,100,000 term loan facility (the "MSGN Term Loan Facility") and (ii) a \$250,000 revolving credit facility (the "MSGN Revolving Credit Facility"), each with a term of five years. Proceeds from the MSGN Term Loan Facility were used by MSGN L.P. to repay outstanding indebtedness under the MSGN Former Credit Agreement. Up to \$35,000 of the MSGN Revolving Credit Facility is available for the issuance of letters of credit. Subject to the satisfaction of certain conditions and limitations, the MSGN Credit Agreement allows for the addition of incremental term and/or revolving loan commitments and incremental term and/or revolving loans.

Borrowings under the MSGN Credit Agreement bear interest at a floating rate, which at the option of MSGN L.P. may be either (i) a base rate plus an additional rate ranging from 0.25% to 1.25% per annum (determined based on a total net leverage ratio) (the "MSGN Base Rate"), or (ii) a Eurodollar rate plus an additional rate ranging from 1.25% to 2.25% per annum (determined

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based on a total net leverage ratio) (the “MSGN Eurodollar Rate”). Upon a payment default in respect of principal, interest or other amounts due and payable under the MSGN Credit Agreement or related loan documents, default interest will accrue on all overdue amounts at an additional rate of 2.00% per annum. The MSGN Credit Agreement requires that MSGN L.P. pay a commitment fee ranging from 0.225% to 0.30% (determined based on a total net leverage ratio) in respect of the average daily unused commitments under the MSGN Revolving Credit Facility. MSGN L.P. will also be required to pay customary letter of credit fees, as well as fronting fees, to banks that issue letters of credit. The interest rate on the MSGN Term Loan Facility as of December 31, 2021 was 1.60%.

The MSGN Credit Agreement generally requires the MSGN Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis to comply with a maximum total leverage ratio of 5.50:1.00, subject, at the option of MSGN L.P. to an upward adjustment to 6.00:1.00 during the continuance of certain events. In addition, the MSGN Credit Agreement requires a minimum interest coverage ratio of 2.00:1.00 for the MSGN Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis. All borrowings under the MSGN Credit Agreement are subject to the satisfaction of customary conditions, including absence of a default and accuracy of representations and warranties. As of December 31, 2021, the MSGN Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis were in compliance with the covenants. As of December 31, 2021, there were no letters of credit issued and outstanding under the MSGN Revolving Credit Facility. As of December 31, 2021, there was \$1,023,000 outstanding under the MSGN Term Loan Facility, and no borrowings under the MSGN Revolving Credit Facility.

All obligations under the MSGN Credit Agreement are guaranteed by the MSGN Holdings Entities and MSGN L.P.’s existing and future direct and indirect domestic subsidiaries that are not designated as excluded subsidiaries or unrestricted subsidiaries (the “MSGN Subsidiary Guarantors,” and together with the MSGN Holdings Entities, the “MSGN Guarantors”). All obligations under the MSGN Credit Agreement, including the guarantees of those obligations, are secured by certain assets of MSGN L.P. and each MSGN Guarantor (collectively, “MSGN Collateral”), including, but not limited to, a pledge of the equity interests in MSGN L.P. held directly by the Holdings Entities and the equity interests in each MSGN Subsidiary Guarantor held directly or indirectly by MSGN L.P.

Subject to customary notice and minimum amount conditions, MSGN L.P. may voluntarily repay outstanding loans under the MSGN Credit Agreement at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurodollar loans). The MSGN Term Loan Facility amortizes quarterly in accordance with its terms beginning March 31, 2020 through September 30, 2024 with a final maturity date of October 11, 2024. MSGN L.P. is required to make mandatory prepayments in certain circumstances, including without limitation from the net cash proceeds of certain sales of assets (including MSGN Collateral) or casualty insurance and/or condemnation recoveries (subject to certain reinvestment, repair or replacement rights) and the incurrence of certain indebtedness, subject to certain exceptions.

In addition to the financial covenants discussed above, the MSGN Credit Agreement and the related security agreement contain certain customary representations and warranties, affirmative covenants, and events of default. The MSGN Credit Agreement contains certain restrictions on the ability of MSGN L.P. and its restricted subsidiaries to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the MSGN Credit Agreement, including the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making investments, loans or advances in or to other persons; (iv) paying dividends and distributions or repurchasing capital stock; (v) changing their lines of business; (vi) engaging in certain transactions with affiliates; (vii) amending specified material agreements; (viii) merging or consolidating; (ix) making certain dispositions; and (x) entering into agreements that restrict the granting of liens. The MSGN Holdings Entities are also subject to customary passive holding company covenants. The Merger did not result in a change of control or acceleration of debt payments under the MSGN Credit Agreement.

National Properties Term Loan Facility

On November 12, 2020, MSG National Properties, an indirect, wholly-owned subsidiary of the Company, MSG Entertainment Group, LLC (“MSG Entertainment Group”) and certain subsidiaries of MSG National Properties entered into a 5-year \$650,000 senior secured term loan facility (the “National Properties Term Loan Facility”). The proceeds of the National Properties Term Loan Facility may be used to fund working capital needs, for general corporate purposes of MSG National Properties and its subsidiaries, and to make distributions to MSG Entertainment Group.

The National Properties Term Loan Facility includes a minimum liquidity covenant, pursuant to which MSG National Properties and its restricted subsidiaries are required to maintain a specified minimum level of average daily liquidity, consisting of cash and cash equivalents and available revolving commitments, over the last month of each quarter. Following

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the first anniversary of the closing of the facility in November 2021, the minimum liquidity level was reduced to \$200,000. If at any time the total leverage ratio of MSG National Properties and its restricted subsidiaries is less than 5.00 to 1.00 as of the end of any four consecutive fiscal quarter period or MSG National Properties obtains an investment grade rating, the minimum liquidity level is permanently reduced to \$50,000. As of December 31, 2021, the trailing twelve month AOI (as defined under the National Properties Term Loan Facility) for MSG National Properties and its restricted subsidiaries was negative and therefore, the minimum liquidity level continues to be \$200,000.

Subject to customary notice and minimum amount conditions, the Company may voluntarily repay outstanding loans under the National Properties Term Loan Facility at any time, in whole or in part (subject to customary breakage costs with respect to LIBOR loans) subject to a prepayment premium equal to (i) for the initial 18 month period following the facility's effective date, 2.0% of the principal amount prepaid *plus* the amount of interest that would have been payable on such principal amount from the date of such prepayment through the end of such 18-month period, (ii) after the initial 18 month period but on or prior to the three year anniversary of the effective date, 2.0% of the principal amount prepaid, (iii) after the three year anniversary but on or prior to the four year anniversary of the effective date, 1.0% of the principal amount prepaid and (iv) after the 4th anniversary, —%. The principal obligations under the National Properties Term Loan Facility are to be repaid in quarterly installments in an aggregate amount equal to 1.00% per annum (0.25% per quarter), with the balance due at the maturity of the facility. The National Properties Term Loan Facility will mature on November 12, 2025. Borrowings under the National Properties Term Loan Facility bear interest at a floating rate, which at the option of MSG National Properties may be either (i) a base rate plus a margin of 5.25% per annum or (ii) LIBOR, with a floor of 0.75%, plus a margin of 6.25% per annum. The interest rate on the National Properties Term Loan Facility as of December 31, 2021 was 7.00%. As of December 31, 2021, there was \$643,500 outstanding under the National Properties Term Loan Facility.

All obligations under the National Properties Term Loan Facility are guaranteed by MSG Entertainment Group and MSG National Properties' existing and future direct and indirect domestic subsidiaries, other than the subsidiaries that own The Garden, BCE and certain other excluded subsidiaries (the "Subsidiary Guarantors").

All obligations under the National Properties Term Loan Facility, including the guarantees of those obligations, are secured by certain of the assets of MSG National Properties and the Subsidiary Guarantors (collectively, "Collateral") including, but not limited to, a pledge of some or all of the equity interests held directly or indirectly by MSG National Properties in each Subsidiary Guarantor. The Collateral does not include, among other things, any interests in The Garden or the leasehold interests in Radio City Music Hall and the Beacon Theatre. Under certain circumstances, MSG National Properties is required to make mandatory prepayments on loans outstanding, including prepayments in an amount equal to a specified percentage of excess cash flow in any fiscal year and prepayments in an amount equal to the net cash proceeds of certain sales of assets or casualty insurance and/or condemnation recoveries (subject to certain reinvestment, repair or replacement rights), in each case subject to certain exceptions.

In addition to the minimum liquidity covenant, the National Properties Term Loan Facility and the related security agreement contain certain customary representations and warranties, affirmative and negative covenants and events of default.

The National Properties Term Loan Facility contains certain restrictions on the ability of MSG National Properties and its restricted subsidiaries to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the National Properties Term Loan Facility, including the following: (i) incur additional indebtedness; (ii) create liens on certain assets; (iii) make investments, loans or advances in or to other persons; (iv) pay dividends and distributions or repurchase capital stock (which will restrict the ability of MSG National Properties to make cash distributions to the Company); (v) repay, redeem or repurchase certain indebtedness; (vi) change its lines of business; (vii) engage in certain transactions with affiliates; (viii) amend their respective organizational documents; (ix) merge or consolidate; and (x) make certain dispositions. As of December 31, 2021, MSG National Properties and its restricted subsidiaries were in compliance with the covenants of the National Properties Term Loan Facility.

Tao Credit Facilities

On May 23, 2019, Tao Group Intermediate Holdings LLC ("TAOIH" or "Intermediate Holdings") and Tao Group Operating LLC ("TAOG" or "Senior Borrower"), entered into a credit agreement (the "Tao Senior Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent, collateral agent and a letter of credit issuer, and the lenders party thereto. Together the Tao Senior Credit Agreement and a \$49,000 intercompany subordinated credit agreement that matures in August 2024 (the "Tao Subordinated Credit Agreement") between a subsidiary of the Company and Tao Group Sub-Holdings LLC, a subsidiary

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of Tao Group Hospitality, replaced the Senior Borrower's prior credit agreement dated January 31, 2017 ("2017 Tao Credit Agreement"). On June 15, 2020, the Company entered into the second amendment to the Tao Subordinated Credit Agreement, which provided an additional \$22,000 of intercompany loan borrowing availability under the Tao Subordinated Credit Agreement. The net intercompany loan outstanding balance under the Tao Subordinated Credit Agreement, as amended, was \$63,000 as of December 31, 2021. The balances and interest-related activities pertaining to the Tao Subordinated Credit Agreement, as amended, have been eliminated in the consolidated financial statements in accordance with ASC Topic 810, *Consolidation*.

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

The Tao Senior Credit Agreement requires TAOIH to comply with a maximum total leverage ratio of 4.00:1.00 and a maximum senior leverage ratio of 3.00:1.00 from the closing date until December 31, 2021 and a maximum total leverage ratio of 3.50:1.00 and a maximum senior leverage ratio of 2.50:1.00 from and after December 31, 2021. In addition, there is a minimum fixed charge coverage ratio of 1.25:1.00 for TAOIH. On August 6, 2020, TAOG and TAOIH entered into an amendment to the Tao Senior Credit Agreement, which suspended the application of the financial maintenance covenants thereunder, modified certain restrictive covenants therein through December 31, 2021, modified the applicable interest rates and increased the minimum liquidity requirement for the outstanding balance of \$33,750 under the Tao Term Loan Facility and for the \$25,000 availability under the Tao Revolving Credit Facility. As of January 1, 2022, such financial maintenance and restrictive covenant suspensions are no longer in effect. TAOIH and its restricted subsidiaries must maintain a minimum consolidated liquidity, consisting of cash and cash equivalents and available revolving commitments, at all times of \$10,000. In addition, in connection with the amendment, the Company, through its direct wholly owned subsidiary, MSG Entertainment Group, entered into a guarantee and reserve account agreement (i) to guarantee the obligations of TAOG under the Tao Senior Credit Agreement, (ii) to establish and grant a security interest in a reserve account that initially held a deposit of approximately \$9,800 and (iii) with a covenant to maintain a minimum liquidity requirement of no less than \$75,000 at all times. The balance held in the reserve account was approximately \$1,600 as of December 31, 2021. As of December 31, 2021, TAOG, TAOIH and the restricted subsidiaries were in compliance with the covenants of the Tao Senior Credit Agreement.

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

Borrowings under the Tao Senior Credit Agreement bear interest at a floating rate, which at the option of the Senior Borrower may be either (a) a base rate plus an additional rate ranging from 1.50% to 2.50% per annum (determined based on a total leverage ratio) (the "Tao Base Rate"), or (b) a Eurocurrency rate plus an additional rate ranging from 2.50% to 3.50% per annum (determined based on a total leverage ratio) (the "Tao Eurocurrency Rate"), provided that through December 31, 2021, the additional rate used in calculating the floating rate is (i) 1.50% per annum for borrowings bearing the Tao Base Rate, and (ii) 2.50% per annum for borrowings bearing the Eurocurrency Rate. The Tao Senior Credit Agreement requires TAOG to pay a commitment fee of 0.50% in respect of the daily unused commitments under the Tao Revolving Credit Facility. TAOG is also required to pay customary letter of credit fees, as well as fronting fees, to banks that issue letters of credit pursuant to the Tao Senior Credit Agreement. The interest rate on the Tao Senior Credit Agreement as of December 31, 2021 was 2.61%. There was no borrowing outstanding under the Tao Revolving Credit Facility as of December 31, 2021. Tao Group Hospitality utilized \$750 of the Tao Revolving Credit Facility for issuance of letters of credit and the remaining borrowing available as of December 31, 2021 was \$24,250. As of December 31, 2021, there was \$26,250 outstanding under the Tao Term Loan Facility.

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

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

Principal Repayments

Long-term debt maturities over the next five years for the outstanding balance under the MSG Networks Senior Secured Credit Facilities, National Properties Term Loan Facility and Tao Credit Facilities as of December 31, 2021 were:

	MSG Networks Senior Secured Credit Facilities	National Properties Term Loan Facility	Tao Credit Facilities	Total
Fiscal Year 2022 (remainder)	\$ 24,750	3,250	\$ 3,750	\$ 31,750
Fiscal Year 2023	66,000	6,500	10,000	82,500
Fiscal Year 2024	82,500	6,500	12,500	101,500
Fiscal Year 2025	849,750	6,500	—	856,250
Fiscal Year 2026	—	620,750	—	620,750
Thereafter	—	—	—	—
	<u>\$ 1,023,000</u>	<u>\$ 643,500</u>	<u>\$ 26,250</u>	<u>\$ 1,692,750</u>

The following table summarizes the outstanding balances under the MSG Networks Senior Secured Credit Facilities, National Properties Term Loan Facility and Tao Credit Facilities as well as the related deferred financing costs in the accompanying consolidated balance sheets as of December 31, 2021 and June 30, 2021:

	December 31, 2021			June 30, 2021		
	Principal	Unamortized Deferred Financing Costs	Net ^(a)	Principal	Unamortized Deferred Financing Costs	Net ^(a)
Current portion						
MSG Networks Senior Secured Credit Facilities	\$ 49,500	\$ (1,244)	\$ 48,256	\$ 49,500	\$ (1,255)	\$ 48,245
National Properties Term Loan Facility	6,500	(6,783)	(283)	6,500	(6,783)	(283)
Tao Term Loan Facility	8,750	(240)	8,510	6,250	(239)	6,011
Current portion of long-term debt, net of deferred financing costs	<u>\$ 64,750</u>	<u>\$ (8,267)</u>	<u>\$ 56,483</u>	<u>\$ 62,250</u>	<u>\$ (8,277)</u>	<u>\$ 53,973</u>

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	December 31, 2021			June 30, 2021		
	Principal	Unamortized Deferred Financing Costs	Net ^(a)	Principal	Unamortized Deferred Financing Costs	Net ^(a)
Noncurrent portion						
MSG Networks Senior Secured Credit Facilities	\$ 973,500	\$ (2,095)	\$ 971,405	\$ 998,250	\$ (2,715)	\$ 995,535
National Properties Term Loan Facility	637,000	(19,427)	617,573	640,250	(22,819)	617,431
Tao Term Loan Facility	17,500	(356)	17,144	22,500	(475)	22,025
Tao Revolving Credit Facility	—	—	—	15,000	—	15,000
Long-term debt, net of deferred financing costs	<u>\$ 1,628,000</u>	<u>\$ (21,878)</u>	<u>\$ 1,606,122</u>	<u>\$ 1,676,000</u>	<u>\$ (26,009)</u>	<u>\$ 1,649,991</u>

^(a) In addition to the outstanding balance associated with the MSG Networks Senior Secured Credit Facilities, the Tao Term Loan Facility, the Tao Revolving Credit Facility and the National Properties Term Loan Facility disclosed above, the Company's long-term debt, net of deferred financing costs in the accompanying consolidated balance sheets of \$1,606,759 and \$1,650,628 as of December 31, 2021 and June 30, 2021, respectively, also includes \$637 related to a note with respect to a loan received by BCE from its noncontrolling interest holder that matures in April 2023.

Unamortized deferred financing costs associated with MSGN Revolving Credit Facility and Tao Revolving Credit Facility are presented under the captions Other current assets and Other assets in the accompanying consolidated balance sheets.

Supplemental cash flows information

During the six months ended December 31, 2021 and 2020, interest payments and loan principal repayments made by the Company under the MSG Networks Senior Secured Credit Facilities, National Properties Term Loan Facility, and Tao Senior Credit Agreement for term loan and revolving credit facilities were as follows:

	Interest Payments ^(a)		Loan Principal Repayments	
	Six Months Ended		Six Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
MSG Networks Senior Secured Credit Facilities	\$ 8,886	\$ 9,584	\$ 24,750	\$ 13,750
National Properties Term Loan Facility	23,141	—	3,250	—
Tao Credit Facilities	415	554	17,500	2,500
	<u>\$ 32,442</u>	<u>\$ 10,138</u>	<u>\$ 45,500</u>	<u>\$ 16,250</u>

^(a) See Note 2 and Note 8 for further details on interest capitalization during the three and six months ended December 31, 2021, and 2020. Interest payments, net of capitalized interest, were \$12,516 and \$2,227 for the six months ended December 31, 2021 and 2020.

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Note 14. Pension Plans and Other Postretirement Benefit Plan

See Note 14 to the Company's audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Form 10-K for more information regarding the Company's defined benefit pension plans ("MSG Pension Plans"), postretirement benefit plan ("MSG Postretirement Plan"), The Madison Square Garden 401(k) Savings Plan and the MSG Sports & Entertainment, LLC Excess Savings Plan (collectively, the "Savings Plans"), and The Madison Square Garden 401(k) Union Plan (the "Union Savings Plan").

Through the Merger, the Company also sponsors (i) a non-contributory, qualified defined benefit pension plan covering certain of its union employees, (ii) an unfunded non-contributory, non-qualified frozen excess cash balance plan covering certain employees who participated in an underlying qualified plan, and (iii) an unfunded noncontributory, non-qualified frozen defined benefit pension plan for the benefit of certain employees who participated in an underlying qualified plan (collectively the "MSGN Pension Plans", and together with MSG Pension Plans, the "Pension Plans"). MSG Networks also sponsors a contributory welfare plan which provides certain postretirement healthcare benefits to certain employees hired prior to January 1, 2001 (the "MSGN Postretirement Plan", and together with MSG Postretirement Plan, the "Postretirement Plans").

Defined Benefit Pension Plans and Postretirement Benefit Plan

The following tables present components of net periodic benefit cost for the Pension Plans and Postretirement Plans included in the accompanying consolidated statements of operations for the three and six months ended December 31, 2021 and 2020. Service cost is recognized in direct operating expenses and selling, general and administrative expenses. All other components of net periodic benefit cost are reported in miscellaneous expense, net.

	Pension Plans		Postretirement Plan	
	Three Months Ended		Three Months Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Service cost	\$ 118	\$ 123	\$ 16	\$ 22
Interest cost	1,190	1,101	20	19
Expected return on plan assets	(1,719)	(1,509)	—	—
Recognized actuarial loss	501	396	9	20
Net periodic benefit cost	<u>\$ 90</u>	<u>\$ 111</u>	<u>\$ 45</u>	<u>\$ 61</u>

	Pension Plans		Postretirement Plans	
	Six Months Ended		Six Months Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Service cost	\$ 236	\$ 244	\$ 32	\$ 44
Interest cost	2,380	2,203	40	38
Expected return on plan assets	(3,438)	(3,018)	—	—
Recognized actuarial loss	1,002	854	18	40
Net periodic (benefit) cost	<u>\$ 180</u>	<u>\$ 283</u>	<u>\$ 90</u>	<u>\$ 122</u>

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Defined Contribution Pension Plans

For the three and six months ended December 31, 2021 and 2020, expenses related to the Savings Plans and Union Savings Plan included in the accompanying consolidated statements of operations are as follows:

Savings Plans				Union Savings Plan			
Three Months Ended December 31,		Six Months Ended December 31,		Three Months Ended December 31,		Six Months Ended December 31,	
2021	2020	2021	2020	2021	2020	2021	2020
\$ 2,475	\$ 1,672	\$ 4,494	\$ 3,077	\$ 7	\$ 10	\$ 21	\$ 19

Note 15. Share-based Compensation

See Note 15 to the Company's audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Form 10-K for more information regarding MSG Sports equity award programs (the "MSG Sports Stock Plans") and MSG Entertainment equity award programs. Prior to the Merger, share-based compensation awards were also granted under the MSG Networks Inc. 2010 Employee Stock Plan, as amended, and the MSG Networks Inc. 2010 Stock Plan for Non-Employee Directors (collectively, "MSGN Equity Incentive Plans"). Upon exercise of stock options or vesting of time-based restricted stock units and performance condition based restricted stock units, collectively referred to as "RSUs," under MSGN Equity Incentive Plans, shares were either issued from MSG Networks Inc.'s unissued reserved stock or from treasury stock.

At the Effective Time, each RSU for MSG Networks Inc.'s common stock was converted into 0.172 RSUs for the Company's Class A Common Stock and each outstanding stock option for MSG Networks Inc.'s common stock was converted into 0.172 options for Class A Common Stock. The exercise price of stock options was adjusted by dividing the exercise price of the MSG Networks Inc.'s stock options by 0.172 (rounded up to the nearest whole cent). All outstanding performance-based vesting RSU or stock option awards for which the performance period had not been completed were converted into time-based (nonperformance based) vesting RSUs or stock option awards, respectively, based on the 100% target number of shares included in the terms of the original award ("Performance Award Conversion").

Share-based compensation expense was \$24,171 and \$43,699 for the three and six months ended December 31, 2021, respectively, and \$29,828 and \$45,984 for the three and six months ended December 31, 2020, respectively. In addition, capitalized share-based compensation expense was \$1,763 and \$2,784 for the six months ended December 31, 2021 and 2020, respectively.

RSUs and stock options information is presented herein as if the Company and MSG Networks Inc. had been combined for all periods presented, unless otherwise noted.

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Restricted Stock Units Award Activity

The following table summarizes activity related to holders (including (i) Company employees and (ii) MSG Sports employees that received share-based awards prior to the Entertainment Distribution) of the Company's RSUs for the six months ended December 31, 2021:

	Number of		Weighted-Average Fair Value Per Share at Date of Grant
	Nonperformance Based Vesting RSUs (In Thousands)	Performance Based Vesting RSUs (In Thousands)	
Unvested award balance, June 30, 2021	683	701	\$ 76.15
Granted	445	422	\$ 79.07
Performance Award Conversion	223	(223)	\$ 82.63
Vested	(332)	(77)	\$ 87.42
Forfeited	(9)	(12)	\$ 74.87
Unvested award balance, December 31, 2021	1,010	811	\$ 75.02

The fair value of RSUs that vested during the six months ended December 31, 2021 was \$32,734. Upon delivery, RSUs granted under the Employee Stock Plan were net share-settled to cover the required statutory tax withholding obligations. To fulfill the employees' required statutory tax withholding obligations for the applicable income and other employment taxes, 195 of these RSUs, with an aggregate value of \$15,652, were retained by the Company during the six months ended December 31, 2021, of which 6 of these RSUs, with an aggregate value of \$477, related to MSG Sports employees.

Stock Options Award Activity

Compensation expense for the Company's existing stock options is determined based on the grant date fair value of the award calculated using the Black-Scholes options-pricing model. Stock options generally vest over a three year service period and expire 7.5 to 10 years from the date of grant.

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

	Number of Time Vesting Options (In Thousands)	Number of Performance Based Vesting Options (In Thousands)	Weighted- Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (In Thousands)
Balance as of June 30, 2021	409	315	\$ 103.88		
Performance Award Conversion	315	(315)	\$ 109.76		
Balance as of December 31, 2021	724	—	\$ 103.88	3.96	\$ 561
Exercisable as of December 31, 2021	597	—	\$ 108.29	3.70	\$ 561

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Note 16. Accumulated Other Comprehensive Loss

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

	Three Months Ended December 31, 2021		
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Accumulated Other Comprehensive Loss
Balance as of September 30, 2021	\$ (45,009)	\$ 9,949	\$ (35,060)
Other comprehensive income before reclassifications	—	2,486	2,486
Amounts reclassified from accumulated other comprehensive loss ^(a)	510	—	510
Income tax expense	(97)	(471)	(568)
Other comprehensive income	413	2,015	2,428
Balance as of December 31, 2021	<u>\$ (44,596)</u>	<u>\$ 11,964</u>	<u>\$ (32,632)</u>

	Three Months Ended December 31, 2020		
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Accumulated Other Comprehensive Loss
Balance as of September 30, 2020	\$ (38,452)	\$ 1,157	\$ (37,295)
Other comprehensive income before reclassifications	—	11,883	11,883
Amounts reclassified from accumulated other comprehensive loss ^(a)	416	—	416
Income tax expense	(1,562)	(2,171)	(3,733)
Other comprehensive income (loss)	(1,146)	9,712	8,566
Balance as of December 31, 2020	<u>\$ (39,598)</u>	<u>\$ 10,869</u>	<u>\$ (28,729)</u>

	Six Months Ended December 31, 2021		
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Accumulated Other Comprehensive Loss
Balance as of June 30, 2021	\$ (45,425)	\$ 15,153	\$ (30,272)
Other comprehensive loss before reclassifications	—	(3,932)	(3,932)
Amounts reclassified from accumulated other comprehensive loss ^(a)	1,020	—	1,020
Income tax benefit (expense)	(191)	743	552
Other comprehensive income (loss)	829	(3,189)	(2,360)
Balance as of December 31, 2021	<u>\$ (44,596)</u>	<u>\$ 11,964</u>	<u>\$ (32,632)</u>

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	Six Months Ended December 31, 2020		
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Accumulated Other Comprehensive Loss
Balance as of June 30, 2020	\$ (38,767)	\$ (10,225)	\$ (48,992)
Other comprehensive income before reclassifications	—	25,834	25,834
Amounts reclassified from accumulated other comprehensive loss ^(a)	894	—	894
Income tax expense	(1,725)	(4,740)	(6,465)
Other comprehensive income (loss)	(831)	21,094	20,263
Balance as of December 31, 2020	<u>\$ (39,598)</u>	<u>\$ 10,869</u>	<u>\$ (28,729)</u>

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

Note 17. Income Taxes

For the periods prior to the Entertainment Distribution, the Company filed consolidated income tax returns with MSG Sports. The income tax provision included in these periods has been calculated using the separate return basis, as if the Company filed a separate tax return. In addition, although the Company and MSG Networks did not file consolidated returns for periods prior to the Merger, income tax expense or benefit and deferred tax assets and liabilities have been presented on a combined basis for all historical periods, as described in Note 1.

Income tax expense for the three months ended December 31, 2021 of \$4,063 differs from income tax expense derived from applying the statutory federal rate of 21% to the pretax income primarily due to (i) tax expense of \$2,910 related to nondeductible officers' compensation and, (ii) state income tax expense of \$3,107 primarily offset by (x) tax benefit of \$1,378 resulting from a decrease in the valuation allowance, (y) tax benefit of \$1,015 resulting from federal tax credits and (z) tax benefit of \$577 related to noncontrolling interests.

Income tax benefit for the six months ended December 31, 2021 of \$14,847 differs from income tax benefit derived from applying the statutory federal rate of 21% to the pretax loss primarily due to (i) tax expense of \$9,048 to write off the deferred tax for certain transaction costs associated with the Merger, (ii) tax expense of \$5,769 related to nondeductible officers' compensation, partially offset by (w) state income tax benefit of \$5,067, (x) tax benefit of \$2,460 resulting from a decrease in the valuation allowance, (y) tax benefit of \$1,987 resulting from a change in the estimated applicable tax rate used to measure deferred taxes and (z) tax benefit of \$1,118 related to noncontrolling interests.

Income tax benefit for the three months ended December 31, 2020 of \$298 differs from income tax benefits derived from applying the statutory federal rate of 21% to the pretax loss primarily due to (i) tax expense of \$11,021 resulting from an increase in the valuation allowance, (ii) tax expense of \$4,056 related to nondeductible officers' compensation and (iii) tax expense of \$891 relating to noncontrolling interests, partially offset by state income tax benefit of \$3,531.

Income tax expense for the six months ended December 31, 2020 of \$9,159 differs from income tax benefits derived from applying the statutory federal rate of 21% to the pretax loss primarily due to (i) tax expense of \$18,561 resulting from an increase in the valuation allowance, (ii) tax expense of \$6,921 resulting from a change in the estimated applicable tax rate used to measure deferred taxes, (iii) tax expense of \$5,512 related to nondeductible officers' compensation, and (iv) tax expense of \$1,840 related to noncontrolling interests, partially offset by state income tax benefit of \$5,267.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of all of the deferred tax asset will not be realized. As of December 31, 2021, based on current facts and circumstances, management believes that it is more likely than not that the Company will not realize the benefit for a portion of its deferred tax asset. Accordingly, a partial valuation allowance has been recorded as of December 31, 2021. The Company will continue to assess the realizability of its deferred tax assets on a quarterly basis.

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During the six months ended December 31, 2021 the Company received income tax refunds, net of payments, of \$7,063. During the six months ended December 31, 2020, the Company made income tax payments (net) of \$52,147.

Note 18. Related Party Transactions

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 owned 100% of the Company’s outstanding Class B Common Stock and approximately 5.0% of the Company’s outstanding Class A Common Stock (inclusive of options exercisable within 60 days of the date hereof). Such shares of the Company’s Class A Common Stock and Class B Common Stock, collectively, represent approximately 72.6% of the aggregate voting power of the Company’s outstanding common stock. Members of the Dolan family are also the controlling stockholders of MSG Sports and AMC Networks Inc. (“AMC Networks”).

Current Related Party Arrangements

The Company is party to the following agreements and/or arrangements with MSG Sports:

- Media rights agreements with MSG Sports pursuant to which the Company has the exclusive media rights to Knicks and Rangers games in their local markets.
- Sponsorship sales and service representation agreements pursuant to which the Company has the exclusive right and obligation to sell MSG Sports’ sponsorships for an initial stated term of ten years for a commission;
- A team sponsorship allocation agreement, pursuant to which MSG Sports continues receiving an allocation of sponsorship and signage revenues associated with the sponsorship agreements that existed at the Entertainment Distribution Date;
- Arena License Agreements pursuant to which the Company (i) provides MSG Sports the right to use The Garden for games of the Knicks and Rangers for a 35-year term in exchange for venue 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 sale of food and beverage sales and catering services during the Knicks and Rangers games for a portion of net profits (as defined under the Arena License Agreements), (v) provides day of game services that were historically provided prior to the Entertainment Distribution, and (vi) provides other general services within The Garden;
- Transition Services Agreement (the “TSA”) pursuant to which the Company provides certain corporate and other transition services to MSG Sports, such as information technology, accounting, accounts payable, payroll, tax, certain legal functions, human resources, insurance and risk management, government affairs, investor relations, corporate communications, benefit plan administration and reporting, and internal audit functions as well as certain marketing functions, in exchange for service fees. MSG Sports also provides certain transition services to the Company, in exchange for service fees;
- Sublease agreement, pursuant to which the Company subleases office space to MSG Sports;
- Group ticket sales representation agreement, pursuant to which the Company appointed MSG Sports as its sales and service representative to sell group ticket packages related to Company events in exchange for a commission;
- Single night rental commission agreement, pursuant to which MSG Sports may, from time to time, sell (or make referrals for sales of) licenses for the use of suites at The Garden for individual Company events in exchange for a commission;
- Aircraft time sharing agreements (discussed below); and
- Other agreements with MSG Sports entered into in connection with the Entertainment Distribution such as a distribution agreement, a tax disaffiliation agreement, an employee matters agreement, a trademark license agreement and certain other arrangements.

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Further, the Company shares certain executive support costs, including office space, executive assistants, security and transportation costs, for (i) the Company's Executive Chairman and Chief Executive Officer and the Company's President with MSG Sports and (ii) the Company's Vice Chairman with MSG Sports and AMC Networks.

The Company is a party to various aircraft arrangements. Pursuant to certain Aircraft Support Services Agreements (the "Support Agreements"), the Company provides certain aircraft support services to entities controlled by (i) James L. Dolan, the Company's Executive Chairman, Chief Executive Officer and a director, (ii) Charles F. Dolan, a director, and certain of his children, who are siblings of James L. Dolan, specifically: Thomas C. Dolan (a director of the Company), Deborah Dolan-Sweeney, Patrick F. Dolan, Marianne Dolan Weber (a director of the Company), and Kathleen M. Dolan, and (iii) Patrick F. Dolan, the son of Charles F. Dolan and brother of James L. Dolan. The Aircraft Support Services Agreement with the entity controlled by James L. Dolan is no longer effective as of December 21, 2021.

The Company entered into reciprocal time sharing/dry lease agreements with each of (i) Quart 2C, LLC ("Q2C"), a company controlled by James L. Dolan and Kristin A. Dolan, his spouse and a director of the Company, and (ii) Charles F. Dolan and Sterling2k LLC (collectively, "CFD"), an entity owned and controlled by Deborah Dolan-Sweeney, the daughter of Charles F. Dolan and the sister of James L. Dolan, pursuant to which the Company has agreed from time to time to make its aircraft available to each of Q2C and CFD, and Q2C, and CFD have agreed from time to time to make their aircraft available to the Company. Pursuant to the terms of the agreements, Q2C and/or CFD may lease on a non-exclusive, "time sharing" basis, the certain Company aircraft. The reciprocal dry lease agreement between the Company and Q2C is no longer effective as of December 21, 2021.

The Company is also party to a dry lease agreement and a time sharing agreement with Brighid Air, LLC ("Brighid Air"), a company owned and controlled by Patrick F. Dolan, the son of Charles F. Dolan and the brother of James L. Dolan, pursuant to which Brighid Air has agreed from time to time to make its Bombardier BD100-1A10 Challenger 350 aircraft (the "Challenger") available to the Company on a non-exclusive basis. In connection with the dry lease agreement, the Company also entered into a Flight Crew Services Agreement (the "Flight Crew Agreement") with Dolan Family Office, LLC ("DFO"), an entity owned and controlled by Charles F. Dolan, pursuant to which the Company may utilize pilots employed by DFO for purposes of flying the Challenger when the Company is leasing that aircraft under the Company's dry lease agreement with Brighid Air.

The Company and each of MSG Sports and AMC Networks are party to certain aircraft time sharing agreements, pursuant to which the Company has agreed from time to time to make aircraft available to MSG Sports and/or AMC Networks for lease on a "time sharing" basis. Additionally, the Company, MSG Sports and AMC Networks have agreed on an allocation of the costs of certain aircraft and helicopter use by their shared executives.

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

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

As of December 31, 2021 and June 30, 2021, BCE had \$637 of notes payable with respect to a loan received by BCE from its noncontrolling interest holder. See Note 13 for further information.

The Company has also entered into certain commercial agreements with its equity method investment nonconsolidated affiliates in connection with MSG Sphere. For the six months ended December 31, 2021 and 2020, the Company recorded \$36,741 and \$20,742, respectively, of capital expenditures in connection with services provided to the Company under these agreements. As of December 31, 2021 and June 30, 2021, accrued capital expenditures associated with related parties were \$20,606 and \$6,921, respectively, and are reported under other accrued liabilities in the accompanying consolidated balance sheets.

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

Revenues and Operating Expenses (Credits)

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	\$ 30,702	\$ 4,638	\$ 34,889	\$ 7,461
Operating expenses (credits):				
Direct operating — media rights fees	\$ 40,813	\$ 34,422	\$ 81,258	\$ 73,963
Direct operating — revenue sharing expenses	\$ 1,131	\$ 15	1,985	96
Direct operating — reimbursement under Arena License Arrangement	(6,125)	(351)	(6,465)	(1,241)
General and administrative with MSG Sports — net of TSA credits	(10,513)	(10,273)	(19,729)	(20,453)
Direct operating — origination, master control and technical services	1,208	1,184	2,416	2,368
Other operating expenses, net	987	(218)	3,109	(85)

Revenues

In connection with the Entertainment Distribution, the Company entered into Arena License Agreements with MSG Sports that, among other things, require the Knicks and the Rangers to play their home games at The Garden in exchange for fixed annual license fees scheduled to be paid monthly over the term of the agreements. The Company accounts for these license fees as operating lease revenue given that the Company provides MSG Sports with the right to direct the use of and obtain substantially all of the economic benefit from The Garden during Knicks and Rangers home games, as further detailed in Note 9, operating lease revenue is recognized on a straight-line basis over the lease term, adjusted pursuant to the terms of the Arena License Agreements. In the case of the Arena License Agreements, the lease terms relate to non-consecutive periods of use when MSG Sports uses The Garden for their professional sports teams' home games, and operating lease revenue is therefore recognized ratably as events occur.

The Arena License Agreements provide that license fees are not required to be paid by MSG Sports during periods when The Garden is unavailable for use due to a force majeure event. As a result of government-mandated suspension of events at The Garden beginning in March 2020 through the first half of Fiscal Year 2021 due to the impact of the COVID-19 pandemic, The Garden was either not available for use by MSG Sports or available for Knicks home games without fans in attendance. The Knicks' 2020-2021 pre/regular season began in December 2020 and the Company recorded \$1,585 of operating lease revenue for this arrangement for the three and six months ended December 31, 2020. The Rangers resumed playing home games at The Garden in January 2021. The Company recorded \$27,854 and \$29,182 of revenues under the Arena License Agreements for the three and six months ended December 31, 2021, respectively.

In addition to the Arena License Agreements discussed above, the Company's revenues from related parties primarily reflected sponsorship sales and service representation agreements with MSG Sports of \$4,831 and \$7,179 during the three and six months ended December 31, 2021, respectively and \$2,441 and \$4,646 during the three and six months ended December 31, 2020, respectively. The Company also earned sublease revenue from related parties of \$611 and \$1,222 during the three and six months ended December 31, 2021, respectively and \$611 and \$1,223 during the three and six months ended December 31, 2020, respectively. These related party revenues were partially offset by approximately \$3,002 and \$3,126 of merchandise revenue sharing with MSG Sports during the three and six months ended December 31, 2021, respectively.

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

Media Rights Fees

MSG Networks' media rights agreements with MSG Sports, effective as of July 1, 2015, provide the MSG Networks segment with the exclusive media rights to Knicks and Rangers games in their local markets.

Revenue Sharing Expenses

In connection with the Entertainment Distribution, revenue sharing expenses include MSG Sports' share of the Company's suite license arrangements and certain venue signage agreements entered into by the Company, as well as profit sharing expenses related to in-venue food and beverage sales in connection with the Arena License Agreements.

General and Administrative with MSG Sports — Net of TSA Credits

The Company's corporate overhead expenses that are charged to MSG Sports are primarily related to centralized functions, including 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.

General and administrative operating expenses with MSG Sports, net of TSA credits included in the table above primarily reflect charges from the Company to MSG Sports pursuant to the TSA of \$10,513 and \$19,729 for the three and six months ended December 31, 2021, respectively, and \$10,273 and \$20,452 for the three and six months ended December 31, 2020, respectively.

Direct Operating — Origination, Master Control and Technical Services

AMC Networks provides certain origination, master control, and technical services to the MSG Networks segment.

Other Operating Expenses, net

The Company and its related parties enter into transactions with each other in the ordinary course of business. Amounts charged to the Company for other transactions with its related parties are net of amounts charged by the Company to the Knickerbocker Group, LLC, an entity owned by James L. Dolan, the Executive Chairman, Chief Executive Officer and a director of the Company, for office space and the cost of certain technology services. In addition, other operating expenses include net charges relating to (i) reciprocal aircraft arrangements between the Company and each of Q2C and CFD, (ii) time sharing and/or dry lease agreements with MSG Sports, AMC Networks and Brighid Air and (iii) commission under the group ticket sales representation agreement with MSG Sports. The reciprocal aircraft arrangement between the Company and Q2C and the related aircraft support services arrangement between them was no longer effective as of December 21, 2021.

Note 19. Segment Information

The Company is comprised of three reportable segments: Entertainment, MSG Networks and Tao Group Hospitality. In determining its reportable segments, the Company assessed the guidance of ASC 280-10-50-1, which provides the definition of a reportable segment. In accordance with the FASB's guidance, the Company takes into account whether two or more operating segments can be aggregated together as one reportable segment as well as the type of discrete financial information that is available and regularly reviewed by its Chief Operating Decision Maker ("CODM"). The Company has evaluated this guidance and determined that there are three reportable segments. In addition, the Company incurs non-capitalizable content development and technology costs associated with the Company's MSG Sphere initiative, which are reported in "Entertainment." In addition to event-related operating expenses, Entertainment also includes other expenses such as (a) corporate and supporting department operating costs that are attributable to MSG Sphere development and (b) non-event related operating expenses for the Company's venues such as (i) rent for the Company's leased venues, (ii) real estate taxes, (iii) insurance, (iv) utilities, (v) repairs and maintenance, (vi) labor related to the overall management of the venues, and (vii) depreciation and amortization expense related to the Company's performance venues and certain corporate property, equipment and leasehold improvements. Additionally, the Company does not allocate any purchase accounting adjustments related to business acquisitions to the reporting segments.

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

The Company evaluates segment performance based on several factors, of which the key financial measure is operating income (loss) before (i) adjustments to remove the impact of non-cash straight-line leasing revenue associated with the Arena License Agreements with MSG Sports, (ii) depreciation, amortization and impairments of property and equipment, goodwill and intangible assets, (iii) amortization for capitalized cloud computing arrangement costs, (iv) share-based compensation expense or benefit, (v) restructuring charges or credits, (vi) merger and acquisition-related costs, including litigation expenses, (vii) gains or losses on sales or dispositions of businesses and associated settlements, and (viii) the impact of purchase accounting adjustments related to business acquisitions, which is referred to as adjusted operating income (loss), a non-GAAP measure. Because it is based upon operating income (loss), adjusted operating income (loss) also excludes interest expense (including cash interest expense) and other non-operating income and expense items. Management believes that the exclusion of share-based compensation expense or benefit allows investors to better track the performance of the various operating units of the Company's business without regard to the settlement of an obligation that is not expected to be made in cash. In addition, the Company believes that given the length of the Arena License Agreements and resulting magnitude of the difference in leasing revenue recognized and cash revenue received, the exclusion of non-cash leasing revenue provides investors with a clearer picture of the Company's operating performance. We eliminate merger and acquisition-related costs because the Company does not consider such costs to be indicative of the ongoing operating performance of the Company as they result from an event that is of a non-recurring nature, thereby enhancing comparability.

The Company believes adjusted operating income (loss) is an appropriate measure for evaluating the operating performance of its business segments and the Company on a consolidated basis. Adjusted operating income (loss) and similar measures with similar titles are common performance measures used by investors and analysts to analyze the Company's performance. The Company uses revenues and adjusted operating income (loss) measures as the most important indicators of its business performance, and evaluates management's effectiveness with specific reference to these indicators.

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

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

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

Three Months Ended December 31, 2021						
	Entertainment	MSG Networks	Tao Group Hospitality	Purchase accounting adjustments	Inter-segment eliminations	Total
Revenues	\$ 247,610	\$ 159,981	\$ 117,086	\$ —	\$ (8,238)	\$ 516,439
Direct operating expenses	147,343	85,924	60,880	3,038	(927)	296,258
Selling, general and administrative expenses	91,516	37,192	40,685	—	(7,116)	162,277
Depreciation and amortization	19,024	1,756	6,243	3,510	—	30,533
Impairment and other (gains) loss, net	—	—	(7,443)	(536)	—	(7,979)
Operating income (loss)	\$ (10,273)	\$ 35,109	\$ 16,721	\$ (6,012)	\$ (195)	\$ 35,350
Loss in equity method investments						(1,774)
Interest income						773
Interest expense						(8,167)
Miscellaneous expense, net ^(a)						(17,100)
Income from operations before income taxes						\$ 9,082
Reconciliation of operating loss to adjusted operating income (loss):						
Operating income (loss)	\$ (10,273)	\$ 35,109	\$ 16,721	\$ (6,012)	\$ (195)	\$ 35,350
Add back:						
Non-cash portion of arena license fees from MSG Sports	(11,346)	—	—	—	—	(11,346)
Share-based compensation	16,155	6,058	1,958	—	—	24,171
Depreciation and amortization	19,024	1,756	6,243	3,510	—	30,533
Amortization for capitalized cloud computing costs	(34)	44	—	—	—	10
Merger and acquisition related costs	1,456	875	—	—	—	2,331
Impairment and other (gains) loss, net	—	—	(7,443)	(536)	—	(7,979)
Other purchase accounting adjustments	—	—	—	3,038	—	3,038
Adjusted operating income (loss)	\$ 14,982	\$ 43,842	\$ 17,479	\$ —	\$ (195)	\$ 76,108
Other information:						
Capital expenditures	\$ 166,218	\$ 600	\$ 8,987	\$ —	\$ —	\$ 175,805

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

Three Months Ended December 31, 2020						
	Entertainment	MSG Networks	Tao Group Hospitality	Purchase accounting adjustments	Inter-segment eliminations	Total
Revenues	\$ 12,669	\$ 146,239	\$ 10,491	\$ —	\$ (647)	\$ 168,752
Direct operating expenses	23,409	57,033	10,980	924	151	92,497
Selling, general and administrative expenses	65,730	21,692	9,131	—	(535)	96,018
Depreciation and amortization	19,246	1,802	1,563	3,066	—	25,677
Restructuring charges	1,372	—	—	—	—	1,372
Operating income (loss)	\$ (97,088)	\$ 65,712	\$ (11,183)	\$ (3,990)	\$ (263)	\$ (46,812)
Loss in equity method investments						(1,568)
Interest income						837
Interest expense						(5,262)
Miscellaneous expense, net ^(a)						(7,568)
Loss from operations before income taxes						\$ (60,373)
Reconciliation of operating loss to adjusted operating income (loss):						
Operating income (loss)	\$ (97,088)	\$ 65,712	\$ (11,183)	\$ (3,990)	\$ (263)	\$ (46,812)
Add back:						
Non-cash portion of arena license fees from MSG Sports	(1,176)	—	—	—	—	(1,176)
Share-based compensation	22,374	6,266	1,188	—	—	29,828
Depreciation and amortization	19,246	1,802	1,563	3,066	—	25,677
Restructuring charges	1,372	—	—	—	—	1,372
Other purchase accounting adjustments	—	—	—	924	—	924
Adjusted operating income (loss)	\$ (55,272)	\$ 73,780	\$ (8,432)	\$ —	\$ (263)	\$ 9,813
Other information:						
Capital expenditures	\$ 106,945	\$ 792	\$ 293	\$ —	\$ —	\$ 108,030

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

Six Months Ended December 31, 2021

	Entertainment	MSG Networks	Tao Group Hospitality	Purchase accounting adjustments	Inter-segment eliminations	Total
Revenues	\$ 281,849	\$ 301,454	\$ 236,550	\$ —	\$ (8,904)	\$ 810,949
Direct operating expenses	183,645	154,347	121,973	3,123	(1,069)	462,019
Selling, general and administrative expenses	184,478	85,167	74,779	—	(7,308)	337,116
Depreciation and amortization	38,680	3,553	12,621	5,109	—	59,963
Impairment and other (gains) loss, net	—	—	375	(536)	—	(161)
Operating income (loss)	\$ (124,954)	\$ 58,387	\$ 26,802	\$ (7,696)	\$ (527)	\$ (47,988)
Loss in equity method investments						(2,981)
Interest income						1,548
Interest expense						(17,415)
Miscellaneous expense, net ^(a)						(19,647)
Loss from operations before income taxes						<u>\$ (86,483)</u>

Reconciliation of operating loss to adjusted operating income (loss):

Operating income (loss)	\$ (124,954)	\$ 58,387	\$ 26,802	\$ (7,696)	\$ (527)	\$ (47,988)
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Add back:

Non-cash portion of arena license fees from MSG Sports	(11,889)	—	—	—	—	(11,889)
Share-based compensation	26,298	13,532	3,869	—	—	43,699
Depreciation and amortization	38,680	3,553	12,621	5,109	—	59,963
Amortization for capitalized cloud computing costs	7	88	—	—	—	95
Merger and acquisition related costs	15,448	24,075	—	—	—	39,523
Impairment and other (gains) loss, net	—	—	375	(536)	—	(161)
Restructuring charges	—	—	—	—	—	—
Other purchase accounting adjustments	—	—	—	3,123	—	3,123
Adjusted operating income (loss)	<u>\$ (56,410)</u>	<u>\$ 99,635</u>	<u>\$ 43,667</u>	<u>\$ —</u>	<u>\$ (527)</u>	<u>\$ 86,365</u>

Other information:

Capital expenditures	\$ 299,756	\$ 2,049	\$ 11,271	\$ —	\$ —	\$ 313,076
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MADISON SQUARE GARDEN ENTERTAINMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

Six Months Ended December 31, 2020						
	Entertainment	MSG Networks	Tao Group Hospitality	Purchase accounting adjustments	Inter-segment eliminations	Total
Revenues	\$ 20,224	\$ 303,602	\$ 17,712	\$ —	\$ (2,240)	\$ 339,298
Direct operating expenses	47,024	122,105	20,808	1,848	(57)	191,728
Selling, general and administrative expenses	118,380	44,219	16,734	—	(1,658)	177,675
Depreciation and amortization	41,260	3,630	2,609	6,588	—	54,087
Restructuring charges	21,299	—	—	—	—	21,299
Operating income (loss)	\$ (207,739)	\$ 133,648	\$ (22,439)	\$ (8,436)	\$ (525)	\$ (105,491)
Loss in equity method investments						(3,264)
Interest income						1,609
Interest expense						(10,535)
Miscellaneous income, net (a)						26,449
Loss from operations before income taxes						<u>\$ (91,232)</u>
Reconciliation of operating loss to adjusted operating income (loss):						
Operating income (loss)	\$ (207,739)	\$ 133,648	\$ (22,439)	\$ (8,436)	\$ (525)	\$ (105,491)
Add back:						
Non-cash portion of arena license fees from MSG Sports	(1,176)	—	—	—	—	(1,176)
Share-based compensation	32,807	10,893	2,284	—	—	45,984
Depreciation and amortization	41,260	3,630	2,609	6,588	—	54,087
Impairment and other (gains) loss, net	—	—	—	—	—	—
Restructuring charges	21,299	—	—	—	—	21,299
Other purchase accounting adjustments	—	—	—	1,848	—	1,848
Adjusted operating income (loss)	<u>\$ (113,549)</u>	<u>\$ 148,171</u>	<u>\$ (17,546)</u>	<u>\$ —</u>	<u>\$ (525)</u>	<u>\$ 16,551</u>
Other information:						
Capital expenditures	\$ 218,344	\$ 2,533	\$ 952	\$ —	\$ —	\$ 221,829

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

^(a) *Miscellaneous income (expense), net includes the following:*

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Unrealized gain (loss) on equity investments with readily determinable fair value, see Note 7 for further details.	\$ (17,155)	\$ (7,227)	\$ (19,615)	\$ 26,431
Non-service cost components of net periodic pension and postretirement benefit costs	(8)	(28)	(16)	(119)
Others, net	63	(313)	(16)	137
Total	<u>\$ (17,100)</u>	<u>\$ (7,568)</u>	<u>\$ (19,647)</u>	<u>\$ 26,449</u>

Concentration of Risk

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

Accounts receivable, net on the accompanying consolidated balance sheets as of December 31, 2021 and June 30, 2021 include amounts due from the following individual customers, all derived from the MSG Networks segment, which accounted for the noted percentages of the gross balance:

	December 31, 2021		June 30, 2021	
Customer A ^(a)	15	%	1	%
Customer B	14	%	15	%
Customer C	13	%	17	%
Customer D	10	%	16	%

^(a) *A receivable from Customer A as of December 31, 2021 is primarily due to timing of cash receipts.*

Revenues in the accompanying consolidated statements of operations for the three and six months ended December 31, 2021 and 2020 include amounts from the following individual customers, which accounted for the noted percentages of the total:

	Three Months Ended				Six Months Ended			
	December 31, 2021		December 31, 2020		December 31, 2021		December 31, 2020	
Customer 1	9	%	24	%	11	%	25	%
Customer 2	8	%	24	%	10	%	24	%

The accompanying consolidated balance sheets as of December 31, 2021 and June 30, 2021 include the following approximate amounts that are recorded in connection with the Company's license agreement with the New Jersey Devils:

	December 31, 2021	June 30, 2021
Prepaid expenses	\$ 3,200	\$ 1,400
Other current assets	3,000	3,700
Other assets	30,100	31,100
	<u>\$ 36,300</u>	<u>\$ 36,200</u>

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 Entertainment Corp. and its direct and indirect subsidiaries (collectively, "we," "us," "our," "MSG Entertainment," or the "Company"), including the impact of the COVID-19 pandemic and COVID-19 variants on our future operations, our ability to realize the benefits of the Merger with MSG Networks, the timing and costs of new venue construction, our expansion plan for Tao Group Hospitality, and the status of the non-carriage of MSG Networks by Comcast Corporation ("Comcast"). Words such as "expects," "anticipates," "believes," "estimates," "may," "will," "should," "could," "potential," "continue," "intends," "plans," and similar words and terms used in the discussion of future operating and future financial performance identify forward-looking statements. Investors are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to:

- our ability to effectively manage the impacts of the COVID-19 pandemic (including COVID-19 variants) as well as the actions taken in response by governmental authorities and certain professional sports leagues, including ensuring compliance with rules and regulations imposed upon our venues as they are permitted to continue to operate;
- the effect of any show postponements or cancellations by third-parties or the Company as a result of the COVID-19 pandemic due to operational challenges and other health and safety concerns (such as the partial cancellation of the 2021 production of the *Christmas Spectacular*);
- the extent to which attendance at our venues may be impacted by government actions, continuing health concerns by potential attendees and reduced tourism;
- risks related to the Merger, as defined herein, with MSG Networks Inc., including, but not limited to: failure to realize the expected benefits of the Merger, business disruption following the Merger and the risk of the litigation relating to the Merger;
- the impact on the payments we receive under the Arena License Agreements as a result of government-mandated capacity restrictions, league restrictions and/or social-distancing or vaccination requirements at Knicks and Rangers games;
- the level of our expenses and our operational cash burn rate, including our corporate expenses;
- our ability to successfully design, construct, finance and operate new entertainment venues in Las Vegas and other markets, and the investments, costs and timing associated with those efforts, including the impact of the temporary suspension of construction and any other construction delays and/or cost overruns;
- the level of our revenues, which depends in part on the popularity of the *Christmas Spectacular*, the sports teams whose games are played at The Garden and broadcast on our networks, the appeal of our Tao Group Hospitality venues, and other events which are presented in our venues or broadcast on our networks;
- the demand for MSG Networks programming among cable, satellite, telephone and other platforms ("Distributors") and the subscribers thereto, and our ability to enter into and renew affiliation agreements with Distributors, or to do so on favorable terms, as well as the impact of consolidation among Distributors;
- the ability of our Distributors to maintain, or minimize declines in, subscriber levels;
- the impact of subscribers selecting Distributors' packages that do not include our networks or Distributors that do not carry our networks at all;
- the security of our MSG Networks program signal and electronic data;
- the on-ice and on-court performance of the professional sports teams whose games we broadcast on our networks and host in our venues;
- the level of our capital expenditures and other investments;
- general economic conditions, especially in the New York City, Las Vegas, Chicago and London metropolitan areas where we have (or plan to have) significant business activities;
- the demand for sponsorship arrangements and advertising and viewer ratings for our networks;

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- competition, for example, from other venues and other sports and entertainment and nightlife options and other regional sports and entertainment networks, including the construction of new competing venues;
- the relocation or insolvency of professional sports teams with which we have a media rights agreement;
- our ability to maintain, obtain or produce content, together with the cost of such content;
- our ability to renew or replace our media rights agreements with professional sports teams through MSG Networks Inc.;
- changes in laws, guidelines, bulletins, directives, policies and agreements, and regulations under which we operate;
- any economic, social or political actions, such as boycotts, protests, work stoppages or campaigns by labor organizations, including the unions representing players and officials of the National Basketball Association (“NBA”) and National Hockey League (“NHL”), or other work stoppage due to COVID-19 or otherwise;
- seasonal fluctuations and other variations in our operating results and cash flow from period to period;
- the successful development of new live productions or attractions, enhancements or changes to existing productions and the investments associated with such development, enhancements, or changes, as well as investment in personnel, content and technology for MSG Sphere;
- business, reputational and litigation risk if there is a cyber or other security incident resulting in loss, disclosure or misappropriation of stored personal information, disruption of our Networks business or disclosure of confidential information or other breaches of our information security;
- activities or other developments (such as pandemics, including the COVID-19 pandemic) that discourage or may discourage congregation at prominent places of public assembly, including our venues;
- the continued popularity and success of Tao Group Hospitality dining and nightlife venues, as well as its existing brands, and the ability to successfully open and operate new entertainment dining and nightlife venues;
- the ability of Boston Calling Events, LLC (“BCE”) to attract attendees and performers to its future festivals;
- the acquisition or disposition of assets or businesses and/or the impact of, and our ability to successfully pursue, acquisitions or other strategic transactions;
- our ability to successfully integrate acquisitions, new venues or new businesses into our operations, including the Merger with MSG Networks Inc. and our acquisition of Hakkasan through Tao Group Hospitality;
- the operating and financial performance of our strategic acquisitions and investments, including those we do not control;
- our internal control environment, remediation of the material weakness, and our ability to identify any future material weaknesses;
- the costs associated with, and the outcome of, litigation and other proceedings to the extent uninsured, including litigation or other claims against companies we invest in or acquire;
- the impact of governmental regulations or laws, changes in how those regulations and laws are interpreted, including with respect to the legalization of sports gaming, as well as the continued benefit of certain tax exemptions and the ability to maintain necessary permits or licenses;
- the impact of any government plans to redesign New York City’s Pennsylvania Station;
- the impact of sports league rules, regulations and/or agreements and changes thereto;
- the substantial amount of debt incurred, and any default, by our subsidiaries under their respective credit facilities;
- financial community and rating agency perceptions of our business, operations, financial condition and the industries in which we operate;
- the ability of our investees and others to repay loans and advances we have extended to them;
- the tax-free treatment of the Entertainment Distribution (as defined below);
- our ability to achieve the intended benefits of the Entertainment Distribution and the Merger with MSG Networks;

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- the performance by MSG Sports of its obligations under various agreements with the Company related to the Entertainment Distribution and ongoing commercial arrangements, including the Arena License Agreements;
- lack of operating history as an operating company and costs associated with being an independent public company; and
- the additional factors described under “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended June 30, 2021, as amended by the Company’s Annual Report on Form 10-K/A filed on February 9, 2022 (the “Form 10-K”).

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

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

Introduction

This MD&A is provided as a supplement to, and should be read in conjunction with, the Company’s unaudited financial statements and accompanying notes thereto included in this Quarterly Report on Form 10-Q, as well as the Form 10-K 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 Entertainment,” or the “Company” refer collectively to Madison Square Garden Entertainment Corp., a holding company, and its direct and indirect subsidiaries through which substantially all of our operations are conducted. Through the period ended April 17, 2020, the Company operated and reported financial information as one reportable segment. Following the Entertainment Distribution on April 17, 2020 and the Merger on July 9, 2021, the Company has three segments (the Entertainment business, the Tao Group Hospitality business, and the MSG Networks business). See Note 19 to the consolidated financial statements included in “— Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for further discussion of the Company’s segment reporting.

This MD&A is organized as follows:

Business Overview. This section provides a general description of our business, as well as other matters that we believe are important in understanding our results of operations and financial condition and in anticipating future trends.

Results of Operations. This section provides an analysis of our unaudited results of operations for the three and six months ended December 31, 2021 and 2020 on both a consolidated basis and a segment basis.

Liquidity and Capital Resources. This section provides a discussion of our financial condition and liquidity, an analysis of our cash flows for the six months ended December 31, 2021 and 2020, as well as certain contractual obligations and off-balance sheet arrangements.

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

Recently Issued Accounting Pronouncements and Critical Accounting Policies. This section discusses accounting pronouncements that have been adopted by the Company, recently issued accounting pronouncements not yet adopted by the Company, as well as the results of the Company’s annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the first quarter of Fiscal Year 2022. This section should be read together with our critical accounting policies, which are discussed in our Form 10-K 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.

Business Overview

The Company is a leader in live experiences comprised of iconic venues; marquee entertainment brands; regional sports and entertainment networks; popular dining and nightlife offerings; and a premier music festival that, together, entertain millions of guests each year. The Company’s portfolio of venues includes: The Garden, Hulu Theater at Madison Square Garden, Radio City Music Hall, the Beacon Theatre and The Chicago Theatre. In addition, the Company unveiled its vision for state-of-the-art venues, called MSG Sphere, and is currently building its first such venue in Las Vegas. The Company also includes the original production, the *Christmas Spectacular*, as well as BCE, the entertainment production company that owns and operates the Boston Calling Music Festival. MSG Networks produces, develops and acquires content for multiple distribution platforms, including content originating from the Company’s venues, and is comprised of the Company’s regional sports and entertainment networks, MSG Network and MSG+, a companion streaming app, MSG GO, and other digital properties. Tao Group Hospitality is a hospitality group with globally-recognized entertainment dining and nightlife brands.

Merger with MSG Networks Inc.

On July 9, 2021, the Company completed its previously announced acquisition of MSG Networks Inc. pursuant to that certain Agreement and Plan of Merger, dated as of March 25, 2021 (the “Merger Agreement”), among the Company, Broadway Sub Inc., a Delaware corporation and wholly-owned subsidiary of the Company (“Merger Sub”), and MSG Networks Inc. Merger Sub merged with and into MSG Networks Inc. (the “Merger”), with MSG Networks Inc. surviving and continuing as the surviving corporation in the Merger as a wholly-owned subsidiary of the Company. On July 9, 2021, at the effective time of the Merger (the “Effective Time”), (i) each share of Class A common stock, par value \$0.01 per share, of MSG Networks (“MSGN Class A Common Stock”) issued and outstanding immediately prior to the Effective Time was automatically converted into the right to receive a number of shares of Class A common stock, par value \$0.01 per share, of the Company (“Class A Common Stock”) such that each holder of record of shares of MSGN Class A Common Stock had the right to receive, in the aggregate, a number of shares of Class A Common Stock equal to the total number of shares of MSGN Class A Common Stock held of record immediately prior to the Effective Time *multiplied by* 0.172, with such product rounded up to the next whole share and (ii) each share of Class B common stock, par value \$0.01 per share, of MSG Networks Inc. (“MSGN Class B Common Stock”) issued and outstanding immediately prior to the Effective Time was automatically converted into the right to receive a number of shares of Class B common stock, par value \$0.01 per share, of the Company (“Class B Common Stock”) such that each holder of record of shares of MSGN Class B Common Stock had the right to receive, in the aggregate, a number of shares of Class B Common Stock equal to the total number of shares of MSGN Class B Common Stock held of record immediately prior to the Effective Time *multiplied by* 0.172, with such product rounded up to the next whole share, in each case except for Excluded Shares (as defined in the Merger Agreement). The Company issued 7,476 shares of the Class A Common Stock and 2,337 shares of Class B Common Stock on July 9, 2021 to holders of MSGN Class A Common Stock and MSGN Class B Common Stock, respectively, which shares are reflected as outstanding for all periods presented.

Beginning this fiscal year, the Merger has been accounted for as a transaction between entities under common control as the Company and MSG Networks Inc. were, prior to the Merger, each controlled by the Dolan Family Group (as defined herein). Upon the closing of the Merger, the net assets of MSG Networks Inc. were combined with those of the Company at their historical carrying amounts and the companies have been presented on a combined basis for all historical periods that the companies were under common control.

Factors Affecting Results of Operations

Impact of the COVID-19 Pandemic on Our Business

The Company’s operations and operating results have been, and continue to be, materially impacted by the COVID-19 pandemic (including COVID-19 variants) and actions taken in response by governmental authorities and certain professional sports leagues. For the majority of Fiscal Year 2021, substantially all of the Entertainment business operations were suspended, MSG Networks aired substantially fewer games and Tao Group Hospitality was operating at significantly reduced capacity and demand. While operations have resumed, it is not clear when we will fully return to normal operations.

As a result of government-mandated assembly limitations and closures, all of our performance venues were closed beginning in March 2020. Use of The Garden resumed for Knicks and Rangers home games without fans in December 2020 and January 2021, respectively, and was available at 10% seating capacity from February through May 2021 with certain safety protocols and social distancing. Beginning in May 2021, all of our New York performance venues were permitted to host guests at full capacity, subject to certain restrictions, and effective June 2021, The Chicago Theatre was permitted to host events without restrictions. Effective August 17, 2021, all workers and customers in New York City indoor dining, indoor fitness and indoor entertainment facilities, including our venues, were subject to certain vaccination requirements. Following updated regulations, effective January 3, 2022 for the Chicago Theatre, and January 29, 2022 for our New York venues, all guests five and older, as well as employees, are required to provide proof that they have received two doses of a two-shot COVID-19 vaccine or one dose of a single-shot vaccine (although specific performers may require enhanced protocols). Children under age 5 can attend events with a vaccinated adult, but ages 2 to 4 need to wear a mask while inside our venues. In addition, effective August 20, 2021 and continuing, masks are required for all individuals in indoor public spaces in Chicago, including our venues.

For Fiscal Year 2021, the majority of ticketed events at our venues were postponed or cancelled. For the six months ended December 31, 2021 and as of this date, live events have been permitted to be held at all of our performance venues and we are continuing to host and book new events. As a result of an increase in cases of a COVID-19 variant, select bookings were postponed or cancelled at our performance venues in the second quarter of Fiscal Year 2022. Variants of COVID-19 that arise in the future may result in additional postponements or cancellations of bookings at our performance venues.

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The impact of the COVID-19 pandemic on our operations also included (i) the partial cancellation of the 2021 production of the *Christmas Spectacular*, (ii) the cancellation of the 2020 production of the *Christmas Spectacular*, and (iii) the cancellation of both the 2020 and 2021 Boston Calling Music Festivals.

The Company has long-term arena license agreements (the “Arena License Agreements”) with MSG Sports that require the Knicks and Rangers to play their home games at The Garden. Under the Arena License Agreements, the Knicks and the Rangers pay an annual license fee in connection with their respective use of The Garden. The teams are not required to pay the license fee during a period in which The Garden is unavailable for home games due to a force majeure event (including when events at The Garden were suspended by government mandate as a result of the COVID-19 pandemic). As a result, we did not receive any license fee payments under the Arena License Agreements from the period following the Entertainment Distribution through November 2020. On July 1, 2021, the Knicks and Rangers began paying the full amounts provided for under their respective Arena License Agreements and full 82-game regular seasons for the 2021-22 NBA and NHL seasons are scheduled. See “Item. 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Revenue Sources — Entertainment — Venue License Fees” on the Company's Form 10-K and Note 9 to the consolidated financial statements included in “— Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for further information on revenue recognition under the Arena License Agreements.

As a result of the COVID-19 pandemic and league and government actions relating thereto, MSG Networks aired substantially fewer NBA and NHL telecasts during Fiscal Year 2021, as compared with Fiscal Year 2019 (the last full fiscal year not impacted by COVID-19), and consequently experienced a decrease in revenues, including a material decrease in advertising revenue. The absence of live sports games also resulted in a decrease in certain MSG Networks expenses, including rights fees, variable production expenses, and advertising sales commissions. MSG Networks has resumed airing full regular season telecast schedules for its five professional teams across both the NBA and NHL, and, as a result, our advertising revenue and certain operating expenses, including rights fees expense, reflect the same.

Disruptions caused by the COVID-19 pandemic had a significant and negative impact on Tao Group Hospitality's operations and financial performance for Fiscal Year 2021. Due to government actions taken in response to the COVID-19 pandemic, virtually all of Tao Group Hospitality's venues were closed for approximately three months starting in March 2020. Additionally, three venues were permanently closed. Throughout Fiscal Year 2021, Tao Group Hospitality conducted limited operations at certain venues, subject to significant regulatory requirements, including capacity limits, curfews and social distancing requirements for outdoor and indoor dining. Tao Group Hospitality's operations fluctuated throughout Fiscal Year 2021 and during the first two quarters of Fiscal Year 2022 as certain markets lifted restrictions, imposed restrictions, and changed operational requirements over time. Following updated regulations applicable to indoor dining facilities and entertainment venues, effective January 3, 2022 for Chicago, and January 29, 2022 for New York, all guests five and older, as well as employees, are required to provide proof that they have received two doses of a two-shot COVID-19 vaccine or one dose of a single-shot vaccine. In addition, certain jurisdictions have reinstated safety protocols, such as mask mandates in Nevada and Chicago, but Tao Group Hospitality is continuing to operate without capacity restrictions in domestic and key international markets.

It is unclear how long and to what extent COVID-19 concerns, including with respect to new variants, will continue to impact government and league-mandated capacity restrictions or vaccination/mask requirements, the use of and/or demand for our entertainment and dining and nightlife venues, demand for our sponsorship and advertising assets, deter our employees and vendors from working at our venues (which may lead to difficulties in staffing) or otherwise materially impact our operations.

As a result of the material impact COVID-19 had on our revenues during Fiscal Year 2021, we took several actions to improve our financial flexibility, reduce operating costs and preserve liquidity, including (i) revising our construction schedule for MSG Sphere (which has an anticipated opening date in the second half of calendar year 2023), (ii) making significant cuts in both Entertainment and Tao Group Hospitality venue and corporate headcounts, and (iii) having our wholly-owned subsidiary, MSG National Properties, LLC (“MSG National Properties”) enter into a five-year \$650,000 senior secured term loan facility (“National Properties Term Loan Facility”). See Note 13 to the consolidated financial statements included in “— Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for further details on the National Properties Term Loan Facility.

In August 2020, Tao Group Hospitality entered into an amendment to the Tao Senior Credit Agreement, which suspended certain financial covenants through December 31, 2021 and increased the minimum liquidity requirement. As of January 1, 2022, such financial maintenance and restrictive covenant suspensions are no longer in effect. In addition, in connection with the amendment, our wholly-owned subsidiary MSG Entertainment Group, LLC (“MSG Entertainment Group”) entered into a guarantee agreement, which also included a minimum liquidity requirement for MSG Entertainment Group. See Note 13 to the consolidated financial statements included in “— Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for more information regarding the amendment to the Tao Senior Credit Agreement. Tao Group Hospitality may need to seek covenant waivers in the future. Tao Group Hospitality's failure to obtain debt covenant waivers could trigger a violation of

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these covenants and lead to default, acceleration of all of its outstanding debt and a demand for payment under the guarantee of MSG Entertainment Group, which would negatively impact the liquidity of Tao Group Hospitality and the Company.

The Company is building its first MSG Sphere in Las Vegas. This is a complex construction project with cutting-edge technology, which relies on subcontractors obtaining components from a variety of sources around the world. In April 2020, the Company announced that it was suspending construction of MSG Sphere due to COVID-19 related factors that were outside of its control, including supply chain issues. As the ongoing effects of the pandemic continued to impact its business operations, in August 2020, the Company disclosed that it had resumed full construction with a lengthened timetable to better preserve cash through the COVID-19 pandemic. The Company remains committed to bringing MSG Sphere to Las Vegas and expects to open the venue in the second half of calendar year 2023.

In December 2020, the Company terminated its construction agreement with AECOM and assumed the role of construction manager to gain greater transparency and control over the construction process, including direct engagement and supervision of subcontractors. AECOM continues to support MSG Sphere at The Venetian through a services agreement that facilitates their ongoing involvement through MSG Sphere's completion. As the construction manager of the project, we aim to aggressively manage the cost of the project in this volatile environment to minimize any potential cost increases.

For more information about the risks to the Company as a result of the COVID-19 pandemic and its impact on our operating results, see "Part I — Item 1A. Risk Factors — General Risk Factors — *Our Operations and Operating Results Have Been, and Continue to be, Materially Impacted by the COVID-19 Pandemic and Actions Taken in Response by Governmental Authorities and Certain Professional Sports Leagues.*" of the Form 10-K.

Factors Related to the MSG Networks Business

As further discussed under Note 2 to the consolidated financial statements included in "— Item 1. Financial Statements" of this Quarterly Report on Form 10-Q, the financial performance of MSG Networks business is affected by the affiliation agreements the Company negotiates with Distributors (including rates, terms, and conditions as well as the ability to renew such agreements), the number of subscribers of our Distributors that receive MSG Networks, and also by the advertising rates we charge advertisers. Certain of these factors in turn depend on the popularity and/or performance of the professional sports teams carried on the Company's networks as well as the cost and the attractiveness of the Company's programming content.

Consolidated 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)	
	2021	2020	Amount	Percentage
Revenues	\$ 516,439	\$ 168,752	\$ 347,687	NM
Direct operating expenses	296,258	92,497	203,761	NM
Selling, general and administrative expenses	162,277	96,018	66,259	69 %
Depreciation and amortization	30,533	25,677	4,856	19 %
Impairment and other (gains) loss, net	(7,979)	—	(7,979)	NM
Restructuring charges	—	1,372	(1,372)	NM
Operating income (loss)	35,350	(46,812)	82,162	NM
Other expense:				
Loss in equity method investments	(1,774)	(1,568)	(206)	13 %
Interest expense, net ^(a)	(7,394)	(4,425)	(2,969)	(67) %
Miscellaneous expense, net	(17,100)	(7,568)	(9,532)	(126) %
Income (loss) from operations before income taxes	9,082	(60,373)	69,455	NM
Income tax benefit (expense)	(4,063)	298	(4,361)	NM
Net income (loss)	5,019	(60,075)	65,094	NM
Less: Net income (loss) attributable to redeemable noncontrolling interests	2,642	(3,342)	5,984	NM
Less: Net income (loss) attributable to nonredeemable noncontrolling interests	106	(902)	1,008	NM
Net income (loss) attributable to Madison Square Garden Entertainment Corp.'s stockholders	\$ 2,271	\$ (55,831)	\$ 58,102	NM

	Six Months Ended December 31,		Change	
	2021	2020	Amount	Percentage
Revenues	\$ 810,949	\$ 339,298	\$ 471,651	139 %
Direct operating expenses	462,019	191,728	270,291	141 %
Selling, general and administrative expenses	337,116	177,675	159,441	90 %
Depreciation and amortization	59,963	54,087	5,876	11 %
Impairment and other (gains) loss, net	(161)	—	(161)	NM
Restructuring charges	—	21,299	(21,299)	NM

Operating loss	(47,988)	(105,491)	57,503	55 %
Other income (expense):				
Loss in equity method investments	(2,981)	(3,264)	283	9 %
Interest expense, net ^(a)	(15,867)	(8,926)	(6,941)	(78) %
Miscellaneous income (expense), net	(19,647)	26,449	(46,096)	NM
Loss from operations before income taxes	(86,483)	(91,232)	4,749	5 %
Income tax benefit (expense)	14,847	(9,159)	24,006	NM
Net loss	(71,636)	(100,391)	28,755	29 %
Less: Net income (loss) attributable to redeemable noncontrolling interests	4,854	(7,231)	12,085	NM
Less: Net income (loss) attributable to nonredeemable noncontrolling interests	471	(1,532)	2,003	NM
Net loss attributable to Madison Square Garden Entertainment Corp.'s stockholders	<u>\$ (76,961)</u>	<u>\$ (91,628)</u>	<u>\$ 14,667</u>	16 %

^(a) As disclosed on the Company's Form 10-K/A filed on February 9, 2022 for the Fiscal Year 2021, the Company determined that the application of ASC Topic 835-20 (Capitalization of Interest) required that a portion of the interest incurred under the Company's credit facilities should have been capitalized during the periods that the Company had been capitalizing costs related to MSG Sphere at the Venetian (the "accounting error"), which capitalization of such costs began in 2017. As a result, the previously reported consolidated statements of operation of the Company for the three and six months ended December 31, 2020 have been revised to correct this immaterial accounting error by decreasing the Company's previously reported interest expense by \$7,566 and \$7,911, respectively.

NM — Absolute percentages greater than 200% and comparisons from positive to negative values or to zero values are considered not meaningful.

Factors Affecting Results of Operations

For the three and six months ended December 31, 2021 and 2020, the Company's operations and operating results were materially impacted by the COVID-19 pandemic and actions taken in response by governmental authorities. See "— Introduction — Factors Affecting Results of Operations — Impact of the COVID-19 Pandemic on Our Business" for more information. Also, see "— Factors Affecting Results of Operations" under Business Segment Results for more information surrounding the factors affecting comparability of each business segment's results.

Depreciation and amortization

Depreciation and amortization for the three months ended December 31, 2021 was \$30,533 as compared to \$25,677 in the prior year period, an increase of \$4,856, or 19% primarily due to the acquisition of Hakkasan in April 2021. For the six months ended December 31, 2021, depreciation and amortization was \$59,963 as compared to \$54,087 in the prior year period, an increase of \$5,876, or 11% primarily due to the acquisition of Hakkasan in April 2021, partially offset by lower depreciation expense due to certain assets in The Garden being fully depreciated and amortized and disposal of certain assets in the prior year period.

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Impairment and other (gains) loss, net

For the three months ended December 31, 2021, impairment and other (gains) loss of \$7,979 principally reflects gains from extinguishments and modification of lease liabilities in the Tao Group Hospitality segment associated with certain Hakkasan venues and a gain on disposal of one of the Hakkasan venues.

The following is a summary of changes in operating income (loss) by segment for the three and six months ended December 31, 2021 as compared to the prior year period.

Changes attributable to	For the Three Months Ended December 31, 2021	
	Operating income (loss)	
Entertainment segment ^(a)	\$	86,815
MSG Networks segment ^(a)		(30,603)
Tao Group Hospitality segment ^(a)		27,904
Purchase accounting adjustments		(2,022)
Inter-segment eliminations		68
MSG Entertainment Corp. total	\$	82,162

Changes attributable to	For the Six Months Ended December 31, 2021	
	Operating income (loss)	
Entertainment segment ^(a)	\$	82,785
MSG Networks segment ^(a)		(75,261)
Tao Group Hospitality segment ^(a)		49,241
Purchase accounting adjustments		740
Inter-segment eliminations		(2)
MSG Entertainment Corp. total	\$	57,503

^(a) See “Business Segment Results” for a more detailed discussion of the operating results of our segments.

Interest expense, net

Net interest expense was \$7,394 for the three months ended December 31, 2021, as compared to \$4,425 in the prior year period, a net increase of \$2,969, or 67%. The increase was primarily due to the entry into the National Properties Term Loan Facility on November 12, 2020, which resulted in an increase of interest expense of approximately \$5,990. The increase was partially offset by higher interest capitalization related to construction of approximately \$3,000. The Company capitalized \$10,600 of interest for the three months ended December 31, 2021 as compared to \$7,566 in the prior year period.

For the six months ended December 31, 2021, net interest expense was \$15,867 as compared to \$8,926 in the prior year period, a net increase of net interest expense of \$6,941 or 78%. The increase was primarily due to the entry into the National Properties Term Loan Facility on November 12, 2020, which resulted in an increase of interest expense by approximately \$19,260. The increase was partially offset by higher interest capitalization related to construction of approximately \$12,030. The Company capitalized \$19,926 of interest for the six months ended December 31, 2021 as compared to \$7,911 in the prior year period.

Miscellaneous income (expense), net

Net miscellaneous expense for the three months ended December 31, 2021 was \$17,100, as compared to \$7,568 in the prior year period, an increase of \$9,532, or 126%, primarily due to an increase in unrealized loss of \$7,005 associated with the Company’s investment in DraftKings Inc. (“DraftKings”), for which the Company recorded an unrealized loss of \$17,989 for the three months ended December 31, 2021 as compared to an unrealized loss of \$10,984 in the prior year period.

For the six months ended December 31, 2021, net miscellaneous expense was \$19,647 as compared to net miscellaneous income of 26,449, a decrease of \$46,096, primarily due to the unrealized loss associated with the investment in DraftKings of \$21,476 for the six months ended December 31, 2021 as compared to an unrealized gain of \$22,064 in the prior year period.

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Income taxes

See Note 17 to the consolidated financial statements included in “— Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for discussions of the Company’s income taxes.

Adjusted operating income

The following are the reconciliations of operating income (loss) to adjusted operating income for the three and six months ended December 31, 2021 as compared to the prior year period:

	Three Months Ended December 31,		Change	
	2021	2020	Amount	Percentage
Operating income (loss)	\$ 35,350	\$ (46,812)	\$ 82,162	NM
Non-cash portion of arena license fees from MSG Sports	(11,346)	(1,176)		
Share-based compensation	24,171	29,828		
Depreciation and amortization ^(a)	30,533	25,677		
Amortization for capitalized cloud computing costs	10	—		
Merger and acquisition related costs	2,331	—		
Impairment and other (gains) loss, net	(7,979)	—		
Restructuring charges	—	1,372		
Other purchase accounting adjustments	3,038	924		
Adjusted operating income	<u>\$ 76,108</u>	<u>\$ 9,813</u>	\$ 66,295	NM

	Six Months Ended December 31,		Change	
	2021	2020	Amount	Percentage
Operating loss	\$ (47,988)	\$ (105,491)	\$ 57,503	55 %
Non-cash portion of arena license fees from MSG Sports	(11,889)	(1,176)		
Share-based compensation	43,699	45,984		
Depreciation and amortization ^(a)	59,963	54,087		
Amortization for capitalized cloud computing costs	95	—		
Merger and acquisition related costs	39,523	—		
Impairment and other (gains) loss, net	(161)	—		
Restructuring charges	—	21,299		
Other purchase accounting adjustments	3,123	1,848		
Adjusted operating income	<u>\$ 86,365</u>	<u>\$ 16,551</u>	\$ 69,814	NM

^(a) Depreciation and amortization includes purchase accounting adjustments of \$3,510 and \$3,066 for the three months ended December 31, 2021 and 2020, respectively, and \$5,109 and \$6,588 for the six months ended December 31, 2021 and 2020, respectively.

NM — Absolute percentages greater than 200% and comparisons from positive to negative values or to zero values are considered not meaningful.

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Adjusted operating income for the three months ended December 31, 2021 improved \$66,295, to \$76,108. For the six months ended December 31, 2021, adjusted operating income increased \$69,814, to \$86,365. These increases in adjusted operating income were attributable to the following:

	Three Months Ended December 31, 2021	Six Months Ended December 31, 2021
Increase in adjusted operating income of the Entertainment segment ^(a)	\$ 70,254	\$ 57,139
Decrease in adjusted operating income of the MSG Networks segments ^(a)	(29,938)	(48,536)
Increase in adjusted operating income of the Tao Group Hospitality segment ^(a)	25,911	61,213
Inter-segment eliminations	68	(2)
	<u>\$ 66,295</u>	<u>\$ 69,814</u>

^(a) See “ — Business Segment Results ” for a more detailed discussion of the operating results of our segments.

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

For the three months ended December 31, 2021, the Company recorded \$2,642 of net income attributable to redeemable noncontrolling interests and \$106 of net income attributable to nonredeemable noncontrolling interests as compared to \$3,342 of net loss attributable to redeemable noncontrolling interests and \$902 of net loss attributable to nonredeemable noncontrolling interests for the three months ended December 31, 2020. For the six months ended December 31, 2021, the Company recorded \$4,854 of net income attributable to redeemable noncontrolling interests and \$471 of net income attributable to nonredeemable noncontrolling interests as compared to \$7,231 of net loss attributable to redeemable noncontrolling interests and \$1,532 of net loss attributable to nonredeemable noncontrolling interests for the six months ended December 31, 2020. These amounts represent the share of net income (loss) from the Company’s investments in Tao Group Hospitality and BCE that are not attributable to the Company.

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Business Segment Results
Entertainment

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

	Three Months Ended December 31,		Change	
	2021	2020	Amount	Percentage
Revenues	\$ 247,610	\$ 12,669	\$ 234,941	NM
Direct operating expenses	147,343	23,409	123,934	NM
Selling, general and administrative expenses	91,516	65,730	25,786	39 %
Depreciation and amortization	19,024	19,246	(222)	(1) %
Restructuring charges	—	1,372	(1,372)	NM
Operating loss	\$ (10,273)	\$ (97,088)	\$ 86,815	89 %
Reconciliation to adjusted operating income (loss):				
Non-cash portion of arena license fees from MSG Sports	(11,346)	(1,176)		
Share-based compensation	16,155	22,374		
Amortization for capitalized cloud computing arrangement costs	(34)	—		
Merger and acquisition related costs	1,456	—		
Depreciation and amortization	19,024	19,246		
Restructuring charges	—	1,372		
Adjusted operating income (loss)	<u>\$ 14,982</u>	<u>\$ (55,272)</u>	\$ 70,254	NM

	Six Months Ended December 31,		Change	
	2021	2020	Amount	Percentage
Revenues	\$ 281,849	\$ 20,224	\$ 261,625	NM
Direct operating expenses	183,645	47,024	136,621	NM
Selling, general and administrative expenses	184,478	118,380	66,098	56 %
Depreciation and amortization	38,680	41,260	(2,580)	(6) %
Restructuring charges	—	21,299	(21,299)	NM
Operating loss	\$ (124,954)	\$ (207,739)	\$ 82,785	40 %
Reconciliation to adjusted operating loss:				
Non-cash portion of arena license fees from MSG Sports	(11,889)	(1,176)		
Share-based compensation	26,298	32,807		
Depreciation and amortization	38,680	41,260		
Amortization for capitalized cloud computing costs	7	—		
Merger and acquisition related costs	15,448	—		
Restructuring charges	—	21,299		
Adjusted operating loss	<u>\$ (56,410)</u>	<u>\$ (113,549)</u>	\$ 57,139	50 %

NM — Absolute percentages greater than 200% and comparisons from positive to negative values or to zero values are considered not meaningful.

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Factors Affecting Results of Operations

Impact of the COVID-19 Pandemic

For the six months ended December 31, 2021 and 2020, the Entertainment segment operations and operating results were materially impacted by the COVID-19 pandemic and the actions taken in response by governmental authorities. While the number of events held at the Company's venues has started to increase, it is not clear when the Company will fully return to normal business operations. See "— *Introduction — Factors Affecting Results of Operations — Impact of the COVID-19 Pandemic on Our Business*" for more information.

Revenues

Revenues for the three months ended December 31, 2021 increased \$234,941 to \$247,610 as compared to the prior year period. For the six months ended December 31, 2021, revenues increased \$261,625 to \$281,849 as compared to the prior year period. The net increases were attributable to the following:

	Three Months Ended December 31, 2021	Six Months Ended December 31, 2021
Increase in event-related revenues, as discussed below	\$ 79,972	\$ 100,632
Increase in revenues from the <i>Christmas Spectacular</i> given the cancellation of the 2020 production as a result of the COVID-19 pandemic	55,328	55,209
Increase in revenues from signage, suites licenses, and sales of food, beverage and merchandise subject to revenue or profit sharing with MSG Sports pursuant to the Arena License Agreements	45,285	47,011
Increase in arena license fees from MSG Sports pursuant to the Arena License Agreements, as discussed below	26,268	27,596
Increase in suite license fee revenues, as a result of no live events held in the prior year periods due to the COVID-19 pandemic	13,080	13,459
Increase in venue-related signage and sponsorship revenues primarily due to the return of live events at the Company's venues during the current year period as compared to no live events held in the prior year periods due to the COVID-19 pandemic	4,634	7,297
Increase in revenues from Sponsorship Sales and Service Representation Agreements with MSG Sports	2,391	2,534
Increase in inter-segment revenues on advertising sales commission from MSG Networks, which are eliminated in consolidation	6,357	5,572
Other net increases	1,626	2,315
	<u>\$ 234,941</u>	<u>\$ 261,625</u>

For the three and six months ended December 31, 2021, the increase in event-related revenues reflects (i) higher revenues from concerts of \$58,104 and \$74,605, respectively, and (ii) higher revenues from other sporting and live entertainment events of \$21,868 and \$26,027, respectively, primarily due to the return of events to the Company's venues during the current year period as compared to no live events held in the prior year period due to the COVID-19 pandemic. See "— *Introduction — Factors Affecting Results of Operations — Impact of the COVID-19 Pandemic on Our Business*" for more information.

For the three and six months ended December 31, 2021, the Knicks and Rangers hosted a combined 35 and 37 pre-season and regular season games without any capacity restrictions. As a result, the Company recorded \$27,854 and \$29,182 in arena license fees under the Arena License Agreements for the three and six months ended December 31, 2021. In the prior year, the Knicks began their season in December 2020 and played four pre-season and regular season home games in the Fiscal Year 2021 second quarter without fans in attendance due to government-mandated assembly restrictions at that time. As capacity at The Garden was limited to 1,000 or fewer attendees, the amounts payable to the Company under the Arena License Agreement with the Knicks were reduced by 80%. As a result, the Company recorded \$1,585 in arena license fees under the Arena License Agreement with the Knicks for the three and six months ended December 31, 2020. In the prior year, the Rangers played no home games and the Company recorded no arena license fees under the Arena License Agreement with the Rangers. The Rangers' 2020-21 season began subsequently in January 2021.

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For the three and six months ended December 31, 2021, the increase in revenues from the presentation of the *Christmas Spectacular* was due to the cancellation of the 2020 production in the prior year periods. During the production's 2021 holiday season run, the Company welcomed over 400,000 guests across 101 performances, all of which took place in the Fiscal Year 2022 second quarter.

Direct operating expenses

Direct operating expenses for the three months ended December 31, 2021 increased \$123,934 to \$147,343 as compared to the prior year period. For the six months ended December 31, 2021, direct operating expenses increased \$136,621 to \$183,645 as compared to the prior year period. The net increases were attributable to the following:

	Three Months Ended December 31, 2021	Six Months Ended December 31, 2021
Increase in event-related direct operating expenses, as discussed below	\$ 41,844	\$ 51,570
Increase in direct operating expenses associated with the <i>Christmas Spectacular</i> given the cancellation of the 2020 production as a result of the COVID-19 pandemic	38,923	39,522
Increase in direct operating expenses associated with revenue or profit sharing expense from signage, suites licenses and sales of food, beverage and merchandise with MSG Sports pursuant to the Arena License Agreements	32,697	33,978
Increase in direct operating expenses associated with the Arena License Agreements	5,630	6,173
Increase in direct operating expenses associated with venue operating costs	2,622	5,348
Other net increases	2,218	30
	<u>\$ 123,934</u>	<u>\$ 136,621</u>

For the three and six months ended December 31, 2021, the increase in event-related direct operating expenses reflects (i) higher direct operating expenses from concerts of \$28,981 and \$36,246, respectively, and (ii) higher direct operating expenses from other sporting and live entertainment events of \$12,863 and \$15,324, respectively, primarily due to the return of events to the Company's venues during the current year period as compared to no live events held in the prior year period due to the COVID-19 pandemic.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2021 increased \$25,786, or 39% to \$91,516 as compared to the prior year period. The increase primarily reflects (i) higher employee compensation and related benefits of \$14,105, which is net of a decrease in share-based compensation of \$6,241, and (ii) an increase in professional fees of \$7,766, inclusive of costs for MSG Sphere development. For the six months ended December 31, 2021, selling, general and administrative expenses increased \$66,098, or 56%, to \$184,478 as compared to the prior year period. This increase primarily reflects (i) higher employee compensation and related benefits of \$32,867, which is net of a decrease in share-based compensation of \$6,699, and (ii) an increase in professional fees of \$22,567, inclusive of expenses in the current year period related to the Company's acquisition of MSG Networks Inc. of \$13,992 and, to a lesser extent, initiatives for MSG Sphere development.

Depreciation and amortization

Depreciation and amortization for the six months ended December 31, 2021, decreased \$2,580, or 6% to \$38,680 as compared to the prior year period primarily due to lower depreciation expense as a result of certain assets in The Garden being fully depreciated and amortized, and disposal of certain assets in the prior year period.

Operating loss

Operating loss for the three months ended December 31, 2021 was \$10,273 as compared to \$97,088 in the prior year period, a decrease in operating loss of \$86,815, or 89%. For the six months ended December 31, 2021, operating loss was \$124,954 as compared to \$207,739 in the prior year period, a decrease in operating loss of \$82,785 or 40%. The decreases in operating loss were primarily due to increases in revenues offset by higher direct operating expenses and selling, general and administrative expenses and, to a lesser extent, the impact of restructuring charges in the prior year periods, as discussed above.

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Adjusted operating income (loss)

Adjusted operating income for the three months ended December 31, 2021 was \$14,982 as compared to adjusted operating loss of \$55,272 in the prior year period, an increase in adjusted operating income of \$70,254. The increase in adjusted operating income was lower than the decrease in operating loss of \$86,815 primarily due to (i) the increase in adjustments for the non-cash portion of arena license fees from MSG Sports of \$10,170, and (ii) a decrease in share-based compensation of \$6,219, both of which are excluded in the calculation of adjusted operating income (loss). For the six months ended December 31, 2021, adjusted operating loss was \$56,410 as compared to \$113,549 in the prior year period, a decrease in adjusted operating loss of \$57,139. The decrease in adjusted operating loss was lower than the decrease in operating loss of \$82,785 primarily due to (i) restructuring charges of \$21,299 in the prior year period as compared to merger and acquisition related costs of \$15,448 in the current year period, (ii) the increase in adjustments for the non-cash portion of arena license fees from MSG Sports of \$10,713, and (iii) a decrease in share-based compensation of \$6,509, which are excluded in the calculation of adjusted operating loss.

MSG Networks

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

	Three Months Ended December 31,		Change	
	2021	2020	Amount	Percentage
Revenues	\$ 159,981	\$ 146,239	\$ 13,742	9 %
Direct operating expenses	85,924	57,033	28,891	51 %
Selling, general and administrative expenses	37,192	21,692	15,500	71 %
Depreciation and amortization	1,756	1,802	(46)	(3) %
Operating income	\$ 35,109	\$ 65,712	\$ (30,603)	(47) %
Reconciliation to adjusted operating income:				
Share-based compensation	6,058	6,266		
Depreciation and amortization	1,756	1,802		
Amortization for capitalized cloud computing arrangement costs	44	—		
Merger and acquisition related costs	875	—		
Adjusted operating income	\$ 43,842	\$ 73,780	\$ (29,938)	(41) %

	Six Months Ended December 31,		Change	
	2021	2020	Amount	Percentage
Revenues	\$ 301,454	\$ 303,602	\$ (2,148)	(1) %
Direct operating expenses	154,347	122,105	32,242	26 %
Selling, general and administrative expenses	85,167	44,219	40,948	93 %
Depreciation and amortization	3,553	3,630	(77)	(2) %
Operating income	\$ 58,387	\$ 133,648	\$ (75,261)	(56) %
Reconciliation to adjusted operating income:				
Share-based compensation	13,532	10,893		
Depreciation and amortization	3,553	3,630		
Amortization for capitalized cloud computing arrangement costs	88	—		
Merger and acquisition related costs	24,075	—		
Adjusted operating income	\$ 99,635	\$ 148,171	\$ (48,536)	(33) %

NM — Absolute percentages greater than 200% and comparisons from positive to negative values or to zero values are considered not meaningful.

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Factors Affecting Results of Operations

Due to the COVID-19 pandemic, in March 2020, the 2019-20 NHL and NBA seasons were suspended. The leagues resumed play during the summer of 2020, with the Rangers and Islanders participating in the NHL's return to play and the Islanders advancing to the 2019-20 playoffs. The NHL and NBA subsequently completed their shortened 2019-20 seasons in September and October 2020, respectively, which resulted in a delayed start to the shortened 2020-21 NBA and NHL seasons. For the 2021-22 seasons, MSG Networks has resumed airing full regular season telecast schedules for its five professional teams across both the NBA and NHL. See “— Introduction — Factors Affecting Results of Operations — Impact of the COVID-19 Pandemic on Our Business” for more information.

Revenues

Revenues for the three months ended December 31, 2021 increased \$13,742, or 9% to \$159,981 as compared to the prior year period. Revenues for the six months ended December 31, 2021 decreased \$2,148, or 1%, to \$301,454 as compared to the prior year period. The changes in revenues were attributable to the following:

	Three Months Ended December 31, 2021	Six Months Ended December 31, 2021
Decrease in affiliation fee revenue	\$ (16,114)	\$ (28,379)
Increase in advertising revenue	28,307	24,745
Other net increases	1,549	1,486
	<u>\$ 13,742</u>	<u>\$ (2,148)</u>

For the three months ended December 31, 2021, the decrease in affiliation fee revenue was primarily due to the impact of (i) the non-renewal of MSG Networks' carriage agreement with Comcast as of October 1, 2021 and (ii) a decrease in subscribers of approximately 7% (excluding the impact of the non-renewal with Comcast). These decreases were partially offset by (i) the net impact of higher affiliation rates and (ii) a decrease in net unfavorable affiliate adjustments of approximately \$3,100. For the six months ended December 31, 2021, the decrease in affiliation fee revenue was primarily due to the impact of (i) the non-renewal of MSG Networks' carriage agreement with Comcast as of October 1, 2021, (ii) a decrease in subscribers of approximately 6.5% (excluding the impact of the non-renewal with Comcast), and (iii) an increase in net unfavorable affiliate adjustments of approximately \$2,200. These decreases were partially offset by the impact of higher affiliation rates.

Effective October 1, 2021, Comcast's license to carry MSG Networks expired and MSG Networks has not been carried by Comcast since that date. The financial impact of Comcast's non-carriage of MSG Networks will depend on many factors including if, when and on what terms Comcast and the Company reach a new carriage agreement and the extent to which Comcast subscribers switch to other Distributors that carry MSG Networks. Comcast's non-carriage has reduced MSG Networks' subscribers by approximately 10% and, subject to the foregoing factors, has and is expected to reduce MSG Networks' revenue by a comparable percentage for so long as MSG Networks' carriage agreement with Comcast is not renewed. In addition, during any period of non-carriage, MSG Networks' segment operating income and AOI have been and are expected to be reduced by an amount that is approximately equal to the dollar amount of the reduced revenue.

For the three months ended December 31, 2021, the increase in advertising revenue primarily reflects a greater number of live NBA and NHL telecasts as compared with the prior year period. As a result of the delayed start to the 2020-21 NBA and NHL seasons due to the COVID-19 pandemic, MSG Networks telecast nine NBA games and no NHL games in the prior year period, as compared with a regular NBA and NHL telecast schedule in the current year period. For the six months ended December 31, 2021, the increase in advertising revenue primarily reflects a greater number of live NBA and NHL telecasts in the current year period as compared with the prior year period. As a result of the impact of the COVID-19 pandemic to NBA and NHL seasons, MSG Networks telecast nine NBA games and 14 NHL games in the prior year period, as compared with a regular NBA and NHL telecast schedule in the current year period.

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Direct operating expenses

Direct operating expenses for the three months ended December 31, 2021 increased \$28,891, or 51%, to \$85,924 as compared to the prior year period. For the six months ended December 31, 2021, direct operating expenses increased \$32,242, or 26%, to \$154,347 as compared to the prior year period. For the three and six months ended December 31, 2021, the increase was primarily due to higher rights fees expenses of \$20,358 and \$22,901, respectively, and, to a lesser extent, an increase in other programming and production-related costs of \$8,286 and \$9,052, respectively. The increases in rights fees were primarily due to the impact of (i) lower media rights fees in the prior year periods as a result of the rights fees reductions related to the shortened 2020-21 NHL seasons, (ii) the impact in the prior year periods of the delayed start of the 2020-21 NBA and NHL regular seasons, and (iii) annual contractual rate increases. The increase in other programming and production-related costs was primarily due to the impact of a regular NBA and NHL telecast schedule in the current year period, as compared to the prior year period in which due to the impact of the COVID-19 pandemic to NBA and NHL seasons, MSG Networks telecast nine NBA games and 14 NHL games.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2021 increased \$15,500, or 71%, to \$37,192 as compared to the prior year period. For the six months ended December 31, 2021, selling, general and administrative expenses increased \$40,948, or 93%, to \$85,167 as compared to the prior year period. The increase in selling, general and administrative expenses was primarily due to higher (i) advertising, and marketing expenses of approximately \$7,000 for the three and six months ended December 31, 2021, and (ii) advertising sales commissions of approximately \$6,400 and \$5,600 for the three and six months ended December 31, 2021, respectively. In addition, for the six months ended December 31, 2021, the increase in selling, general and administrative expenses also reflected approximately \$25,700 of merger and acquisition costs that occurred primarily during the first quarter of Fiscal Year 2022, inclusive of the impact of executive separation agreements.

Operating income

Operating income for the three months ended December 31, 2021 decreased \$30,603, or 47% to \$35,109 as compared to the prior year period. The decrease in operating income for three months ended December 31, 2021 was primarily due to the increase in direct operating expenses and, to a lesser extent, the increase in selling, general and administrative expenses, partially offset by the increase in revenues. For the six months ended December 31, 2021, operating income decreased \$75,261, or 56%, to \$58,387 as compared to the prior year period. The decrease in operating income for the six months ended December 31, 2021 was primarily due to the increase in selling, general and administrative expenses and direct operating expenses and, to a lesser extent the decrease in revenues.

Adjusted operating income

Adjusted operating income for the three months ended December 31, 2021 decreased \$29,938, or 41%, to \$43,842 as compared to the prior year period, which is consistent with the decrease in operating income of \$30,603, as discussed above. For the six months ended December 31, 2021, adjusted operating income decreased \$48,536, or 33%, to \$99,635 as compared to the prior year period. The decrease in adjusted operating income for the six months ended December 31, 2021 was lower than the decrease in operating income of \$75,261 primarily due to the merger and acquisition-related costs of \$24,075 recorded in the current year period, which are excluded in the calculation of adjusted operating income.

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Tao Group Hospitality

The table below sets forth, for the periods presented, certain historical financial information and a reconciliation of operating income (loss) to adjusted operating income (loss) for the Company's Tao Group Hospitality segment.

	Three Months Ended December 31,		Change	
	2021	2020	Amount	Percentage
Revenues	\$ 117,086	\$ 10,491	\$ 106,595	NM
Direct operating expenses	60,880	10,980	49,900	NM
Selling, general and administrative expenses	40,685	9,131	31,554	NM
Depreciation and amortization	6,243	1,563	4,680	NM
Impairment and other (gains) loss, net	(7,443)	—	(7,443)	NM
Operating income (loss)	\$ 16,721	\$ (11,183)	\$ 27,904	NM
Reconciliation to adjusted operating income (loss):				
Share-based compensation	1,958	1,188		
Depreciation and amortization	6,243	1,563		
Impairment and other (gains) loss, net	(7,443)	—		
Adjusted operating income (loss)	\$ 17,479	\$ (8,432)	\$ 25,911	NM

	Six Months Ended December 31,		Change	
	2021	2020	Amount	Percentage
Revenues	\$ 236,550	\$ 17,712	\$ 218,838	NM
Direct operating expenses	121,973	20,808	101,165	NM
Selling, general and administrative expenses	74,779	16,734	58,045	NM
Depreciation and amortization	12,621	2,609	10,012	NM
Impairment and other (gains) loss, net	375	—	375	NM
Operating income (loss)	\$ 26,802	\$ (22,439)	\$ 49,241	NM
Reconciliation to adjusted operating income (loss):				
Share-based compensation	3,869	2,284		
Depreciation and amortization	12,621	2,609		
Impairment and other (gains) loss, net	375	—		
Adjusted operating income (loss)	\$ 43,667	\$ (17,546)	\$ 61,213	NM

NM — Absolute percentages greater than 200% and comparisons from positive to negative values or to zero values are considered not meaningful.

Factors Affecting Results of Operations

Disruptions caused by the COVID-19 pandemic had a significant and negative impact on Tao Group Hospitality's operations and financial performance for Fiscal Year 2021. In the prior year period, due to government actions taken in response to the COVID-19 pandemic in 2020, virtually all of Tao Group Hospitality's venues closed for approximately three months starting in March. Certain venues then resumed limited operations, subject to significant regulatory requirements, which included limits on capacity, curfews and social distancing requirements for outdoor and indoor dining. See "— Introduction —Factors Affecting Results of Operations — Impact of the COVID-19 Pandemic on Our Business" for more information.

As of December 31, 2021, 53 of Tao Group Hospitality's venues (24 legacy Tao Group Hospitality venue and 29 Hakkasan venues acquired in connection with the April 27, 2021 transaction) were open for outdoor dining, limited or full capacity indoor dining (depending on the market), and delivery/takeout, inclusive of Tao Asian Bistro & Lounge at Mohegan Sun, a venue that first opened in March 2021, while six venues remained closed (four legacy Tao Group Hospitality venues and two Hakkasan

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venues). Our venues continue to be operating under various governmental safety protocols such as vaccine mandates, curfews, capacity limitations and social distancing depending on the location.

Revenues

Revenues for the three months ended December 31, 2021 increased \$106,595 to \$117,086 as compared to the prior year period. For the six months ended December 31, 2021, revenues increased \$218,838 to \$236,550 as compared to the prior year period. The net increases were attributable to the following:

	Three Months Ended December 31, 2021	Six Months Ended December 31, 2021
Increase in revenues due to Hakkasan, acquired in April 2021	\$ 51,579	\$ 110,931
Increase in revenues at venues subject to capacity restrictions in the prior year period ^(a)	36,455	62,728
Increase in revenues at venues that were temporarily closed in the prior year period as a result of the COVID-19 pandemic	17,243	42,791
Other net increases	1,318	2,388
	<u>\$ 106,595</u>	<u>\$ 218,838</u>

(a) Includes the increases in revenues from converting previously managed venues to self-operated venues of \$9,291 and \$20,222 for the three and six months ended December 31, 2021 as compared to the prior year periods.

Direct operating expenses

Direct operating expenses for the three months ended December 31, 2021 increased \$49,900 to \$60,880 as compared to the prior year period. For the six months ended December 31, 2021, direct operating expenses increased \$101,165, to \$121,973 as compared to the prior year period. The net increases were attributable to the following:

	Three Months Ended December 31, 2021	Six Months Ended December 31, 2021
Increase in direct operating expenses due to Hakkasan, acquired in April 2021	\$ 24,614	\$ 52,480
Increase in employee compensation and related benefits as a result of resuming operations compared with the prior year period's reduction in headcount resulting from the COVID-19 pandemic	11,578	21,688
Increase in the costs of food, beverage and venue entertainment as a result of resuming operations compared with the prior year period's closure of certain venues and capacity restrictions due to the COVID-19 pandemic	10,855	21,020
Increase in rent expense, primarily due to rent concessions in the prior year period resulting from the COVID-19 pandemic	2,603	5,282
Other net increases	250	695
	<u>\$ 49,900</u>	<u>\$ 101,165</u>

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2021 increased \$31,554 to \$40,685 as compared to the prior year period. For the six months ended December 31, 2021, selling, general and administrative expenses increased \$58,045 to \$74,779 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) expenses from the Hakkasan operations acquired in April 2021 of \$15,973 and \$30,696, respectively, (ii) employee compensation and related benefits, inclusive of an increase in share-based compensation, of \$6,454 and \$10,640, respectively, (iii) professional fees and restaurant expenses, as well as supplies, utilities, general liability insurance, pre-opening expenses and repairs and maintenance of \$4,521 and \$8,376, respectively, and (iv) marketing costs of \$2,357 and \$4,490, respectively. All increases were significantly driven by the acquisition of Hakkasan in April 2021.

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Depreciation and amortization

Depreciation and amortization for the three months ended December 31, 2021 increased \$4,680 to \$6,243 as compared to the prior year period. For the six months ended December 31, 2021, depreciation and amortization increased \$10,012 to \$12,621 as compared to the prior year period. The increases were primarily due to acquisition of Hakkasan in April 2021.

Impairment and other (gains) loss, net

For the three months ended December 31, 2021, the Company recorded net gains of \$7,443 principally from extinguishments and modification of lease liabilities associated with certain Hakkasan venues.

Operating income (loss)

Operating income for the three months ended December 31, 2021 was \$16,721 as compared to an operating loss of \$11,183 in the prior year period, an increase in operating income of \$27,904. For the six months ended December 31, 2021, operating income was \$26,802 as compared to an operating loss of \$22,439 in the prior year period, an increase in operating income of \$49,241. The increases in operating income for the three and six months ended December 31, 2021 were primarily due to the acquisition of Hakkasan in April 2021 and increased revenues, partially offset by an increase in direct operations, selling, general and administrative expenses, depreciation and amortization and impairment of long-lived assets, as discussed above. All increased operations were significantly driven by the acquisition of Hakkasan in April 2021 and the prior year period disruptions caused by the COVID-19 pandemic.

Adjusted operating income (loss)

Adjusted operating income for the three months ended December 31, 2021 was \$17,479 as compared to adjusted operating loss \$8,432 in the prior year period, an increase in adjusted operating income of \$25,911. For the six months ended December 31, 2021, adjusted operating income was \$43,667, as compared to adjusted operating loss of \$17,546 in the prior year period, an increase in adjusted operating income of \$61,213. The increase in adjusted operating income for the three months ended December 31, 2021 was lower as compared to the increase in operating income primarily due to the net recovery of impairment of long-lived assets, offset by the higher depreciation and amortization, as discussed above. For the six months ended December 31, 2021, the increase in adjusted operating income was higher than the increase in operating income primarily due to increased depreciation and amortization, as discussed above.

Liquidity and Capital Resources

Overview

The Company's operations and operating results have been, and continue to be, materially impacted by the COVID-19 pandemic (including COVID-19 variants) and actions taken in response by governmental authorities and certain professional sports leagues. For the majority of Fiscal Year 2021, substantially all of the Entertainment business operations were suspended, MSG Networks aired substantially fewer games and Tao Group Hospitality was operating at significantly reduced capacity and demand. While operations have resumed, it is not clear when we will fully return to normal operations.

As a result of government-mandated assembly limitations and closures, all of our performance venues were closed beginning in March 2020. Use of The Garden resumed for Knicks and Rangers home games without fans in December 2020 and January 2021, respectively, and was available at 10% seating capacity from February through May 2021 with certain safety protocols and social distancing. Beginning in May 2021, all of our New York performance venues were permitted to host guests at full capacity, subject to certain restrictions, and effective June 2021, The Chicago Theatre was permitted to host events without restrictions. Effective August 17, 2021, all workers and customers in New York City indoor dining, indoor fitness and indoor entertainment facilities, including our venues, were subject to certain vaccination requirements. Following updated regulations, effective January 3, 2022 for the Chicago Theatre, and January 29, 2022 for our New York venues, all guests five and older, as well as employees, are required to provide proof that they have received two doses of a two-shot COVID-19 vaccine or one dose of a single-shot vaccine (although specific performers may require enhanced protocols). Children under age 5 can attend events with a vaccinated adult, but ages 2 to 4 need to wear a mask while inside our venues. In addition, effective August 20, 2021 and continuing, masks are required for all individuals in indoor public spaces in Chicago, including our venues.

For Fiscal Year 2021, the majority of ticketed events at our venues were postponed or cancelled. For the six months ended December 31, 2021 and as of this date, live events have been permitted to be held at all of our performance venues and we are continuing to host and book new events. As a result of an increase in cases of a COVID-19 variant, select bookings were postponed or cancelled at our performance venues in the second quarter of Fiscal Year 2022. Variants of COVID-19 that arise in the future may result in additional postponements or cancellations of bookings at our performance venues.

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The impact of the COVID-19 pandemic on our operations also included (i) the partial cancellation of the 2021 production of the *Christmas Spectacular*, (ii) the cancellation of the 2020 production of the *Christmas Spectacular*, and (iii) the cancellation of both the 2020 and 2021 Boston Calling Music Festivals.

The Company has Arena License Agreements with MSG Sports that require the Knicks and Rangers to play their home games at The Garden. As discussed above, capacity restrictions, use limitations and social distancing requirements were in place for the entirety of the Knicks and Rangers 2020-21 regular seasons, which materially impacted the payments we received under the Arena License Agreements for Fiscal Year 2021. On July 1, 2021, the Knicks and Rangers began paying the full amounts provided for under their respective Arena License Agreements and full 82-game regular seasons for the 2021-22 NBA and NHL seasons are scheduled.

As a result of the COVID-19 pandemic and league and government actions relating thereto, MSG Networks aired substantially fewer NBA and NHL telecasts during Fiscal Year 2021, as compared with Fiscal Year 2019 (the last full fiscal year not impacted by COVID-19), and consequently experienced a decrease in revenues, including a material decrease in advertising revenue. The absence of live sports games also resulted in a decrease in certain MSG Networks expenses, including rights fees, variable production expenses, and advertising sales commissions. MSG Networks has resumed airing full regular season telecast schedules for its five professional teams across both the NBA and NHL, and, as a result, our advertising revenue and certain operating expenses, including rights fees expense, reflect the same.

Disruptions caused by the COVID-19 pandemic had a significant and negative impact on Tao Group Hospitality's operations and financial performance for Fiscal Year 2021. Due to government actions taken in response to the COVID-19 pandemic, virtually all of Tao Group Hospitality's venues were closed for approximately three months starting in March 2020. Additionally, three venues were permanently closed. Throughout Fiscal Year 2021, Tao Group Hospitality conducted limited operations at certain venues, subject to significant regulatory requirements, including capacity limits, curfews and social distancing requirements for outdoor and indoor dining. Tao Group Hospitality's operations fluctuated throughout Fiscal Year 2021 and during the first two quarters of Fiscal Year 2022 as certain markets lifted restrictions, imposed restrictions, and changed operational requirements over time. Following updated regulations applicable to indoor dining facilities and entertainment venues, effective January 3, 2022 for Chicago, and January 29, 2022 for New York, all guests five and older, as well as employees, are required to provide proof that they have received two doses of a two-shot COVID-19 vaccine or one dose of a single-shot vaccine. In addition, certain jurisdictions have reinstated safety protocols, such as mask mandates in Nevada and Chicago, but Tao Group Hospitality is continuing to operate without capacity restrictions in domestic and key international markets.

It is unclear how long and to what extent COVID-19 concerns, including with respect to new variants, will continue to impact government and league-mandated capacity restrictions or vaccination/mask requirements, the use of and/or demand for our entertainment and dining and nightlife venues, demand for our sponsorship and advertising assets, deter our employees and vendors from working at our venues (which may lead to difficulties in staffing) or otherwise materially impact our operations.

Our primary sources of liquidity are cash and cash equivalents, cash flows from the operations of our businesses and available borrowing capacity under our MSGN Credit Agreement. Our principal uses of cash include working capital-related items (including funding our operations), capital spending (including our construction of MSG Sphere at The Venetian in Las Vegas, as described below), debt service, investments and related loans and advances that we may fund from time to time, and mandatory purchases from prior acquisitions. We may also use cash to repurchase our common stock. Our decisions as to the use of our available liquidity will be based upon the ongoing review of the funding needs of the business, the optimal allocation of cash resources, and the timing of cash flow generation. To the extent that we desire to access alternative sources of funding through the capital and credit markets, challenging U.S. and global economic and market conditions could adversely impact our ability to do so at that time.

We regularly monitor and assess our ability to meet our net funding and investing requirements. We believe we have sufficient liquidity, including \$1,258,105 in cash and cash equivalents as of December 31, 2021, to fund our operations, service the MSGN Credit Agreement, the National Properties Term Loan Facility, the Tao Credit Facilities, and pursue the development of the new venues discussed below for the foreseeable future. See Note 13 to the consolidated financial statements included in "— Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for a discussion of the MSGN Credit Agreement, the National Properties Term Loan Facility and the Tao Revolving Credit Facilities. Our cash and cash equivalents include approximately \$264,000 in advance cash proceeds primarily related to tickets, suites, and, to a lesser extent, sponsorships.

On March 31, 2020, the Company's Board of Directors authorized, effective following the Entertainment Distribution, a share repurchase program to repurchase up to \$350,000 of the Company's Class A Common Stock. Under the authorization, shares of Class A Common Stock may be purchased from time to time in open market transactions, 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. No shares have been repurchased to date.

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Tao Group Hospitality's principal uses of cash include working capital related-items (including funding its operations), investments in new venues, tax-related cash distributions, interest expense payments and repayment of debt. Tao Group Hospitality plans to continue to grow its business through the opening of new venues and acquisitions.

MSG Sphere

The Company has made significant progress on MSG Sphere at The Venetian, its state-of-the-art entertainment venue under construction in Las Vegas.

The Company expects the venue to have a number of significant revenue streams, including a wide variety of content such as attractions, concert residencies and corporate and select sporting events, as well as sponsorship and premium hospitality opportunities. As a result, we anticipate that MSG Sphere at The Venetian will generate substantial revenue and adjusted operating income on an annual basis.

MSG Sphere at The Venetian is a complex construction project that has become even more challenging due to the global impact of COVID-19. In April 2020, the Company announced that it was suspending construction due to COVID-19-related factors outside of its control, including supply chain issues. As the ongoing effects of the pandemic continued to impact its business operations, in August 2020, the Company disclosed that it resumed construction with a lengthened timetable. The Company remains committed to bringing MSG Sphere to Las Vegas and expects to open the venue in the second half of calendar year 2023. As with any major construction project, the construction of MSG Sphere is subject to potential delays, unexpected complications or cost fluctuations.

On August 23, 2021, we announced that our cost estimate inclusive of core technology and soft costs, for MSG Sphere at The Venetian was approximately \$1,865,000. This cost estimate was net of \$75,000 that the Sands has agreed to pay to defray certain construction costs and also excludes the impacts of changes in inflation and significant capitalized and non-capitalized costs for items such as content creation, internal labor, capitalized interest, and furniture and equipment. Relative to our cost estimate above, our actual construction costs for MSG Sphere at The Venetian incurred through December 31, 2021 were approximately \$1,131,000, which is net of \$65,000 received from Sands. In addition, the amount of construction costs incurred as of December 31, 2021 includes approximately \$146,000 of accrued expenses that were not yet paid as of that date.

With regard to MSG Sphere at The Venetian, the Company plans to finance the construction of the venue from cash-on-hand and cash flows from operations. If the Company's cash-on-hand and cash flows from operations are not sufficient to finance the remaining construction costs of MSG Sphere at The Venetian, the Company would need to access additional capital, including potential incremental debt. There is no assurance that the Company will be able to obtain such capital.

While the Company plans to self-fund the construction of MSG Sphere at The Venetian, under the right terms it would consider third-party financing alternatives. The Company's intention for any future venues is to utilize several options, such as non-recourse debt financing, joint ventures, equity partners and a managed venue model.

For additional information regarding the Company's capital expenditures, including those related to MSG Sphere, see Note 21 to the Company's audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Company's Annual Report on Form 10-K.

In February 2018, we announced the purchase of land in Stratford, London, which we expect will become home to a future MSG Sphere. The Company submitted a planning application to the local planning authority in March 2019 and that process, which will require various stages of review to be completed and approvals to be granted, is ongoing. Therefore, we do not have a definitive timeline at this time.

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

Financing Agreements

See Note 13 to the consolidated financial statements included in "— Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for discussions of the Company's debt obligations and various financing agreements.

MSGN Credit Facility

MSG Networks has made principal repayments aggregating to \$77,000 through December 31, 2021 under the MSGN Credit Agreement. The MSGN Term Loan Facility amortizes quarterly in accordance with its terms. As of December 31, 2021, there was \$1,023,000 outstanding under the MSGN Term Loan Facility, and no borrowings under the MSGN Revolving Credit Facility. As of December 31, 2021, the Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis

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were in compliance with the covenants of the MSGN Credit Agreement. The scheduled repayments for the remainder of Fiscal Year 2022 are \$24,750.

National Properties Term Loan Facility

The National Properties Term Loan Facility includes a minimum liquidity covenant, pursuant to which MSG National Properties and its restricted subsidiaries are required to maintain a specified minimum level of average daily liquidity, consisting of cash and cash equivalents and available revolving commitments, over the last month of each quarter. Following the first anniversary of the closing of the facility in November 2021, the minimum liquidity level was reduced to \$200,000. If at any time the total leverage ratio of MSG National Properties and its restricted subsidiaries is less than 5.00 to 1.00 as of the end of any four consecutive fiscal quarter periods or MSG National Properties obtains an investment grade rating, the minimum liquidity level is permanently reduced to \$50,000. As of December 31, 2021, the trailing twelve month AOI (as defined under the National Properties Term Loan Facility) for MSG National Properties and its restricted subsidiaries was negative and therefore, the minimum liquidity level continues to be \$200,000.

MSG National Properties has made principal repayments aggregating to \$6,500 through December 31, 2021 under the National Properties Term Loan Facility, which amortizes quarterly in accordance with its terms. As of December 31, 2021, there was \$643,500 outstanding under the National Properties Term Loan Facility. The scheduled repayments for the remainder of Fiscal Year 2022 are \$3,250.

In addition to the minimum liquidity covenant, the National Properties Term Loan Facility and the related security agreement contain certain customary representations and warranties, affirmative and negative covenants and events of default. As of December 31, 2021, MSG National Properties and its restricted subsidiaries were in compliance with the covenants of the National Properties Term Loan Facility.

Tao Senior Secured Credit Facilities

As of December 31, 2021, there was \$26,250 outstanding drawn on the Tao Term Loan Facility. The scheduled repayments for the remainder of Fiscal Year 2022 are \$3,750. As of December 31, 2021, Tao Group Hospitality utilized \$750 of the Tao Revolving Credit Facility for issuance of letters of credit and the remaining borrowing available was \$24,250.

Disruptions caused by the COVID-19 pandemic have had, and are likely to continue to have, a significant and negative impact on Tao Group Hospitality's operations and financial performance. On August 6, 2020, TAOIH and TAOG entered into an amendment to the Tao Senior Credit Agreement, which suspended the application of the financial maintenance covenants thereunder through December 31, 2021, modified certain restrictive covenants therein through December 31, 2021, modified the applicable interest rates and increased the minimum liquidity requirement for the outstanding balance of \$33,750 under the Tao Term Loan Facility and for the \$25,000 availability under the Tao Revolving Credit Facility. As of January 1, 2022, such financial maintenance and restrictive covenant suspensions are no longer in effect. TAOIH and its restricted subsidiaries must maintain a minimum consolidated liquidity, consisting of cash and cash equivalents and available revolving commitments, at all times of \$10,000. In addition, in connection with the amendment, the Company, through its direct subsidiary, MSG Entertainment Group, entered into a guarantee and reserve account agreement (i) to guarantee the obligations of TAOG under the Tao Senior Credit Agreement, (ii) to establish and grant a security interest in a reserve account that initially held a deposit of approximately \$9,800 and (iii) with a covenant to maintain a minimum liquidity requirement of no less than \$75,000 at all times. The balance held in the reserve account was approximately \$1,600 as of December 31, 2021. As of December 31, 2021, TAOG, TAOIH and the restricted subsidiaries were in compliance with the covenants of the Tao Senior Credit Agreement.

As of December 31, 2021, the outstanding balance under the Tao Subordinated Credit Agreement was \$63,000. The balances and interest-related activities pertaining to the Tao Subordinated Credit Agreement have been eliminated in the consolidated financial statements in accordance with ASC Topic 810, *Consolidation*. If recovery from the pandemic takes longer than currently estimated, Tao Group Hospitality may need to seek covenant waivers in the future. Tao Group Hospitality's failure to obtain covenant waivers could trigger a violation of these covenants and lead to default and acceleration of all of its outstanding debt, which could have a material adverse effect on liquidity.

Letters of Credit

The Company uses letters of credit to support its business operations. As of December 31, 2021, the Company had a total of \$8,447 of letters of credit outstanding, which included two letters of credit for an aggregate of \$750 issued under the Tao Revolving Credit Facility.

Contractual Obligations

The Company did not have any material changes in its contractual obligations since the end of Fiscal Year 2021 other than (i) a total of approximately \$3,646,250 in contract obligations (primarily related to media rights agreements) that are now included

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as a part of the Company's contractual obligation in connection with the Merger with MSG Networks on July 9, 2021, and (ii) activities in the ordinary course of business. See Note 11 to the consolidated financial statements included in "— Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for further details on the timing and amount of payments under various media rights agreements.

Cash Flow Discussion

As of December 31, 2021, cash, cash equivalents and restricted cash totaled \$1,282,019, as compared to \$1,539,976 as of June 30, 2021. 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	\$ (71,636)	\$ (100,391)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities	116,890	50,055
Subtotal	\$ 45,254	\$ (50,336)
Changes in working capital assets and liabilities	87,532	(52,131)
Net cash provided by (used in) operating activities	\$ 132,786	\$ (102,467)
Net cash (used in) provided by investing activities	(332,532)	136,238
Net cash (used in) provided by financing activities	(57,639)	598,512
Effect of exchange rates on cash, cash equivalents and restricted cash	(572)	7,795
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (257,957)	\$ 640,078

Operating Activities

Net cash provided by operating activities for the six months ended December 31, 2021 increased by \$235,253 to \$132,786 as compared to net cash used in operating activities of \$102,467 in the prior year period primarily due to lower net loss in the current year period and changes in working capital assets and liabilities, which included (i) higher cash collection associated with deferred revenue account including collections due to promoters, and (ii) higher increase in payables, including related party payable. Our lower net loss in the current year period reflect significant non-cash items such as (i) net unrealized loss of \$19,615 as compared to net unrealized gain of \$29,090 in the prior year period and (ii) lower deferred income taxes benefits of \$17,173 in the current year period as compared to \$29,505 in the prior year period.

Investing Activities

Net cash used in investing activities for the six months ended December 31, 2021 increased by \$468,770 to \$332,532 as compared to the prior year period primarily due to the absence of proceeds from the maturity of short-term investments in the prior year period and, to a lesser extent, an increase in capital expenditures in the current year period.

Financing Activities

Net cash used in financing activities for the six months ended December 31, 2021 increased by \$656,151 to \$57,639 as compared to cash provided by financing activities of \$598,512 in prior year period. The increase in net cash used in financing activity was primarily due to proceeds from National Properties Term Loan Facility of \$630,500 received during the prior year period in November 2020.

Seasonality of Our Business

The revenues the Company earns from the *Christmas Spectacular* and arena license fees from MSG Sports in connection with the Knicks and Rangers use of the Garden generally means the Entertainment segment earns a disproportionate share of its revenues and operating income in the second and third quarters of the Company's fiscal year with the first fiscal quarter being disproportionately lower.

As a result of the foregoing, the Company's revenue and operating income are disproportionately higher in the fiscal second and third quarter of the fiscal year and lower in the first quarter of the fiscal year.

Recently Issued Accounting Pronouncements and Critical Accounting Policies

Recently Issued Accounting Pronouncements

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

Critical Accounting Policies

There have been no other material changes to the Company’s critical accounting policies from those set forth in Note 2. Summary of Significant Accounting Policies of the Company’s audited consolidated and combined financial statements and notes thereto for the year ended June 30, 2021 included in the Form 10-K. 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.

Impairment of Long-Lived and Indefinite-Lived Assets

Goodwill is tested annually for impairment as of August 31st and at any time upon the occurrence of certain events or substantive changes in circumstances. The Company performs its goodwill impairment test at the reporting unit level, which is one level below the operating segment level. As of December 31, 2021, the Company had three operating and reportable segments consistent with the process the Company’s management followed in making decisions and allocating resources to the business.

For purposes of evaluating goodwill for impairment, the Company has three reporting units: Entertainment, MSG Networks and Tao Group Hospitality.

The goodwill balance reported on the Company’s consolidated balance sheet as of December 31, 2021 by reporting unit was as follows:

Entertainment	\$	74,309
MSG Networks		424,508
Tao Group Hospitality		1,364
	\$	<u>500,181</u>

The Company has the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If the Company can support the conclusion that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company would not need to perform 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, a quantitative 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, comparable market transactions or other acceptable valuation techniques, including the cost approach. These valuations are based on estimates and assumptions including projected future cash flows, discount rates, cost-based assumptions, 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, not to exceed the carrying amount of goodwill.

The Company elected to perform the qualitative assessment of impairment for all of the Company’s reporting units for the Fiscal Year 2022 annual impairment test. These assessments considered factors such as:

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

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During the first quarter of Fiscal Year 2022, the Company performed its most recent annual impairment tests of goodwill and determined that there were no impairment of goodwill identified for any of its reporting units as of the impairment test date. Based on these impairment tests, the Company's reporting units had sufficient safety margins, representing the excess of the estimated fair value of each reporting unit, derived from the most recent quantitative assessments, less its respective carrying value (including goodwill allocated to each respective reporting unit). The Company believes that if the fair value of the reporting unit exceeds its carrying value by greater than 10%, a sufficient safety margin has been realized.

Identifiable Indefinite-Lived Intangible Assets

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

Trademarks	\$	61,881
Photographic related rights		1,920
	\$	63,801

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 the qualitative assessment of impairment for the photographic related rights and the trademarks. These assessments considered the events and circumstances that could affect the significant inputs used to determine the fair values of the intangible assets. 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.

During the first quarter of Fiscal Year 2022, the Company performed its most recent annual impairment test of the identifiable indefinite-lived intangible assets and determined that there were no impairments identified. Based on these impairment tests, the Company's indefinite-lived intangible assets had sufficient safety margins, representing the excess of each identifiable indefinite-lived intangible asset's estimated fair value over its respective carrying value. The Company believes that if the fair value of an indefinite-lived intangible asset exceeds its carrying value by greater than 10%, a sufficient safety margin has been realized.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosures regarding market risks in connection with our pension and postretirement plans. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Form 10-K.

Potential Interest Rate Risk Exposure

The Company, through its subsidiaries MSGN L.P. and MSG National Properties, and as a result of the consolidation of Tao Group Hospitality, has potential interest rate risk exposure related to borrowings incurred under the MSG Networks Senior Secured Credit Facilities, National Properties Term Loan Facility and the Tao Senior Secured Credit Facilities. Changes in interest rates may increase interest expense payments with respect to any borrowings incurred under these credit facilities.

Borrowings under the National Properties Term Loan Facility and Tao Senior Secured Credit Facilities incur interest, depending on election by MSG National Properties and TAOG, at a floating rate based upon LIBOR, the U.S. Federal Funds Rate or the U.S. Prime Rate, plus, in the case of TAOG, an additional spread which is dependent upon the total leverage ratio at the time for Tao Senior Secured Credit Facilities. In addition, borrowings under the MSG Networks Senior Secured Credit

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Facilities bear interest at a floating rate, which at the option of MSGN L.P. may be either (i) a base rate plus an additional rate ranging from 0.25% to 1.25% per annum (determined based on a total net leverage ratio), or (ii) a Eurodollar rate plus an additional rate ranging from 1.25% to 2.25% per annum (determined based on a total net leverage ratio). Accordingly, the MSG Networks Senior Secured Credit Facilities, National Properties Term Loan Facility and the Tao Senior Secured Credit Facilities are subject to interest rate risk with respect to the tenor of any borrowings incurred. See Note 13 to the consolidated financial statements included in “— Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for additional information on the MSG Networks Senior Secured Credit Facilities, National Properties Term Loan Facility and Tao Credit Facilities.

For the twelve months ended December 31, 2021, the interest rate on the MSG Networks Senior Secured Credit Facilities ranged from 1.58% to 1.65% and was approximately 1.60% as of December 31, 2021. The interest rate on the Tao Senior Secured Credit Facilities ranged from 2.59% to 2.65% and it was 2.61% as of December 31, 2021. In addition, the interest rate on National Properties Term Loan Facility was 7.00% as of December 31, 2021 and has been unchanged since inception. 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 \$12,567, on the outstanding balances under the MSG Networks Senior Secured Credit Facilities, National Properties Term Loan Facility and Tao Senior Secured Credit Facilities.

Foreign Currency Exchange Rate Exposure

We are exposed to market risk resulting from foreign currency fluctuations, primarily to the British pound sterling through our net investment position initiated with our acquisition of land in London in the second quarter of fiscal year 2018 for future MSG Sphere development and through cash and invested funds which will be deployed in the construction of our London venue. We may evaluate and decide, to the extent reasonable and practical, to reduce the translation risk of foreign currency fluctuations by entering into foreign currency forward exchange contracts with financial institutions. If we were to enter into such hedging transactions, the market risk resulting from foreign currency fluctuations is unlikely to be entirely eliminated. We do not plan to enter into derivative financial instrument transactions for foreign currency speculative purposes. During the past twelve months ended December 31, 2021, the GBP/USD exchange rate ranged from 1.3207 to 1.4218 as compared to GBP/USD exchange rate of 1.3548 as of December 31, 2021, a fluctuation range of approximately 5%. As of December 31, 2021, a uniform hypothetical 4% fluctuation in the GBP/USD exchange rate would have resulted in a change of approximately \$6,800 in the Company’s net asset value.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2021. Based on that evaluation and as a result of the material weakness in our internal control over financial reporting, previously disclosed under Part II, “Item 9A, Controls and Procedures” in the Form 10-K/A filed on February 9, 2022, our Chief Executive Officer and Chief Financial Officer, concluded that the Company’s disclosure controls and procedures were not effective as of December 31, 2021.

Notwithstanding the ineffective disclosure controls and procedures as a result of the identified material weakness, our Chief Executive Officer and Chief Financial Officer have concluded that the consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, the Company’s financial position, results of operations and cash flows in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

Remediation Plan and Status

As of December 31, 2021, the material weakness previously disclosed has not yet been fully remediated.

In response to the material weakness in the Company’s internal control over financial reporting, management has designed and implemented control activities related to the identification, calculation, and disclosure of capitalized interest expense. We will continue to work towards full remediation of this material weakness to improve our internal control over financial reporting.

The material weakness cannot be considered remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are designed and operating effectively. Accordingly, we will continue to monitor and evaluate the effectiveness of our internal control over financial reporting in the areas affected by the material weakness described above.

Changes in Internal Control over Financial Reporting

Other than the material weakness described above, 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) under the Securities Exchange Act of 1934) during the fiscal 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

Fifteen complaints were filed in connection with the Merger by purported stockholders of the Company and MSG Networks Inc.

Nine of these complaints involved allegations of materially incomplete and misleading information set forth in the joint proxy statement/prospectus filed by the Company and MSG Networks Inc. in connection with the Merger. As a result of supplemental disclosures made by the Company and MSG Networks Inc. on July 1, 2021, all of the disclosure actions were voluntarily dismissed with prejudice prior to or shortly following the consummation of the Merger.

On May 27, 2021, a complaint captioned *Hollywood Firefighters' Pension Fund et al. v. James Dolan, et al.*, 2021-0468-KSJM, was filed in the Court of Chancery of the State of Delaware by purported stockholders of the Company against the Company, its Board of Directors (the "Board"), certain Dolan family stockholders and MSG Networks Inc. The complaint purported to allege derivative claims on behalf of the Company and claims on behalf of a putative class of Company stockholders concerning the Merger. Plaintiffs alleged, among other things, that the Merger was a business combination with an interested stockholder that is not allowed under Section 203 of the Delaware General Corporation Law (the "DGCL"), that the Board members and majority stockholders violated their fiduciary duties in agreeing to the Merger, and that the disclosures relating to the Merger were misleading or incomplete. Plaintiffs sought, among other relief, declaratory and preliminary and permanent injunctive relief enjoining the stockholder vote and consummation of the Merger, and an award of damages in the event the transaction was consummated and plaintiffs' attorneys' fees. On June 15, 2021, plaintiffs filed a brief in support of their motion seeking a preliminary injunction enjoining the Company's stockholder vote and consummation of the Merger, which the defendants opposed. The Court of Chancery denied the plaintiffs' preliminary injunction motion on July 2, 2021.

On June 9, 2021, a complaint captioned *Timothy Leisz v. MSG Networks Inc. et al.*, 2021-0504-KSJM, was filed in the Court of Chancery of the State of Delaware by a purported stockholder of MSG Networks Inc. against MSG Networks Inc., the MSG Networks Inc. board of directors, certain Dolan family stockholders and the Company. The complaint purported to allege claims on behalf of a putative class of MSG Networks Inc. stockholders concerning the Merger. The MSG Networks Inc. plaintiff alleged, among other things, that the Merger was a business combination with an interested stockholder that is not allowed under Section 203 of the DGCL, that the MSG Networks Inc. board members and majority stockholders violated their fiduciary duties in agreeing to the Merger, and that the disclosures relating to the merger were misleading or incomplete. Plaintiff sought, among other relief, declaratory and preliminary and permanent injunctive relief enjoining the stockholder vote and consummation of the Merger, and an award of damages in the event the transaction was consummated and plaintiff's attorneys' fees. On June 21, 2021, plaintiff filed a brief in support of his motion seeking a preliminary injunction enjoining the MSG Networks Inc. stockholder vote and consummation of the Merger, which defendants opposed. The Court of Chancery denied the plaintiff's preliminary injunction motion on July 2, 2021.

On July 6, 2021, a complaint captioned *Stevens et al. v. Dolan et al.*, 2021-0575, was filed in the Court of Chancery of the State of Delaware by purported stockholders of MSG Networks Inc. against the MSG Networks Inc. board of directors. The complaint purported to allege claims on behalf of a putative class of MSG Networks Inc. stockholders concerning the Merger. The plaintiffs alleged, among other things, that the MSG Networks Inc. board members and majority stockholders violated their fiduciary duties in agreeing to the Merger and that the disclosures relating to the merger were misleading or incomplete. Plaintiffs sought, among other relief, an order rescinding the merger and rescinding any severance paid to James Dolan in connection with the Merger, an award of damages in the event the transaction was consummated, and plaintiffs' attorneys' fees.

On July 6, 2021, a complaint captioned *The City of Boca Raton Police and Firefighters' Retirement System v. MSG Networks Inc.*, 2021-0578, was filed in the Court of Chancery of the State of Delaware by purported stockholders of MSG Networks Inc. against MSG Networks Inc. The complaint purported to seek to enforce plaintiff's right to inspect certain of MSG Networks Inc.'s books and records under Section 220 of the DGCL. The complaint was voluntarily dismissed on August 10, 2021.

On August 11, 2021, a stockholder derivative complaint captioned *City of Miramar Retirement Plan and Trust Fund for General Employees et al. v. Dolan et al.*, 2021-0692 was filed in the Court of Chancery of the State of Delaware by purported stockholders of the Company. The complaint purported to allege derivative claims on behalf of the Company and direct claims on behalf of a putative class of Company stockholders. Plaintiffs alleged that the Board and the Company's majority stockholders violated their fiduciary duties by failing to protect the Company's interest in connection with the Merger. Plaintiffs sought, among other relief, an award of damages to the purported class and Company including interest, and plaintiffs' attorneys' fees.

On August 31, 2021, a complaint captioned *Murray v. Dolan et al.*, 2021-0748, was filed in the Court of Chancery of the State of Delaware by purported stockholders of MSG Networks Inc. against the MSG Networks Inc. board of directors. The

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complaint purported to allege claims on behalf of a putative class of MSG Networks stockholders concerning the Merger. Plaintiffs alleged, among other things, that the MSG Networks Inc. board members and majority stockholders violated their fiduciary duties in agreeing to the Merger and that the disclosures relating to the merger were misleading or incomplete. Plaintiffs sought, among other relief, an order rescinding the merger and rescinding any severance paid to James Dolan in connection with the Merger, an award of damages, and plaintiffs' attorneys' fees.

All of the above complaints have since either been dismissed or consolidated into one of two litigations.

On September 10, 2021, the Court of Chancery entered an order consolidating the complaints in the *Hollywood Firefighters* and *City of Miramar* actions. The new consolidated action is captioned: *In re Madison Square Garden Entertainment Corp. Stockholders Litigation*, C.A. 2021-0468-KSJM. The consolidated plaintiffs filed their Verified Consolidated Derivative Complaint on October 11, 2021. The complaint, which names the Company as only a nominal defendant, retains all of the derivative allegations for breach of fiduciary duties that were present in the *Hollywood Firefighters* and *City of Miramar* complaints and abandons the direct claims in those prior complaints. Plaintiffs seek, among other relief, an award of damages to the Company including interest, and plaintiffs' attorneys' fees. The Company and other defendants filed answers to the complaint on December 30, 2021, and are currently engaged in responding to the consolidated plaintiffs' discovery requests. Pursuant to the indemnity rights in its bylaws and Delaware law, the Company is advancing the costs incurred by defendants in this action, and defendants may assert indemnification rights in respect of any adverse judgment or settlement of the action.

On September 27, 2021, the Court of Chancery entered an order consolidating the complaints in the *Leisz, Stevens, City of Boca Raton*, and *Murray* complaints. The new consolidated action is captioned: *In re MSG Networks Inc. Stockholder Class Action Litigation*, C.A. 2021-0575-KSJM. The consolidated plaintiffs filed their Verified Consolidated Stockholder Class Action Complaint on October 29, 2021. The complaint asserts claims on behalf of a putative class of former MSG Networks Inc. stockholders against each member of the board of directors of MSG Networks Inc. prior to the Merger. Plaintiffs allege that the MSG Networks Inc. board of directors and majority stockholders breached their fiduciary duties in negotiating and approving the Merger. The Company is not named as a defendant. Pursuant to the indemnity rights in its bylaws and Delaware law, the Company is advancing the costs incurred by defendants in this action, and defendants may assert indemnification rights in respect of any adverse judgment or settlement of the action. Plaintiffs seek, among other relief, monetary damages for the putative class and plaintiffs' attorneys' fees. Defendants to the MSG Networks Inc. consolidated action filed answers to the complaint on December 30, 2021 and are currently engaged in responding to the plaintiffs' discovery requests.

We are currently unable to determine a range of potential liability, if any, with respect to these Merger-related claims. Accordingly, no accrual for these matters has been made in our consolidated financial statements.

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

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, as amended by Form 10-K/A filed on February 8, 2022 (the "Form 10-K"), which could materially affect the Company's business, financial condition or future results. The risks described in the Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to management or that management currently deems to be immaterial also may materially adversely affect the Company's business, financial condition or future results.

We Are Required to Assess Our Internal Control Over Financial Reporting on an Annual Basis and Our Management Has Identified a Material Weakness. If Our Remediation of the Material Weakness Is Not Effective, or We Identify Additional Material Weaknesses or Other Adverse Findings in the Future, Our Ability to Report Our Financial Condition or Results of Operations Accurately or Timely May Be Adversely Affected, Which May Result in a Loss of Investor Confidence in Our Financial Reports, Significant Expenses to Remediate Any Internal Control Deficiencies, and Ultimately Have an Adverse Effect on the Market Price of Our Common Stock.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, as amended, our management is required to report on, and our independent registered public accounting firm is required to attest to, the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Annually, we perform activities that include reviewing, documenting and testing our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, we will not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. If we fail

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to achieve and maintain an effective internal control environment, we could suffer misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could result in significant expenses to remediate any internal control deficiencies and lead to a decline in our stock price.

Management of the Company evaluated an immaterial accounting error related to interest costs that should have been capitalized for MSG Sphere at the Venetian in the fiscal years ended June 30, 2021, 2020 and 2019 and in the fiscal quarter ended September 30, 2021, as prescribed by Accounting Standards Codification (“ASC”) Topic 835-20 (*Capitalization of Interest*). As a result of the accounting error, the Company has re-evaluated the effectiveness of the Company’s internal control over financial reporting and identified a material weakness in the Company’s internal control over financial reporting as of June 30, 2021, September 30, 2021 and December 31, 2021. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected on a timely basis. For further discussion regarding the accounting error and the correction of such error to the Company’s previously issued consolidated and combined financial statements, see Note 23 – *Correction of Previously Issued Consolidated and Combined Financial Statements* to the consolidated and combined financial statements of the Company included in the Form 10-K.

Our management may be unable to conclude in future periods that our disclosure controls and procedures are effective due to the effects of various factors, which may, in part, include unremediated material weaknesses in internal controls over financial reporting. For further discussion of the material weakness, see “Part I — Item 4. Controls and Procedures” of this Quarterly Report on Form 10-Q. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in those reports is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management is committed to maintaining a strong internal control environment and believes its remediation efforts will represent an improvement in existing controls. Management anticipates that the new controls, as implemented and when tested for a sufficient period of time, will remediate the material weakness. We may not be successful in promptly remediating the material weaknesses identified by management, or be able to identify and remediate additional control deficiencies, including material weaknesses, in the future.

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

As of December 31, 2021, the Company has the ability to repurchase up to \$350 million of the Company’s Class A Common Stock under the Class A Common Stock share repurchase program authorized by the Company’s Board of Directors on March 31, 2020. Under the authorization, shares of Class A Common Stock may be purchased from time to time in open market transactions, 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. No shares have been repurchased to date.

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Item 6. Exhibits

(a) Index to Exhibits

EXHIBIT NO.	DESCRIPTION
<u>10.1</u>	<u>Amendment No. 1 to Amended and Restated Credit Agreement, dated as of October 11, 2019, by and among MSGN Holdings, L.P., certain subsidiaries of MSGN Holdings, L.P. identified therein, MSGN Eden, LLC, Regional MSGN Holdings LLC and JP Morgan Chase Bank, N.A., as administrative agent, and the lenders party thereto, dated as of November 5, 2021.</u>
<u>10.2</u>	<u>Madison Square Garden Entertainment 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).</u> †
<u>10.3</u>	<u>Employment Agreement, dated as of December 27, 2021, between Madison Square Garden Entertainment 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).</u> †
<u>10.4</u>	<u>Employment Agreement, dated as of December 16, 2021, between Madison Square Garden Entertainment 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).</u> †
<u>10.5</u>	<u>Employment Agreement, dated as of December 20, 2021, between Madison Square Garden Entertainment Corp. and David Byrnes.</u> †
<u>10.6</u>	<u>Employment Agreement, dated as of October 26, 2021, between Madison Square Garden Entertainment Corp. and Jamal Haughton.</u> †
<u>10.7</u>	<u>Employment Agreement, dated as of November 17, 2021, between Madison Square Garden Entertainment Corp. and Philip D'Ambrosio (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 19, 2021).</u> †
<u>10.8</u>	<u>Time Sharing Agreement, dated as of December 20, 2021, between Patrick F. Dolan and MSG Entertainment Group, LLC (for the Challenger).</u>
<u>10.9</u>	<u>Time Sharing Agreement, dated as of December 20, 2021, between MSG Entertainment Group, LLC and Charles F. Dolan (for the New G550) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 23, 2021).</u>
<u>10.10</u>	<u>Time Sharing Agreement, dated as of December 20, 2021, between MSG Entertainment Group, LLC and Andrew Lustgarten (for the New G550) (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 23, 2021).</u>
<u>10.11</u>	<u>Amendment No. 1 to Dry Lease Agreement, dated as of December 20, 2021, between Sterling2K LLC and MSG Entertainment Group, LLC (for the DFO G550) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 23, 2021).</u>
<u>31.1</u>	<u>Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2</u>	<u>Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1</u>	<u>Certification by the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2</u>	<u>Certification by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101	The following materials from Madison Square Garden Entertainment 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 loss, (iv) consolidated statements of cash flows, (v) consolidated statements of equity and redeemable noncontrolling interests, 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 9th day of February 2022.

Madison Square Garden Entertainment Corp.

By: /s/ DAVID F. BYRNES
Name: David F. Byrnes
Title: Executive Vice President and
Chief Financial Officer

FIRST AMENDMENT TO CREDIT AGREEMENT

This FIRST AMENDMENT to the Credit Agreement referred to below, dated as of November 5, 2021 (this “Amendment”), by and among MSGN Holdings, L.P., a Delaware limited partnership (the “Company”), the Guarantors and the Lenders (each as defined in the Credit Agreement (defined below)), and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the “Administrative Agent”). Unless otherwise specified herein, capitalized terms used in this Amendment shall have the meanings ascribed to them by the Credit Agreement, as amended hereby.

RECITALS

WHEREAS, the Company, the Guarantors, the Lenders and the Administrative Agent are parties to that certain Amended and Restated Credit Agreement, dated as of October 11, 2019 (together with all exhibits and schedules attached thereto, as amended, restated, amended and restated, supplemented or otherwise modified prior to the date hereof, the “Credit Agreement”); and

WHEREAS, the Company and the Administrative Agent have each requested that certain amendments be made to the Credit Agreement, and the Company, the Administrative Agent and the Lenders party to this Amendment, which Lenders constitute the Required Lenders as of immediately prior to the First Amendment Effective Date (as defined below), have agreed to make such amendments on the terms and conditions set forth herein;

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

1. Amendments. Subject to the satisfaction of the conditions precedent set forth in Section 2 below, the Credit Agreement is, effective as of the First Amendment Effective Date, hereby amended as set forth below:

(a) Section 1.01 of the Credit Agreement is hereby amended by adding the following definitions in proper alphabetical sequence:

“First Amendment to Credit Agreement” means that certain First Amendment to Credit Agreement, dated as of November 5, 2021, by and among the Company, the Guarantors party thereto, the Lenders party thereto and the Administrative Agent.

“MSGE” means Madison Square Garden Entertainment Corp., a Delaware corporation.

“Payment” has the meaning set forth in Section 9.13(a).

“Payment Notice” has the meaning set forth in Section 9.13(b).

(b) Clause (D) of Section 7.01(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“(D) commencing with the Quarter ending December 31, 2019, hold quarterly informational conference calls with the Lenders; provided that such conference calls shall not be required as long as (x) the Parent has registered or publicly traded equity securities outstanding or (y) (i) the Parent is a direct wholly owned Subsidiary of MSGE, (ii) MSGE has registered or publicly traded equity securities outstanding, and (iii) MSGE holds a public quarterly earnings call that includes a discussion of the results of the financial reporting segment that includes the business of the Parent and its consolidated Subsidiaries; and”

(c) Clause (D) of Section 7.01(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“(D) commencing with the year ending June 30, 2020, hold annual informational conference calls with the Lenders; provided that such conference calls shall not be required as long as (x) the Parent has registered or publicly traded equity securities outstanding or (y) (i) the Parent is a direct wholly owned Subsidiary of MSGE, (ii) MSGE has registered or publicly traded equity securities outstanding, and (iii) MSGE holds a public quarterly earnings call that includes a discussion of the results of the financial reporting segment that includes the business of the Parent and its consolidated Subsidiaries; and”

(d) A new Section 9.13 is hereby added at the end of Article IX of the Credit Agreement as follows:

“Section 9.13 Erroneous Payments. (a) Each Lender hereby agrees that (x) if the Administrative Agent notifies such Lender that the Administrative Agent has determined in its sole discretion that any funds received by such Lender from the Administrative Agent or any of its Affiliates (whether as a payment, prepayment or repayment of principal, interest, fees or otherwise; individually and collectively, a “Payment”) were erroneously transmitted to such Lender (whether or not known to such Lender), and demands the return of such Payment (or a portion thereof), such Lender shall promptly, but in no event later than one Business Day thereafter, return to the Administrative Agent the amount of any such Payment (or portion thereof) as to which such a demand was made in same day funds, together with interest thereon in respect of each day from and including the date such Payment (or portion thereof) was received by such Lender to the date such amount is repaid to the Administrative Agent at the greater of the New York Fed Bank Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect, and (y) to the extent permitted by applicable law, such Lender shall not assert, and hereby waives, as to the Administrative Agent, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Payments received, including without limitation any defense based on “discharge for value” or any similar doctrine. A notice of the Administrative Agent to any Lender under this Section 9.13 shall be conclusive, absent manifest error.

(b) Each Lender hereby further agrees that if it receives a Payment from the Administrative Agent or any of its Affiliates (x) that is in a different amount than, or on a different date from, that specified in a notice of payment sent by the Administrative Agent (or any of its Affiliates) with respect to such Payment (a “Payment Notice”) or (y) that was not preceded or accompanied by a Payment Notice, it shall be on notice, in each such case, that an error has been made with respect to such Payment. Each Lender agrees that, in each such case, or if it otherwise becomes aware a Payment (or portion thereof) may have been sent in error, such Lender shall promptly notify the Administrative Agent of such occurrence and, upon demand from the Administrative Agent, it shall promptly, but in no event later than one Business Day thereafter, return to the Administrative Agent the amount of any such Payment (or portion thereof) as to which such a demand was made in same day funds, together with interest thereon in respect of each day from and including the date such Payment (or portion thereof) was received by such Lender to the date such amount is repaid to the Administrative Agent at the greater of the New York Fed Bank Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect.

(c) The Company and each other Loan Party hereby agrees that (x) in the event an erroneous Payment (or portion thereof) are not recovered from any Lender that has received such Payment (or portion thereof) for any reason, the Administrative Agent shall be subrogated to all the rights of such Lender with respect to such amount and (y) an erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by the Company or any other Loan Party.

(d) Each party’s obligations under this Section 9.13 shall survive the resignation or replacement of the Administrative Agent or any transfer of rights or obligations by, or the replacement of, a Lender, the termination of the Commitments or the repayment, satisfaction or discharge of all Obligations under any Loan Document.”

2. Conditions to Effectiveness of this Amendment. The effectiveness of this Amendment is subject to the satisfaction (or written waiver) of the following conditions (the date of satisfaction or written waiver of such conditions being referred to herein as the “First Amendment Effective Date”):

(a) The Administrative Agent (or its counsel) shall have received from each of the Loan Parties and the Lenders constituting the Required Lenders as of immediately prior to the First Amendment Effective Date either (x) a counterpart of this Amendment signed on behalf of such party or (y) written evidence reasonably satisfactory to the Administrative Agent (which may include delivery of a signed signature page of this Amendment by facsimile or other means of electronic transmission (e.g., “pdf”)) that such party has signed a counterpart of this Amendment.

(b) The representations and warranties of each Loan Party set forth in the Loan Documents shall be true and correct in all material respects, in each case on and as of the First Amendment Effective Date (or true and correct in all material respects as of a specified date, if earlier).

(c) At the time of and immediately after effectiveness of this Amendment, no Default or Event of Default shall have occurred and be continuing.

3. Representations and Warranties. Each Loan Party represents and warrants to the Administrative Agent that, as of the date hereof:

(a) this Amendment has been duly authorized, executed and delivered by such Loan Party and constitutes the legal, valid and binding obligation of such Loan Party enforceable against each such Loan Party in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors' rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), (iii) implied covenants of good faith and fair dealing and (iv) any foreign laws, rules and regulations as they relate to pledges of Equity Interests of Foreign Subsidiaries that are not Loan Parties; and

(b) the execution, delivery and performance by each Loan Party of this Amendment will not (i) violate (A) any provision of law, statute, rule or regulation applicable to the Company or any Guarantor, (B) the certificate or articles of incorporation or other constitutive documents (including any partnership, limited liability company or operating agreements) or by-laws of the Company or any Guarantor, (C) any applicable order of any court or any rule, regulation or order of any Governmental Authority or (D) any provision of any indenture, certificate of designation for preferred stock, agreement or other instrument to which the Company or any Guarantor is a party or by which any of them or any of their property is or may be bound, (ii) result in a breach of or constitute (alone or with due notice or lapse of time or both) a default under, give rise to a right of or result in any cancellation or acceleration of any right or obligation (including any payment) under any such indenture, certificate of designation for preferred stock, agreement or other instrument, where any such conflict, violation, breach or default referred to in clause (i) or this clause (ii) would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, or (iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by the Company or any Guarantor, other than the Liens permitted under Section 7.16 of the Credit Agreement, other than Liens created by the Loan Documents.

(c) At the time of and immediately after effectiveness of this Amendment, no Default or Event of Default shall have occurred and be continuing.

4. Reaffirmation; Reference to and Effect on the Loan Documents.

(a) From and after the First Amendment Effective Date, each reference in the Credit Agreement to "hereunder," "hereof," "this Credit Agreement" or words of like import and each reference in the other Loan Documents to "Credit Agreement," "thereunder," "thereof" or words of like import shall, unless the context otherwise requires, mean and be a reference to the Credit Agreement as amended by this Amendment. This Amendment is a Loan Document.

(b) The Loan Documents, and the obligations of the Company and the Guarantors under the Loan Documents, are hereby ratified and confirmed and shall remain in full force and effect according to their terms.

(c) The Company and each Guarantor (i) acknowledges and consents to all of the terms and conditions of this Amendment, (ii) affirms all of its obligations under the Loan

Documents, (iii) agrees that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Loan Documents, (iv) agrees that the Collateral Documents continue to be in full force and effect and are not impaired or adversely affected in any manner whatsoever, (v) confirms its grant of security interests pursuant to the Collateral Documents to which it is a party as Collateral for the Obligations, and (vi) acknowledges that all Liens granted (or purported to be granted) pursuant to the Collateral Documents remain and continue in full force and effect in respect of, and to secure, the Obligations. Each Guarantor hereby reaffirms its obligations under the Guaranty and agrees that its obligation to guarantee the Obligations is in full force and effect as of the date hereof.

(d) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

(e) In the event of any conflict between the terms of this Amendment and the terms of the Credit Agreement or the other Loan Documents, the terms hereof shall control.

5. Costs and Expenses. The Company agrees to reimburse the Administrative Agent for all reasonable fees, charges and disbursements of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including all reasonable fees, charges and disbursements of counsel to the Administrative Agent.

6. Indemnification. The Company hereby confirms that the indemnification and expense reimbursement provisions set forth in Section 10.04 of the Credit Agreement, as amended by this Amendment, shall apply to this Amendment and the transactions contemplated hereby, as if set forth in full herein.

7. Amendments; Headings; Severability. This Amendment may not be amended nor may any provision hereof be waived except pursuant to a writing signed by the Company, the other Loan Parties and the Administrative Agent. The Section headings used herein are for convenience of reference only, are not part of this Amendment and are not to affect the construction of, or to be taken into consideration in interpreting this Amendment. Any provision of this Amendment held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof, and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

8. Governing Law; Jurisdiction; Consent to Service of Process; Waiver of Jury Trial, Etc.

(a) This Amendment shall be governed by, and construed in accordance with, the law of the State of New York.

(b) EACH PARTY HERETO HEREBY AGREES AS SET FORTH IN SECTIONS 10.13 AND 10.14 OF THE CREDIT AGREEMENT AS IF SUCH SECTIONS WERE SET FORTH IN FULL HEREIN.

9. Execution in Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by telecopy, emailed pdf or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to any document to be signed in connection with this Amendment and the transactions contemplated hereby shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that nothing herein shall require the Administrative Agent to accept electronic signatures in any form or format without its prior written consent.

10. Notices. All notices hereunder shall be given in accordance with the provisions of Section 10.02 of the Credit Agreement.

[Remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this First Amendment to Credit Agreement as of the date first written above.

MSGN HOLDINGS, L.P., as the Company

By: **MSGN EDEN, LLC**, as its General Partner

By: /s/ Philip D'Ambrosio
Name: Philip D'Ambrosio
Title: Senior Vice President and Treasurer

MSGN EDEN, LLC, as a Guarantor

By: /s/ Philip D'Ambrosio
Name: Philip D'Ambrosio
Title: Senior Vice President and Treasurer

REGIONAL MSGN HOLDINGS LLC, as a Guarantor

By: /s/ Philip D'Ambrosio
Name: Philip D'Ambrosio
Title: Senior Vice President and Treasurer

**MSGN INTERACTIVE, LLC,
MSGN PUBLISHING, LLC,
MSGN SONGS, LLC,
SPORTSCHANNEL ASSOCIATES,
THE 31st STREET COMPANY, L.L.C.**, as Guarantors

By: **MSGN EDEN, LLC**, as the General Partner of MSGN Holdings L.P.

By: /s/ Philip D'Ambrosio
Name: Philip D'Ambrosio
Title: Senior Vice President and Treasurer

JPMORGAN CHASE BANK, N.A., as Administrative Agent and Collateral Agent

By: /s/ Louis Salvino

Name: Louis Salvino

Title: Vice President

JPMORGAN CHASE BANK, N.A., as L/C Issuer, Swing Line Lender and Lender

By: /s/ Louis Salvino

Name: Louis Salvino

Title: Vice President

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

Bank of America, N.A.,
as a Lender and L/C Issuer

By: /s/ Laura L. Olson
Name: Laura L. Olson
Title: Director

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

MUFG Bank, Ltd.,
as a Lender

By: /s/ Joe Sin
Name: Joseph Sin
Title: Vice President

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

MUFG Union Bank, N.A.,
as a Lender

By: /s/ Joe Sin
Name: Joseph Sin
Title: Vice President

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THE BANK OF NOVA SCOTIA,
as a Lender

By: /s/ Michelle Phillips
Name: Michelle C. Phillips
Title: Managing Director

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

Wells Fargo Bank, N.A.,
as a Lender

By: /s/ Farzad Sanei
Name: Farzad Sanei
Title: Vice President

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

FIFTH THIRD BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Brook Miller
Name: Brook Miller
Title: Executive Director

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

TD Bank, N.A.,
as a Lender

By: /s/ Zachary Dziama
Name: Zachary Dziama
Title: Senior Vice President

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

U.S. Bank National Association,
as a Lender

By: /s/ Steven Correll
Name: Steven J. Correll
Title: Senior Vice President

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City National Bank,
as a Lender

By: /s/ Edwin Vanderhoof
Name: Edwin Vanderhoof
Title: RM - SVP

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

Goldman Sachs Bank USA,
as a Lender

By: /s/ Dan Martis
Name: Dan Martis
Title: Authorized Signatory

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Citizens Bank, N.A.,
as a Lender

By: /s/ Ray Gobran
Name: Ray Gobran
Title: Senior Vice President

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

Crédit Industriel et Commercial, New York Branch,
as a Lender

By: /s/ Brian Moriarty
Name: Brian Moriarty
Title: Vice President

By: /s/ Clifford Abramsky
Name: Clifford Abramsky
Title: Managing Director

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

BankUnited, N.A.,

as a Lender

By: /s/ Christine Gerula

Name: Christine Gerula

Title: SVP

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

TriState Capital Bank,
as a Lender

By: /s/ Ellen Frank
Name: Ellen Frank
Title: Senior Vice President

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

TRUIST BANK,

as a Lender

By: /s/ Cynthia W. Burton

Name: Cynthia Burton

Title: Director



December 20, 2021

Mr. David F. Byrnes
c/o Madison Square Garden Entertainment Corp.
Two Pennsylvania Plaza
New York, NY 10121

Dear David:

This letter agreement (the "Agreement"), effective as of the date hereof (the "Effective Date"), will confirm the terms of your employment with the Company which shall commence on January 24, 2022 or such earlier or later date as the parties may agree (the "Commencement Date").

1. Commencing on the Commencement Date, your title will be Executive Vice President and Chief Financial Officer and you will report solely and directly to the Chief Executive Officer of the Company (the "CEO") (except for matters requiring you to report directly to the Board of the Directors of the Company (the "Board") or the Audit Committee of the Board, as determined in the sole discretion of the Board or its Audit Committee, as applicable). You agree to devote substantially all of your business time and attention to the business and affairs of the Company and to perform your duties in a diligent, competent, professional and skillful manner and in accordance with applicable law. You shall not undertake any outside business commitments without the Company's consent. Notwithstanding the foregoing, nothing herein shall preclude you from (i) serving as a member of the board of directors or advisory board (or their equivalents in the case of a non-corporate entity) of up to two non-competing businesses with the approval of the CEO (not to be unreasonably withheld, but subject to customary covenants around confidentiality and corporate opportunities), (ii) engaging in charitable activities and community affairs, and (iii) managing your personal investments and affairs; provided, however, that the activities set out in clauses (i), (ii) and (iii) shall be limited by you so as not to materially interfere, individually or in the aggregate, with the performance of your duties and responsibilities hereunder, including compliance with the covenants set forth in Appendix A.

2. Commencing on the Commencement Date, your annual base salary will be not less than \$800,000 annually, paid bi-weekly, subject to annual review and potential increase by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") in its discretion. The Compensation Committee will review your compensation package on an annual basis to ensure that you are paid consistently with other similarly situated executives of the Company as well as external peers.

3.
 - (a) Commencing with the Company's fiscal year starting July 1, 2021, you will also participate in our discretionary annual bonus program with an annual target bonus opportunity equal to not less than 100% of your annual base salary. For the avoidance of doubt, your Bonus for the fiscal year starting July 1, 2021 will not be pro-rated. Bonus payments depend on a number of factors including Company, unit and individual performance. However, the decision of whether or not to pay a bonus, and the amount of that bonus, if any, is made by the Compensation Committee in its sole discretion. Annual bonuses are typically paid early in the subsequent fiscal year. Except as otherwise provided herein, in order to receive a bonus, you must be employed by the Company at the time bonuses are being paid.
 - (b) In addition to the cash compensation described above, subject to your continued employment (except as otherwise set forth in this Agreement), you will be entitled to a one-time special cash payment of \$1,331,000, paid no later than the first regular Company payroll date on or after April 1, 2022 (the "Special Cash Award"). The Special Cash Award will be subject to the terms set forth in the letter to you from the Company dated as of the date hereof. If at any time prior to the first anniversary of the Effective Date your employment with the Company terminates as a result of (i) your voluntary resignation (other than for "Good Reason"), or (b) an involuntary termination by the Company for "Cause" (each as defined below), then you shall immediately refund to the Company the gross amount of the Special Cash Award.
 4. Commencing with the Company's fiscal year starting July 1, 2021, you will also, subject to your continued employment by the Company and actual grant by the Compensation Committee, participate in such equity and other long-term incentive programs that are made available in the future to similarly situated executives at the Company. It is expected that such awards will consist of annual grants of cash and/or equity awards with an annual target value of not less than \$1,200,000, all as determined by the Compensation Committee in its discretion. For the avoidance of doubt, it is expected that your annual grant for the fiscal year starting July 1, 2021 will be made in April 2022 and will not be pro-rated. All awards described in this Paragraph, in addition to being subject to actual grant by the Compensation Committee, would be pursuant to the applicable plan document and would be subject to any terms and conditions established by the Compensation Committee in its sole discretion that would be detailed in separate agreements you would receive after any award is actually made; provided, however, that such terms and conditions shall be consistent with those in awards granted to similarly situated executives (subject to any more favorable terms set forth in this Agreement). Long-term incentive awards are currently expected to be subject to three-year vesting.
 5. You will also be eligible to participate in our standard benefits program, subject to meeting the relevant eligibility requirements, payment of the required premiums, and the terms of the plans
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themselves. We currently offer medical, dental, vision, life, and accidental death and dismemberment insurance; short- and long-term disability insurance; a savings and retirement program; and ten paid holidays. You will also be eligible for paid time off to be accrued and used in accordance with Company policy, which currently allows for time off on a flexible and unlimited basis. You will also be entitled to reimbursement of business expenses upon submission of appropriate documentation in accordance with Company policy.

6. If your employment with the Company is terminated on or prior to December 31, 2024 (the “Scheduled Expiration Date”) (i) by the Company (other than for “Cause”); or (ii) by you for “Good Reason” (other than if “Cause” then exists); then, subject to your execution and delivery, within 60 days after the date of termination of your employment, and non-revocation (within any applicable revocation period) of the Separation Agreement (as defined below), the Company will provide you with the following:

- (a) Severance in an amount to be determined by the Company (the “Severance Amount”), but in no event less than two (2) times the sum of your annual base salary and your annual target bonus as in effect at the time your employment terminates (or, if your employment terminates prior to the Commencement Date, the annual base salary and target bonus that would be in effect on the Commencement Date). Sixty percent (60%) of the Severance Amount (the “First Payment”) will be payable to you on the six-month anniversary of the date your employment so terminates (the “Termination Date”) and the remaining forty percent (40%) of the Severance Amount will be payable to you on the twelve-month anniversary of the Termination Date;
 - (b) Any unpaid annual bonus for the Company’s fiscal year prior to the fiscal year which includes your Termination Date, and a *pro rated* bonus based on the amount of your base salary actually earned by you during the Company’s fiscal year through the Termination Date, each of which will be paid to you when such bonuses are generally paid to similarly situated active executives and will be based on your then current annual target bonus as well as Company and your business unit performance for the applicable fiscal year as determined by the Company in its sole discretion, but without adjustment for your individual performance;
 - (c) Any unpaid portion of the Special Cash Award, which shall be paid on the first regular Company payroll date on or after April 1, 2022;
 - (d) Each of your outstanding long-term cash awards, if any, granted under the plans of the Company shall immediately vest in full and shall be payable to you at the same time as such awards are paid to active executives of the Company and the payment amount of such award shall be to the same extent that other similarly
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situated active executives receive payment as determined by the Compensation Committee (subject to satisfaction of any applicable performance criteria but without adjustment for your individual performance);

- (e) (i) All of the time-based restrictions on each of your outstanding restricted stock or restricted stock unit awards granted to you under the plans of the Company shall immediately be eliminated, (ii) deliveries with respect to your restricted stock that are not subject to performance criteria or are subject to performance criteria that have previously been satisfied (as certified by the Compensation Committee) shall be made immediately after the effective date of the Separation Agreement, (iii) payment and deliveries with respect to your restricted stock units that are not subject to performance criteria or are subject to performance criteria that have previously been satisfied (as certified by the Compensation Committee) shall be made on the 90th day after the termination of your employment and (iv) payments or deliveries with respect to your restricted stock and restricted stock units that are subject to performance criteria that have not yet been satisfied shall be made on the 90th day after the applicable performance criteria is certified by the Compensation Committee as having been satisfied; and
- (f) Each of your outstanding stock options and stock appreciation awards, if any, under the plans of the Company shall immediately vest and become exercisable, and you shall have the right to exercise each of those options and stock appreciation awards for the remainder of the term of such option or award.

If you die after a termination of your employment that is subject to this Paragraph 6, your estate or beneficiaries will be provided with any remaining benefits and rights under this Paragraph 6.

7.

- (a) If you cease to be an employee of the Company prior to the Scheduled Expiration Date as a result of your death or your Disability (as defined in the Company's Long Term Disability Plan), and at such time Cause does not exist then, subject (other than in the case of death) to your execution and delivery, within 60 days after the date of termination of your employment, and non-revocation (within any applicable revocation period) of the Separation Agreement, you or your estate or beneficiary shall be provided with the benefits and rights set forth in Paragraphs 6(b), (c), (e) and (f) above, and each of your outstanding long-term cash awards, if any, granted under the plans of the Company shall immediately vest in full, whether or not subject to performance criteria and shall be payable on the 90th day after the termination of your employment; provided, that if any such award is subject to any performance criteria, then (i) if the measurement period for such performance criteria has not yet been fully completed, then the payment amount
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shall be at the target amount for such award and (ii) if the measurement period for such performance criteria has already been fully completed, then the payment of such award shall be at the same time and to the extent that other similarly situated executives receive payment as determined by the Compensation Committee (subject to satisfaction of the applicable performance criteria).

- (b) If after the Scheduled Expiration Date, your employment with the Company is terminated (i) by the Company without Cause, (ii) by you for Good Reason, or (iii) as a result of your death or Disability and at the time of any such termination Cause does not exist, then, subject to your (or, in the case of your death, your representative's) execution and delivery, within 60 days after the date of termination of your employment, and non-revocation (within any applicable revocation period) of the Separation Agreement, you will be provided with the benefits and rights set forth in Paragraphs 6(b), (d), (e) and (f) above.

8. For purposes hereof, "Separation Agreement" shall mean the Company's standard severance agreement (modified to reflect the terms of this Agreement) which will include, without limitation, the provisions set forth in Paragraphs 6, 7 and 9 hereof and Annex A hereto regarding non-compete (limited to one year), non-disparagement, non-hire/non-solicitation, confidentiality (including, without limitation, the last paragraph of Section 3 of Annex A), and further cooperation obligations and restrictions on you (with Company reimbursement of your associated expenses and payment for your services as described in Annex A in connection with any required post-employment cooperation) as well as a general release by you of the Company and its affiliates (and their respective directors and officers) with customary carve-outs, but shall otherwise contain no post-employment covenants unless agreed to by you. The Company shall provide you with the form of Separation Agreement within seven days of your termination of employment. For avoidance of doubt, your rights of indemnification under the Company's Amended and Restated Certificate of Incorporation, under your indemnification agreement with the Company and under any insurance policy, or under any other resolution of the Board of Directors of the Company shall not be released, diminished or affected by any Separation Agreement or release or any termination of your employment.

9. Except as otherwise set forth in Paragraphs 6 and 7 hereof, in connection with any termination of your employment, your then outstanding equity and cash incentive awards shall be treated in accordance with their terms and, other than as provided in this Agreement, you shall not be eligible for severance benefits under any other plan, program or policy of the Company. Nothing in this Agreement is intended to limit any more favorable rights that you may be entitled to under your equity and/or cash incentive award agreements, including, without limitation, your rights in the event of a termination of your employment, a "Going Private Transaction" or a "Change of Control" (as those terms are defined in the applicable award agreement).

10. For purposes of this Agreement, “Cause” means your (i) commission of an act of fraud, embezzlement, misappropriation, willful misconduct, gross negligence or breach of fiduciary duty against the Company or an affiliate thereof (including, without limitation, a breach of your representation in Paragraph 26), or (ii) commission of any act or omission that results in a conviction, plea of no contest, plea of *nolo contendere*, or imposition of unadjudicated probation for any crime involving moral turpitude or any felony.

For purposes of this Agreement, “Good Reason” means that (1) without your written consent, (A) your annual base salary or annual target bonus (as each may be increased from time to time in the Compensation Committee’s sole discretion) is reduced, (B) your title (as in effect from time to time) is diminished, (C) you report to someone other than to the Chief Executive Officer or the Executive Chairman of the Board of the Company, (D) you are no longer the Company’s most senior financial officer, (E) the Company requires that your principal office be located outside of the Borough of Manhattan, or (F) the Company materially breaches its obligations to you under this Agreement (including, without limitation, a breach of the last sentence of Paragraph 26), (2) you have given the Company written notice, referring specifically to this Agreement and definition, that you do not consent to such action, (3) the Company has not corrected such action within 15 days of receiving such notice, and (4) you voluntarily terminate your employment with the Company within 90 days following the happening of the action described in subsection (1) above.

11. This Agreement does not constitute a guarantee of employment for any definite period. Your employment is at will and may be terminated by you or the Company at any time, with or without notice or reason.

12. The Company may withhold from any payment due to you any taxes required to be withheld under any law, rule or regulation. If any payment otherwise due to you hereunder would result in the imposition of the excise tax imposed by Section 4999 of the Code, the Company will instead pay you either (i) such amount or (ii) the maximum amount that could be paid to you without the imposition of the excise tax, depending on whichever amount results in your receiving the greater amount of after-tax proceeds. In the event that the payments and benefits payable to you would be reduced as provided in the previous sentence, then such reduction will be determined in a manner which has the least economic cost to you and, to the extent the economic cost is equivalent, such payments or benefits will be reduced in the inverse order of when the payments or benefits would have been made to you (*i.e.* later payments will be reduced first) until the reduction specified is achieved. If the Company elects to retain any accounting or similar firm to provide assistance in calculating any such amounts, the Company shall be responsible for the costs of any such firm.

13. It is intended that this Agreement will comply with Section 409A to the extent this Agreement is subject thereto, and that this Agreement shall be interpreted on a basis consistent with such intent. If and to the extent that any payment or benefit under this Agreement, or any

plan, award or arrangement of the Company or its affiliates, constitutes “non-qualified deferred compensation” subject to Section 409A and is payable to you by reason of your termination of employment, then (a) such payment or benefit shall be made or provided to you only upon a “separation from service” as defined for purposes of Section 409A under applicable regulations and (b) if you are a “specified employee” (within the meaning of Section 409A as determined by the Company), such payment or benefit shall not be made or provided before the date that is six months after the date of your separation from service (or your earlier death). Any amount not paid or benefit not provided in respect of the six month period specified in the preceding sentence will be paid to you, together with interest on such delayed amount at a rate equal to the average of the one-year LIBOR fixed rate equivalent for the ten business days prior to the date of your employment termination, in a lump sum or provided to you as soon as practicable after the expiration of such six month period. Each payment or benefit provided under this Agreement shall be treated as a separate payment for purposes of Section 409A to the extent Section 409A applies to such payment.

14. To the extent you are entitled to any expense reimbursement from the Company that is subject to Section 409A, (i) the amount of any such expenses eligible for reimbursement in one calendar year shall not affect the expenses eligible for reimbursement in any other taxable year (except under any lifetime limit applicable to expenses for medical care), (ii) in no event shall any such expense be reimbursed after the last day of the calendar year following the calendar year in which you incurred such expense, and (iii) in no event shall any right to reimbursement be subject to liquidation or exchange for another benefit.

15. The Company will not take any action, or omit to take any action, that would expose any payment or benefit to you to the additional tax of Section 409A, unless (i) the Company is obligated to take the action under an agreement, plan or arrangement to which you are a party, (ii) you request the action, (iii) the Company advises you in writing that the action may result in the imposition of the additional tax and (iv) you subsequently request the action in a writing that acknowledges you will be responsible for any effect of the action under Section 409A. The Company will hold you harmless for any action it may take or omission in violation of this Paragraph 15, including any attorney’s fees you may incur in enforcing your rights.

16. It is our intention that the benefits and rights to which you could become entitled in connection with termination of employment be exempt from or comply with Section 409A. If you or the Company believes, at any time, that any of such benefit or right is not exempt or does not comply, it will promptly advise the other and will negotiate reasonably and in good faith to amend the terms of such arrangement such that it complies (with the most limited possible economic effect on you and on the Company).

17. This Agreement is personal to you and without the prior written consent of the Company shall not be assignable by you other than by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by your legal representatives. This

Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. The rights or obligations of the Company under this Agreement may only be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of Company; provided, however, that the assignee or transferee is the successor to all or substantially all of the assets of Company and such assignee or transferee assumes the liabilities and duties of Company, as contained in this Agreement, either contractually or as a matter of law.

18. To the extent permitted by law, you and the Company waive any and all rights to a jury trial with respect to any matter relating to this Agreement (including the covenants set forth in Annex A hereof). This Agreement will be governed by and construed in accordance with the law of the State of New York applicable to contracts made and to be performed entirely within that State.

19. Both the Company and you hereby irrevocably submit to the jurisdiction of the courts of the State of New York and the federal courts of the United States of America in each case located in the City of New York, Borough of Manhattan, solely in respect of the interpretation and enforcement of the provisions of this Agreement, and each party hereby waives, and agrees not to assert, as a defense that either party, as appropriate, is not subject thereto or that the venue thereof may not be appropriate. You and the Company each agree that mailing of process or other papers in connection with any such action or proceeding in any manner as may be permitted by law shall be valid and sufficient service thereof.

20. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. It is the parties' intention that this Agreement not be construed more strictly with regard to you or the Company.

21. This Agreement reflects the entire understanding and agreement of you and the Company with respect to the subject matter hereof and supersedes all prior understandings or agreements relating thereto.

22. The Company hereby agrees that it shall indemnify and hold you harmless to the fullest extent provided in the Company's Amended and Restated Certificate of Incorporation and on the same terms as those applicable to other similarly situated executives. In addition, the Company agrees to maintain a director's and officer's liability insurance policy or policies covering you at a level and on terms and conditions no less favorable than the Company provides its directors and senior-level officers currently (subject to any future improvement in such terms and conditions), until such time as legal or regulatory action against you are no longer permitted by law.

23. All notices between the parties will be in writing and will be deemed received when delivered in person or by electronic mail or facsimile or five (5) days after being deposited in the mail, postage prepaid, certified or registered mail addressed to the other party at the corporate headquarters of the Company, or at such other address as such party may supply by written notice to the other. Any notice to the Company will be sent with a copy to legalnotices@msg.com. This section does not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.

24. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same agreement.

25. This Agreement will automatically terminate, and be of no further force or effect, on the Scheduled Expiration Date; provided, however, that the provisions of Paragraphs 6 through 9, 12 through 22, 25 and Annex A, and any amounts earned but not yet paid to you pursuant to the terms of this Agreement as of the Scheduled Expiration Date shall survive the termination of the Agreement and remain binding on you and the Company in accordance with their terms.

26. You hereby represent and warrant that your execution of this Agreement and your employment by the Company as contemplated herein does not and shall not violate, conflict with or result in a material breach of any covenant restricting competition in an agreement to which you are a party. It is understood and agreed by the Company that it will not require you to violate any confidentiality covenants of any current or former employer with respect to proprietary information of such other employer obtained prior to the Commencement Date.

Sincerely,

MADISON SQUARE GARDEN ENTERTAINMENT CORP.

/s/ James L. Dolan

By: James L. Dolan

Title: Executive Chairman and Chief Executive Officer

Accepted and Agreed:

/s/ David F. Byrnes

David F. Byrnes

ANNEX A
ADDITIONAL COVENANTS
(This Annex constitutes part of the Agreement)

You agree to comply with the following covenants in addition to those set forth in the Agreement.

1. CONFIDENTIALITY

You agree to retain in strict confidence and not divulge, disseminate, copy or disclose to any third party any Confidential Information, other than for legitimate business purposes of the Company and its subsidiaries. As used herein, "Confidential Information" means any non-public information that is material or of a confidential, proprietary, commercially sensitive or personal nature of, or regarding, the Company or any of its subsidiaries or any current or former director, officer or member of senior management of any of the foregoing (collectively "Covered Parties"). The term Confidential Information includes information in written, digital, oral or any other format and includes, but is not limited to (i) information designated or treated as confidential; (ii) budgets, plans, forecasts or other financial or accounting data; (iii) customer, guest, fan, vendor, sponsor, marketing affiliate or shareholder lists or data; (iv) technical or strategic information regarding the Covered Parties' advertising, entertainment, theatrical, or other businesses; (v) advertising, sponsorship, business, sales or marketing tactics, strategies or information; (vi) policies, practices, procedures or techniques; (vii) trade secrets or other intellectual property; (viii) information, theories or strategies relating to litigation, arbitration, mediation, investigations or matters relating to governmental authorities; (ix) terms of agreements with third parties and third party trade secrets; (x) information regarding employees, talent, players, coaches, agents, consultants, advisors or representatives, including their compensation or other human resources policies and procedures; (xi) information or strategies relating to any potential or actual business development transactions and/or any potential or actual business acquisition, divestiture or joint venture, and (xii) any other information the disclosure of which may have an adverse effect on the Covered Parties' business reputation, operations or competitive position, reputation or standing in the community.

If disclosed, Confidential Information could have an adverse effect on the Company's standing in the community, its business reputation, operations or competitive position or the standing, reputation, operations or competitive position of any of its affiliates, subsidiaries, officers, directors, employees, coaches, consultants or agents or any of the Covered Parties.

Notwithstanding the foregoing, the obligations of this section, other than with respect to subscriber information, shall not apply to Confidential Information which is:

- a) already in the public domain or which enters the public domain other than by your breach of this Paragraph 1;
- b) disclosed to you by a third party with the right to disclose it in good faith; or
- c) specifically exempted in writing by the Company from the applicability of this Agreement.

Notwithstanding anything elsewhere in this Agreement, including this Paragraph 1 and Paragraph 3 below, you are authorized to make any disclosure required of you by any federal, state and local laws or judicial, arbitral or governmental agency proceedings (including making truthful statements in connection with a judicial or arbitral proceeding to enforce your rights under this Agreement, to the extent reasonably required and made in good faith), after, to the extent legal and practicable, providing the Company with prior written notice and an opportunity to respond prior to such disclosure (other than in connection with a judicial or arbitral proceeding to enforce your rights under this Agreement). In addition, this Agreement in no way restricts or prevents you from providing truthful testimony concerning the Company to judicial, administrative, regulatory or other governmental authorities.

You are hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (1) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (2) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (3) to your attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

2. NON-COMPETE

You acknowledge that due to your executive position in the Company and the knowledge of the Company's and its affiliates' confidential and proprietary information which you will obtain during the term of your employment hereunder, your employment by certain businesses would be irreparably harmful to the Company and/or its affiliates. During your employment with the Company and thereafter through the first anniversary of the date on which your employment with the Company has terminated for any reason, you agree not to (other than with the prior written consent of the Company), become employed by any Competitive Entity (as defined below). A "Competitive Entity" shall mean any person or entity that (1) is engaged in the business then conducted by the Company or its subsidiaries, which, as of the date of this Agreement, includes any arena, stadium, concert venue, concert promoter, theatrical producer

and internet sites connected therewith, in any jurisdiction in which the Company or its subsidiaries is then conducting business, or (2) is an affiliate of a person or entity described in clause (1). For purposes of this Paragraph 2, an affiliate of an entity shall mean an entity that directly or indirectly controls, is controlled by, or under common control with, such entity. Additionally, the ownership by you of not more than 1% of the outstanding equity of any publicly traded company shall not, by itself, be a violation of this Paragraph. For the avoidance of doubt, this agreement not to compete will expire on the Expiration Date but will be included in the separation agreement on which your receipt of the benefits described in Paragraph 6 of the Agreement will be conditioned.

3. ADDITIONAL UNDERSTANDINGS

You agree, for yourself and others acting on your behalf, that you (and they) have not disparaged and will not disparage, make negative statements about (either “on the record” or “off the record”) or act in any manner which is intended to or does damage to the good will of, or the business or personal reputations of the Company or any of its incumbent or former officers, directors, agents, consultants, employees, successors and assigns or any of the Covered Parties.

The Company agrees that, except as necessary to comply with applicable law or the rules of the New York Stock Exchange or any other stock exchange on which the Company’s stock may be traded (and any public statements made in good faith by the Company in connection therewith), it and its corporate officers and directors, employees in its public relations department or third party public relations representatives retained by the Company will not disparage you or make negative statements in the press or other media which are damaging to your business or personal reputation. In the event that the Company so disparages you or makes such negative statements, then notwithstanding the “Additional Understandings” provision to the contrary, you may make a proportional response thereto.

In addition, you agree that the Company is the owner of all rights, title and interest in and to all documents, tapes, videos, designs, plans, formulas, models, processes, computer programs, inventions (whether patentable or not), schematics, music, lyrics and other technical, business, financial, advertising, sales, marketing, customer or product development plans, forecasts, strategies, information and materials (in any medium whatsoever) developed or prepared by you or with your cooperation in connection with your employment by the Company (the “Materials”). The Company will have the sole and exclusive authority to use the Materials in any manner that it deems appropriate, in perpetuity, without additional payment to you.

If requested by the Company, you agree to deliver to the Company upon the termination of your employment, or at any earlier time the Company may request, all memoranda, notes, plans, files, records, reports, and software and other documents and data (and copies thereof regardless of the form thereof (including electronic copies)) containing, reflecting or derived from Confidential Information or the Materials of the Company or any of its affiliates which you may then possess

or have under your control. If so requested, you shall provide to the Company a signed statement confirming that you have fully complied with this Paragraph. Notwithstanding the foregoing, you shall be entitled to retain your contacts, calendars and personal diaries and any materials needed for your tax return preparation or related to your compensation.

In addition, you agree for yourself and others acting on your behalf, that you (and they) shall not, at any time, participate in any way in the writing or scripting (including, without limitation, any "as told to" publications) of any book, periodical story, movie, play, or other similar written or theatrical work or video that (i) relates to your services to the Company or any of its affiliates or (ii) otherwise refers to the Company or its respective businesses, activities, directors, officers, employees or representatives (other than identifying your biographical information), without the prior written consent of the Company.

4. FURTHER COOPERATION

Following the date of termination of your employment with the Company (the "Expiration Date"), you will no longer provide any regular services to the Company or represent yourself as a Company agent. If, however, the Company so requests, you agree to cooperate fully with the Company in connection with any matter with which you were involved prior to the Expiration Date, or in any litigation or administrative proceedings or appeals (including any preparation therefore) where the Company believes that your personal knowledge, attendance and participation could be beneficial to the Company. This cooperation includes, without limitation, participation on behalf of the Company in any litigation or administrative proceeding brought by any former or existing Company employees, representatives, agents or vendors. The Company will pay you for your services rendered under this provision at the rate of \$5,450 per day for each day or part thereof, within 30 days of the approval of the invoice therefor.

The Company will provide you with reasonable notice in connection with any cooperation it requires in accordance with this section and will take reasonable steps to schedule your cooperation in any such matters so as not to materially interfere with your other professional and personal commitments. The Company will reimburse you for any reasonable out-of-pocket expenses you reasonably incur in connection with the cooperation you provide hereunder as soon as practicable after you present appropriate documentation evidencing such expenses. You agree to provide the Company with an estimate of such expense before you incur the same.

5. NON-HIRE OR SOLICIT

You agree not to hire, seek to hire, or cause any person or entity to hire or seek to hire (without the prior written consent of the Company), directly or indirectly (whether for your own interest or any other person or entity's interest) any person who is or was in the prior six months an employee of the Company, or any of its subsidiaries, until the first anniversary of the date of your termination of employment with the Company; provided that engaging in a general

solicitation not specifically targeted at such employees shall not be prohibited hereby. This restriction does not apply to any former employee who was discharged by the Company or any of its subsidiaries. In addition, this restriction will not prevent you from providing references. If you remain continuously employed with the Company through the Scheduled Expiration Date, then this agreement not to hire or solicit will expire on the Scheduled Expiration Date.

6. ACKNOWLEDGMENTS

You acknowledge that the restrictions contained in this Annex A, in light of the nature of the Company's business and your position and responsibilities, are reasonable and necessary to protect the legitimate interests of the Company. You acknowledge that the Company has no adequate remedy at law and would be irreparably harmed if you breach or threaten to breach the provisions of this Annex A, and therefore agree that the Company shall be entitled to injunctive relief, to prevent any breach or threatened breach of any of those provisions and to specific performance of the terms of each of such provisions in addition to any other legal or equitable remedy it may have. You further agree that you will not, in any equity proceeding relating to the enforcement of the provisions of this Annex A, raise the defense that the Company has an adequate remedy at law. Nothing in this Annex A shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that it may have or any other rights that it may have under any other agreement. If it is determined that any of the provisions of this Annex A or any part thereof, is unenforceable because of the duration or scope (geographic or otherwise) of such provision or because of applicable rules of professional responsibility, it is the intention of the parties that the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

7. SURVIVAL

The provisions of this Annex A shall survive any termination of your employment by the Company or the expiration of the Agreement except as otherwise provided herein.



October 26, 2021

Mr. Jamal Haughton
c/o Madison Square Garden Entertainment Corp.
Two Pennsylvania Plaza
New York, NY 10121

Dear Jamal:

This letter agreement (the "Agreement"), effective as of December 6, 2021 (the "Effective Date"), will confirm the terms of your employment with Madison Square Garden Entertainment Corp. (the "Company") following the Effective Date.

1. Your title will be Executive Vice President and General Counsel and you will report to the Chief Executive Officer of the Company. You agree to devote all of your business time and attention to the business and affairs of the Company and to perform your duties in a diligent, competent, professional and skillful manner and in accordance with applicable law. You shall not undertake any outside business commitments without the Company's consent.
2. Your annual base salary will be not less than \$1,100,000 annually, paid bi-weekly, subject to annual review and potential increase by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") in its discretion. The Compensation Committee will review your compensation package on an annual basis to ensure that you are paid consistently with other similarly situated executives as well as external peers.
3.
 - (a) Commencing with the Company's fiscal year starting July 1, 2021, you will also participate in our discretionary annual bonus program with an annual target bonus opportunity equal to not less than 100% of your annual base salary. Bonus payments depend on a number of factors including Company, unit and individual performance. However, the decision of whether or not to pay a bonus, and the amount of that bonus, if any, is made by the Compensation Committee in its sole discretion. Annual bonuses are typically paid early in the subsequent fiscal year. Except as otherwise provided herein, in order to receive a bonus, you must be employed by the Company at the time bonuses are being paid. Notwithstanding the foregoing, if your employment with the Company ends on or after the Scheduled Expiration Date (as defined below), you shall be paid your bonus for the fiscal year ending June 30, 2025 (based on the salary dollars actually paid through the Termination Date (as defined below), and payable at such time as bonuses are paid to the Company's management employees), if any, which bonus shall be subject

to Company and your business unit performance for the fiscal year as determined by the Company in its sole discretion, but without adjustment for your individual performance.

- (b) In addition to the cash compensation described above, you will be entitled to a one-time special cash payment of \$250,000, paid within thirty days of the Effective Date (the “Special Cash Award”). If at any time prior to the first anniversary of the Effective Date your employment with the Company terminates as a result of (i) your resignation (other than for “Good Reason”), or (b) an involuntary termination by the Company for “Cause” (each as defined below), then you shall immediately refund to the Company the prorated amount of the Special Cash Award (proration based on the number of calendar days remaining until the first anniversary of the Effective Date, less all applicable payroll taxes).

4. Commencing with the Company’s fiscal year starting July 1, 2021, you will also, subject to your continued employment by the Company and actual grant by the Compensation Committee, participate in such equity and other long-term incentive programs that are made available in the future to similarly situated executives at the Company. It is expected that such awards will consist of annual grants of cash and/or equity awards with an annual target value of not less than \$1,300,000, all as determined by the Compensation Committee in its discretion. All awards described in this Paragraph, in addition to being subject to actual grant by the Compensation Committee, would be pursuant to the applicable plan document and would be subject to any terms and conditions established by the Compensation Committee in its sole discretion that would be detailed in separate agreements you would receive after any award is actually made; provided, however, that such terms and conditions shall be consistent with those in awards granted to similarly situated executives. Long-term incentive awards are currently expected to be subject to three-year vesting.

5. You will also be eligible to participate in our standard benefits program, subject to meeting the relevant eligibility requirements, payment of the required premiums, and the terms of the plans themselves. We currently offer medical, dental, vision, life, and accidental death and dismemberment insurance; short- and long- term disability insurance; a savings and retirement program; and ten paid holidays. You will also to be eligible for flexible time off in accordance with Company policy.

6. If your employment with the Company is terminated on or prior to December 5, 2024 (the “Scheduled Expiration Date”) (i) by the Company (other than for “Cause”); or (ii) by you for “Good Reason” (other than if “Cause” then exists); then, subject to your execution and delivery, within 60 days after the date of termination of your employment, and non-revocation (within any applicable revocation period) of the Separation Agreement (as defined below), the Company will provide you with the following:

- (a) Severance in an amount to be determined by the Company (the "Severance Amount"), but in no event less than two (2) times the sum of your annual base salary and your annual target bonus as in effect at the time your employment terminates. Sixty percent (60%) of the Severance Amount will be payable to you on the six-month anniversary of the date your employment so terminates (the "Termination Date") and the remaining forty percent (40%) of the Severance Amount will be payable to you on the twelve-month anniversary of the Termination Date;
- (b) Any unpaid annual bonus for the Company's fiscal year prior to the fiscal year which includes your Termination Date, and a *pro rated* bonus based on the amount of your base salary actually earned by you during the Company's fiscal year through the Termination Date, each of which will be paid to you when such bonuses are generally paid to similarly situated active executives and will be based on your then current annual target bonus as well as Company and your business unit performance for the applicable fiscal year as determined by the Company in its sole discretion, but without adjustment for your individual performance;
- (c) Each of your outstanding long-term cash awards, if any, granted under the plans of the Company shall immediately vest in full and shall be payable to you at the same time as such awards are paid to active executives of the Company and the payment amount of such award shall be to the same extent that other similarly situated active executives receive payment as determined by the Compensation Committee (subject to satisfaction of any applicable performance criteria but without adjustment for your individual performance);
- (d) (i) All of the time-based restrictions on each of your outstanding restricted stock or restricted stock unit awards granted to you under the plans of the Company shall immediately be eliminated, (ii) deliveries with respect to your restricted stock that are not subject to performance criteria or are subject to performance criteria that have previously been satisfied (as certified by the Compensation Committee) shall be made immediately after the effective date of the Separation Agreement, (iii) payment and deliveries with respect to your restricted stock units that are not subject to performance criteria or are subject to performance criteria that have previously been satisfied (as certified by the Compensation Committee) shall be made on the 90th day after the termination of your employment and (iv) payments or deliveries with respect to your restricted stock and restricted stock units that are subject to performance criteria that have not yet been satisfied shall be made on the 90th day after the applicable performance criteria is certified by the Compensation Committee as having been satisfied; and

- (e) Each of your outstanding stock options and stock appreciation awards, if any, under the plans of the Company shall immediately vest and become exercisable, and you shall have the right to exercise each of those options and stock appreciation awards for the remainder of the term of such option or award.

If you die after a termination of your employment that is subject to this Paragraph 6, your estate or beneficiaries will be provided with any remaining benefits and rights under this Paragraph 6.

7. If you cease to be an employee of the Company prior to the Scheduled Expiration Date as a result of your death or your Disability (as defined in the Company's Long Term Disability Plan), and at such time Cause does not exist then, subject (other than in the case of death) to your execution and delivery, within 60 days after the date of termination of your employment, and non-revocation (within any applicable revocation period) of the Separation Agreement, you or your estate or beneficiary shall be provided with the benefits and rights set forth in Paragraphs 6(b), (d) and (e) above, and each of your outstanding long-term cash awards, if any, granted under the plans of the Company shall immediately vest in full, whether or not subject to performance criteria and shall be payable on the 90th day after the termination of your employment; provided, that if any such award is subject to any performance criteria, then (i) if the measurement period for such performance criteria has not yet been fully completed, then the payment amount shall be at the target amount for such award and (ii) if the measurement period for such performance criteria has already been fully completed, then the payment of such award shall be at the same time and to the extent that other similarly situated executives receive payment as determined by the Compensation Committee (subject to satisfaction of the applicable performance criteria).

8. For purposes hereof, "Separation Agreement" shall mean the Company's standard severance agreement (modified to reflect the terms of this Agreement) which will include, without limitation, the provisions set forth in Paragraphs 6, 7 and 9 hereof and Annex A hereto regarding non-compete (limited to one year), non-disparagement, non-hire/non-solicitation, confidentiality (including, without limitation, the last paragraph of Section 3 of Annex A), and further cooperation obligations and restrictions on you (with Company reimbursement of your associated expenses and payment for your services as described in Annex A in connection with any required post-employment cooperation) as well as a general release by you of the Company and its affiliates (and their respective directors and officers), but shall otherwise contain no post-employment covenants unless agreed to by you. The Company shall provide you with the form of Separation Agreement within seven days of your termination of employment. For avoidance of doubt, your rights of indemnification under the Company's Amended and Restated Certificate of Incorporation, under your indemnification agreement with the Company and under any insurance policy, or under any other resolution of the Board of Directors of the Company shall not be released, diminished or affected by any Separation Agreement or release or any termination of your employment.

9. Except as otherwise set forth in Paragraphs 6 and 7 hereof, in connection with any termination of your employment, your then outstanding equity and cash incentive awards shall be treated in accordance with their terms and, other than as provided in this Agreement, you shall not be eligible for severance benefits under any other plan, program or policy of the Company. Nothing in this Agreement is intended to limit any more favorable rights that you may be entitled to under your equity and/or cash incentive award agreements, including, without limitation, your rights in the event of a termination of your employment, a “Going Private Transaction” or a “Change of Control” (as those terms are defined in the applicable award agreement).

10. For purposes of this Agreement, “Cause” means your (i) commission of an act of fraud, embezzlement, misappropriation, willful misconduct, gross negligence or breach of fiduciary duty against the Company or an affiliate thereof, or (ii) commission of any act or omission that results in a conviction, plea of no contest, plea of *nolo contendere*, or imposition of unadjudicated probation for any crime involving moral turpitude or any felony.

For purposes of this Agreement, “Good Reason” means that (1) without your written consent, (A) your annual base salary or annual target bonus (as each may be increased from time to time in the Compensation Committee’s sole discretion) is reduced, (B) your title (as in effect from time to time) is diminished, (C) you report to someone other than to the Chief Executive Officer or the Executive Chairman of the Board of the Company, (D) you are no longer the Company’s most senior legal officer, (E) the Company requires that your principal office be located outside of the Borough of Manhattan, (F) the Company materially breaches its obligations to you under this Agreement, or (G) your responsibilities as in effect immediately after the Effective Date are thereafter materially diminished, (2) you have given the Company written notice, referring specifically to this Agreement and definition, that you do not consent to such action, (3) the Company has not corrected such action within 15 days of receiving such notice, and (4) you voluntarily terminate your employment with the Company within 90 days following the happening of the action described in subsection (1) above.

11. This Agreement does not constitute a guarantee of employment for any definite period. Your employment is at will and may be terminated by you or the Company at any time, with or without notice or reason.

12. The Company may withhold from any payment due to you any taxes required to be withheld under any law, rule or regulation. If any payment otherwise due to you hereunder would result in the imposition of the excise tax imposed by Section 4999 of the Code, the Company will instead pay you either (i) such amount or (ii) the maximum amount that could be paid to you without the imposition of the excise tax, depending on whichever amount results in your receiving the greater amount of after-tax proceeds. In the event that the payments and benefits payable to you would be reduced as provided in the previous sentence, then such reduction will be determined in a manner which has the least economic cost to you and, to the extent the economic cost is equivalent, such payments or benefits will be reduced in the inverse order of

when the payments or benefits would have been made to you (*i.e.* later payments will be reduced first) until the reduction specified is achieved. If the Company elects to retain any accounting or similar firm to provide assistance in calculating any such amounts, the Company shall be responsible for the costs of any such firm.

13. It is intended that this Agreement will comply with Section 409A to the extent this Agreement is subject thereto, and that this Agreement shall be interpreted on a basis consistent with such intent. If and to the extent that any payment or benefit under this Agreement, or any plan, award or arrangement of the Company or its affiliates, constitutes “non-qualified deferred compensation” subject to Section 409A and is payable to you by reason of your termination of employment, then (a) such payment or benefit shall be made or provided to you only upon a “separation from service” as defined for purposes of Section 409A under applicable regulations and (b) if you are a “specified employee” (within the meaning of Section 409A as determined by the Company), such payment or benefit shall not be made or provided before the date that is six months after the date of your separation from service (or your earlier death). Any amount not paid or benefit not provided in respect of the six month period specified in the preceding sentence will be paid to you, together with interest on such delayed amount at a rate equal to the average of the one-year LIBOR fixed rate equivalent for the ten business days prior to the date of your employment termination, in a lump sum or provided to you as soon as practicable after the expiration of such six month period. Each payment or benefit provided under this Agreement shall be treated as a separate payment for purposes of Section 409A to the extent Section 409A applies to such payment.

14. To the extent you are entitled to any expense reimbursement from the Company that is subject to Section 409A, (i) the amount of any such expenses eligible for reimbursement in one calendar year shall not affect the expenses eligible for reimbursement in any other taxable year (except under any lifetime limit applicable to expenses for medical care), (ii) in no event shall any such expense be reimbursed after the last day of the calendar year following the calendar year in which you incurred such expense, and (iii) in no event shall any right to reimbursement be subject to liquidation or exchange for another benefit.

15. The Company will not take any action, or omit to take any action, that would expose any payment or benefit to you to the additional tax of Section 409A, unless (i) the Company is obligated to take the action under an agreement, plan or arrangement to which you are a party, (ii) you request the action, (iii) the Company advises you in writing that the action may result in the imposition of the additional tax and (iv) you subsequently request the action in a writing that acknowledges you will be responsible for any effect of the action under Section 409A. The Company will hold you harmless for any action it may take or omission in violation of this Paragraph 15, including any attorney’s fees you may incur in enforcing your rights.

16. It is our intention that the benefits and rights to which you could become entitled in connection with termination of employment be exempt from or comply with Section 409A. If

you or the Company believes, at any time, that any of such benefit or right is not exempt or does not comply, it will promptly advise the other and will negotiate reasonably and in good faith to amend the terms of such arrangement such that it complies (with the most limited possible economic effect on you and on the Company).

17. This Agreement is personal to you and without the prior written consent of the Company shall not be assignable by you. This Agreement shall inure to the benefit of and be enforceable by your legal representatives. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. The rights or obligations of the Company under this Agreement may only be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of Company; provided, however, that the assignee or transferee is the successor to all or substantially all of the assets of Company and such assignee or transferee assumes the liabilities and duties of Company, as contained in this Agreement, either contractually or as a matter of law.

18. To the extent permitted by law, you and the Company waive any and all rights to a jury trial with respect to any matter relating to this Agreement (including the covenants set forth in Annex A hereof). This Agreement will be governed by and construed in accordance with the law of the State of New York applicable to contracts made and to be performed entirely within that State.

19. Both the Company and you hereby irrevocably submit to the jurisdiction of the courts of the State of New York and the federal courts of the United States of America in each case located in the City of New York, Borough of Manhattan, solely in respect of the interpretation and enforcement of the provisions of this Agreement, and each party hereby waives, and agrees not to assert, as a defense that either party, as appropriate, is not subject thereto or that the venue thereof may not be appropriate. You and the Company each agree that mailing of process or other papers in connection with any such action or proceeding in any manner as may be permitted by law shall be valid and sufficient service thereof.

20. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. It is the parties' intention that this Agreement not be construed more strictly with regard to you or the Company.

21. This Agreement reflects the entire understanding and agreement of you and the Company with respect to the subject matter hereof and supersedes all prior understandings or agreements relating thereto.

22. This Agreement will automatically terminate, and be of no further force or effect, on the Scheduled Expiration Date; provided, however, that the provisions of Paragraphs 6 through 9, 12 through 22 and Annex A, and any amounts earned but not yet paid to you pursuant to the terms of this Agreement as of the Scheduled Expiration Date shall survive the termination of the Agreement and remain binding on you and the Company in accordance with their terms.

Sincerely,

MADISON SQUARE GARDEN ENTERTAINMENT CORP.

/s/ James L. Dolan

By: James L. Dolan

Title: Executive Chairman and Chief Executive Officer

Accepted and Agreed:

/s/ Jamal Haughton
Jamal Haughton

ANNEX A
ADDITIONAL COVENANTS
(This Annex constitutes part of the Agreement)

You agree to comply with the following covenants in addition to those set forth in the Agreement.

1. CONFIDENTIALITY

You agree to retain in strict confidence and not divulge, disseminate, copy or disclose to any third party any Confidential Information, other than for legitimate business purposes of the Company and its subsidiaries. As used herein, "Confidential Information" means any non-public information that is material or of a confidential, proprietary, commercially sensitive or personal nature of, or regarding, the Company or any of its subsidiaries or any current or former director, officer or member of senior management of any of the foregoing (collectively "Covered Parties"). The term Confidential Information includes information in written, digital, oral or any other format and includes, but is not limited to (i) information designated or treated as confidential; (ii) budgets, plans, forecasts or other financial or accounting data; (iii) customer, guest, fan, vendor, sponsor, marketing affiliate or shareholder lists or data; (iv) technical or strategic information regarding the Covered Parties' advertising, entertainment, theatrical, or other businesses; (v) advertising, sponsorship, business, sales or marketing tactics, strategies or information; (vi) policies, practices, procedures or techniques; (vii) trade secrets or other intellectual property; (viii) information, theories or strategies relating to litigation, arbitration, mediation, investigations or matters relating to governmental authorities; (ix) terms of agreements with third parties and third party trade secrets; (x) information regarding employees, talent, players, coaches, agents, consultants, advisors or representatives, including their compensation or other human resources policies and procedures; (xi) information or strategies relating to any potential or actual business development transactions and/or any potential or actual business acquisition, divestiture or joint venture, and (xii) any other information the disclosure of which may have an adverse effect on the Covered Parties' business reputation, operations or competitive position, reputation or standing in the community.

If disclosed, Confidential Information or Other Information could have an adverse effect on the Company's standing in the community, its business reputation, operations or competitive position or the standing, reputation, operations or competitive position of any of its affiliates, subsidiaries, officers, directors, employees, coaches, consultants or agents or any of the Covered Parties.

Notwithstanding the foregoing, the obligations of this section, other than with respect to subscriber information, shall not apply to Confidential Information which is:

- a) already in the public domain or which enters the public domain other than by your breach of this Paragraph 1;
- b) disclosed to you by a third party with the right to disclose it in good faith; or
- c) specifically exempted in writing by the Company from the applicability of this Agreement.

Notwithstanding anything elsewhere in this Agreement, including this Paragraph 1 and Paragraph 3 below, you are authorized to make any disclosure required of you by any federal, state and local laws or judicial, arbitral or governmental agency proceedings (including making truthful statements in connection with a judicial or arbitral proceeding to enforce your rights under this Agreement, to the extent reasonably required and made in good faith), after, to the extent legal and practicable, providing the Company with prior written notice and an opportunity to respond prior to such disclosure. In addition, this Agreement in no way restricts or prevents you from providing truthful testimony concerning the Company to judicial, administrative, regulatory or other governmental authorities.

2. NON-COMPETE

You acknowledge that due to your executive position in the Company and the knowledge of the Company's and its affiliates' confidential and proprietary information which you will obtain during the term of your employment hereunder, your employment by certain businesses would be irreparably harmful to the Company and/or its affiliates. During your employment with the Company and thereafter through the first anniversary of the date on which your employment with the Company has terminated for any reason, you agree, to the extent permissible under applicable rules of professional responsibility, not to (other than with the prior written consent of the Company), become employed by any Competitive Entity (as defined below). A "Competitive Entity" shall mean any arena or theater (with at least 1,000 seats) that competes in the same city as any of the Company's arena's or theaters, respectively. The ownership by you of not more than 1% of the outstanding equity of any publicly traded company shall not, by itself, be a violation of this Paragraph.

3. ADDITIONAL UNDERSTANDINGS

You agree, for yourself and others acting on your behalf, that you (and they) have not disparaged and will not disparage, make negative statements about (either "on the record" or "off the record") or act in any manner which is intended to or does damage to the good will of, or the business or personal reputations of the Company or any of its incumbent or former officers, directors, agents, consultants, employees, successors and assigns or any of the Covered Parties.

The Company agrees that, except as necessary to comply with applicable law or the rules of the New York Stock Exchange or any other stock exchange on which the Company's stock may be traded (and any public statements made in good faith by the Company in connection therewith), it and its corporate officers and directors, employees in its public relations department or third party public relations representatives retained by the Company will not disparage you or make negative statements in the press or other media which are damaging to your business or personal reputation. In the event that the Company so disparages you or makes such negative statements, then notwithstanding the "Additional Understandings" provision to the contrary, you may make a proportional response thereto.

In addition, you agree that the Company is the owner of all rights, title and interest in and to all documents, tapes, videos, designs, plans, formulas, models, processes, computer programs, inventions (whether patentable or not), schematics, music, lyrics and other technical, business, financial, advertising, sales, marketing, customer or product development plans, forecasts, strategies, information and materials (in any medium whatsoever) developed or prepared by you or with your cooperation in connection with your employment by the Company (the "Materials"). The Company will have the sole and exclusive authority to use the Materials in any manner that it deems appropriate, in perpetuity, without additional payment to you.

If requested by the Company, you agree to deliver to the Company upon the termination of your employment, or at any earlier time the Company may request, all memoranda, notes, plans, files, records, reports, and software and other documents and data (and copies thereof regardless of the form thereof (including electronic copies)) containing, reflecting or derived from Confidential Information or the Materials of the Company or any of its affiliates which you may then possess or have under your control. If so requested, you shall provide to the Company a signed statement confirming that you have fully complied with this Paragraph. Notwithstanding the foregoing, you shall be entitled to retain your contacts, calendars and personal diaries and any materials needed for your tax return preparation or related to your compensation.

In addition, you agree for yourself and others acting on your behalf, that you (and they) shall not, at any time, participate in any way in the writing or scripting (including, without limitation, any "as told to" publications) of any book, periodical story, movie, play, or other similar written or theatrical work or video that (i) relates to your services to the Company or any of its affiliates or (ii) otherwise refers to the Company or its respective businesses, activities, directors, officers, employees or representatives (other than identifying your biographical information), without the prior written consent of the Company.

4. FURTHER COOPERATION

Following the date of termination of your employment with the Company (the "Expiration Date"), you will no longer provide any regular services to the Company or represent yourself as a Company agent. If, however, the Company so requests, you agree to cooperate fully with the

Company in connection with any matter with which you were involved prior to the Expiration Date, or in any litigation or administrative proceedings or appeals (including any preparation therefore) where the Company believes that your personal knowledge, attendance and participation could be beneficial to the Company. This cooperation includes, without limitation, participation on behalf of the Company in any litigation or administrative proceeding brought by any former or existing Company employees, representatives, agents or vendors. The Company will pay you for your services rendered under this provision at the rate of \$7,000 per day for each day or part thereof, within 30 days of the approval of the invoice therefor.

The Company will provide you with reasonable notice in connection with any cooperation it requires in accordance with this section and will take reasonable steps to schedule your cooperation in any such matters so as not to materially interfere with your other professional and personal commitments. The Company will reimburse you for any reasonable out-of-pocket expenses you reasonably incur in connection with the cooperation you provide hereunder as soon as practicable after you present appropriate documentation evidencing such expenses. You agree to provide the Company with an estimate of such expense before you incur the same.

5. NON-HIRE OR SOLICIT

You agree not to hire, seek to hire, or cause any person or entity to hire or seek to hire (without the prior written consent of the Company), directly or indirectly (whether for your own interest or any other person or entity's interest) any person who is or was in the prior six months an employee of the Company, or any of its subsidiaries, until the first anniversary of the date of your termination of employment with the Company. This restriction does not apply to any former employee who was discharged by the Company or any of its affiliates. In addition, this restriction will not prevent you from providing references. If you remain continuously employed with the Company through the Scheduled Expiration Date, then this agreement not to hire or solicit will expire on the Scheduled Expiration Date.

6. ACKNOWLEDGMENTS

You acknowledge that the restrictions contained in this Annex A, in light of the nature of the Company's business and your position and responsibilities, are reasonable and necessary to protect the legitimate interests of the Company. You acknowledge that the Company has no adequate remedy at law and would be irreparably harmed if you breach or threaten to breach the provisions of this Annex A, and therefore agree that the Company shall be entitled to injunctive relief, to prevent any breach or threatened breach of any of those provisions and to specific performance of the terms of each of such provisions in addition to any other legal or equitable remedy it may have. You further agree that you will not, in any equity proceeding relating to the enforcement of the provisions of this Annex A, raise the defense that the Company has an adequate remedy at law. Nothing in this Annex A shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that it may have or any other rights that it

may have under any other agreement. If it is determined that any of the provisions of this Annex A or any part thereof, is unenforceable because of the duration or scope (geographic or otherwise) of such provision or because of applicable rules of professional responsibility, it is the intention of the parties that the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

7. SURVIVAL

The provisions of this Annex A shall survive any termination of your employment by the Company or the expiration of the Agreement except as otherwise provided herein.

TIME SHARING AGREEMENT

THIS TIME SHARING AGREEMENT (this “Agreement”) is entered into effective as of December 20, 2021, by and between Patrick F. Dolan, an individual with an address at c/o Dolan Family Office, LLC, 340 Crossways Park Drive, Woodbury, New York 11797 (“Lessor”), and MSG Entertainment Group, LLC, a Delaware limited liability company with a place of business at Two Pennsylvania Plaza, New York, New York 10121 (“Lessee”).

W I T N E S S E T H:

WHEREAS, Lessor is a non-exclusive lessee and Part 91 operator of a Bombardier BD100-1A10 Challenger 350 aircraft, manufacturer’s serial number 20611, United States registration N350PD (the “Aircraft”);

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

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

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

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

2. Payment for Use of Aircraft. Lessee shall pay Lessor the following actual expenses of each flight conducted under this Agreement, not to exceed the maximum amount legally payable for such flight under FAR Section 91.501(d)(1)-(10):

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

- (j) An additional charge equal to 100 percent of the expenses listed in paragraph (2)(a) of this section.

Lessee shall be obligated to reimburse Lessor for the actual expenses set forth in Section 2(a)-(i) for occupied legs and for deadhead flights. Nothing herein shall prevent Lessor from utilizing empty space on any flight leg in which case Lessor and Lessee agree to adjust in good faith the expenses of any such flight segment.

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

4. Scheduling.

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

(b) Subject to Aircraft and crew availability and to any usage limitations established by Lessor, Lessee's use of the Aircraft hereunder shall be subject to Lessor's sole discretion; in addition, (i) Lessor shall have sole and exclusive final authority over the scheduling of the Aircraft; and (ii) the needs of Lessor (or other operators or lessees of the Aircraft) for the Aircraft shall take precedence over Lessee's rights and Lessor's obligations under this Agreement.

(c) Although every good faith effort shall be made to avoid its occurrence, any flight scheduled under this Agreement is subject to cancellation by either party without incurring liability to the other party, except for costs and expenses (including but not limited to the items in Section 2(a)-(j)) incurred for the flight that are not reasonably recoverable, which shall be borne by the party canceling the flight. In the event of cancellation, the canceling party shall provide the maximum notice practicable to the other party.

5. Billing. Lessor shall pay all expenses relating to the operation of the Aircraft under this Agreement on a monthly basis. As soon as reasonably practicable after the end of each monthly period during the Term, Lessor shall provide to Lessee an invoice showing all use of the Aircraft by Lessee under this Agreement during that month and a complete accounting detailing all amounts payable by Lessee pursuant to Section 2 for that month, including such detail supporting all expenses paid or incurred by Lessor for which reimbursement is sought as Lessee may reasonably request. Lessee shall pay

all amounts due to Lessor under this Section 5 not later than thirty (30) days after receipt of the invoice therefor.

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

7. Flight Crew.

(a) Lessor shall employ or engage and pay all salaries, benefits and/or compensation for a fully-qualified flight crew with appropriate credentials to conduct each flight undertaken under this Agreement. Lessor may use temporary flight crewmembers for a flight under this Agreement only if any such temporary crewmember is FlightSafety (or SimuFlite) trained, is current on the Aircraft and satisfies all of the requirements and conditions under the insurance coverage for the Aircraft. All flight crewmembers shall be included on any insurance policies that Lessor is required to maintain hereunder.

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

8. Insurance.

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

(b) Any policies of aircraft and liability insurance carried in accordance with this Section 8 and any policies taken out in substitution or replacement of any such policies (i) shall name Lessee and its affiliates and each of their respective members, managers, shareholders, officers, directors, partners, employees, agents, licensees and guests as additional insureds (without responsibility for premiums) with respect to the liability coverage; (ii) shall waive any right of set-off and any right of subrogation against any of the additional insureds; (iii) shall provide for thirty (30) days written notice to Lessee by such insurer of cancellation, change, non-renewal or reduction (seven (7) days in the case of war risk and allied perils coverage or such shorter period as is customarily available in the industry); (iv) shall be primary, not subject to any co-insurance clause, not contributory or subject to offset with respect to any other policies in force; and (v) shall include a severability of interest clause providing that the policies will operate in the same manner to give each insured the same protection as if there were a separate policy issued to each insured except for the limit of liability.

(c) Lessor shall use reasonable commercial efforts to provide such additional insurance coverage for specific flights under this Agreement, if any, as Lessee may request in writing.

Lessee also acknowledges that any trips scheduled to the European Union may require Lessor to purchase additional insurance to comply with local regulations. The cost of all additional flight-specific insurance shall be borne by Lessee as set forth in Section 2(d) hereof.

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

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

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

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

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

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

(b) It shall refrain from incurring any mechanic's or other liens in connection with inspection, preventive maintenance, maintenance or storage of the Aircraft, and shall not attempt to convey, mortgage, assign, lease or in any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien.

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

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

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

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

13. Term. The term of this Agreement (the “Term”) shall commence on the effective date hereof and expire on June 30, 2022, and thereafter shall automatically renew for successive one-year terms. Notwithstanding the foregoing, either party shall have the right to terminate this Agreement upon 30 days prior written notice to the other party. In addition, this Agreement shall terminate (i) effective on the date specified in a written notice from Lessor to Lessee to the effect that Lessor no longer operates the Aircraft, which notice shall be given by Lessor to Lessee as soon as reasonably practicable after Lessor becomes aware that such is or will be the case or (ii) immediately upon a Change of Control of Lessee. “Change of Control” shall mean the acquisition, in a transaction or a series of related transactions, by any person or group, other than Charles F. Dolan or members of the immediate family of Charles F. Dolan or trusts for the benefit of Charles F. Dolan or his immediate family (or an entity or entities controlled by any of them), of the power to direct the management of Madison Square Garden Entertainment Corp. or substantially all its assets (as constituted immediately prior to such transaction or transactions).

14. Limitation of Liability. The parties, for themselves and on behalf of their representatives, guests, invitees, licensees and employees, covenant and agree that the insurance described in Section 8 hereof shall be the sole recourse for any and all liabilities, claims, demands, suits, causes of action, losses, penalties, fines, expenses or damages, including attorneys fees, court costs and witness fees, attributable to the use, operation or maintenance of the Aircraft pursuant to this Agreement or performance of or failure to perform any obligation under this Agreement, except in the event that Lessor fails to obtain and maintain the insurance required hereunder or in the event of the gross negligence of the party at fault or the proceeds of insurance are unavailable due to an act or omission of a party that violates the covenants, terms and conditions of the insurance policy.

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

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

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

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

19. Successors and Assigns. This Time Sharing Agreement shall be binding upon the parties hereto, and their respective heirs, executors, administrators, other legal representatives, successors and assigns, and shall inure to the benefit of the parties hereto, and, except as otherwise provided herein, to their respective heirs, executors, administrators, other legal representatives, successors and permitted assigns. Lessee agrees that it shall not directly or indirectly sublease, assign, transfer, pledge or hypothecate this Agreement or any part hereof (including any assignment or transfer pursuant to the laws

of intestacy) without the prior written consent of Lessor, which may be given or withheld by Lessor in its sole and absolute discretion.

20. Notices. All notices or other communications delivered or given under this Agreement shall be in writing and shall be deemed to have been duly given if hand delivered, sent by certified or registered mail, return receipt requested, or nationally-utilized overnight delivery service, PDF or confirmed facsimile transmission, as the case may be. Such notices shall be addressed to the parties at the addresses set forth above, or to such other address as may be designated by any party in a writing delivered to the other in the manner set forth in this Section 20. In the case of notices to Lessee, a copy of each such notice shall be sent via email to legalnotices@msg.com. In the case of notices to Lessor, a copy of each such notice shall be sent via email to officer@dfollc.com. Notices sent by certified or registered mail shall be deemed received three (3) business days after being mailed. All other notices shall be deemed received on the date delivered.

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

22. TRUTH IN LEASING STATEMENT UNDER FAR SECTION 91.23:

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

(b) LESSOR HEREBY CERTIFIES THAT IT IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT FOR ALL OPERATIONS UNDER THIS AGREEMENT.

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

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

THE UNDERSIGNED FOR LESSOR CERTIFIES THAT THEY ARE RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT AND THAT THEY UNDERSTAND THE RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

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

LESSOR:

Patrick F. Dolan

LESSEE:

MSG Entertainment Group, LLC

By: Mark H. FitzPatrick

Name: Mark H. FitzPatrick

Title: EVP & Chief Financial Officer

Certification

I, James L. Dolan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Madison Square Garden Entertainment 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 9, 2022

/s/ JAMES L. DOLAN

James L. Dolan

Executive Chairman and Chief Executive Officer

Certification

I, David F. Byrnes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Madison Square Garden Entertainment 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 9, 2022

/s/ DAVID F. BYRNES

David F. Byrnes
Executive Vice President and
Chief Financial Officer

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of Madison Square Garden Entertainment 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 9, 2022

/s/ JAMES L. DOLAN

James L. Dolan

Executive Chairman and Chief Executive Officer

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

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of Madison Square Garden Entertainment 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 9, 2022

/s/ DAVID F. BYRNES

David F. Byrnes

Executive Vice President and
Chief Financial Officer

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