

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 June 30, 2010

OR

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

For the transition period from _____ to _____

Commission File Number: 1-34434

Madison Square Garden, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

27-0624498
(I.R.S. Employer
Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

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

Large accelerated ☐
filer

Accelerated ☐
filer

Non-accelerated ☒
filer

Smaller reporting ☐
company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock outstanding, as the latest practicable date.

Class of Stock

Class A Common Stock par value \$0.01 per share
Class B Common Stock par value \$0.01 per share

Shares Outstanding as of July 30, 2010

62,245,496
13,588,555

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

MADISON SQUARE GARDEN, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except earnings per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues (including revenues from Cablevision of \$39,186 and \$31,731 for the three months ended June 30, 2010 and 2009, respectively, and \$78,783 and \$63,942 for the six months ended June 30, 2010 and 2009, respectively)	\$227,131	\$207,336	\$533,632	\$488,654
Operating expenses:				
Direct operating (excluding depreciation and amortization shown below and including expenses from Cablevision of \$2,664 and \$7,113 for the three months ended June 30, 2010 and 2009, respectively, and \$5,733 and \$14,199 for the six months ended June 30, 2010 and 2009, respectively)	124,451	122,319	320,914	329,328
Selling, general and administrative (including expenses from Cablevision of \$2,836 and \$13,038 for the three months ended June 30, 2010 and 2009, respectively, and \$6,664 and \$24,887 for the six months ended June 30, 2010 and 2009, respectively)	62,786	79,017	127,632	139,680
Depreciation and amortization	14,199	14,768	29,260	30,496
	201,436	216,104	477,806	499,504
Operating income (loss)	25,695	(8,768)	55,826	(10,850)
Other income (expense):				
Interest income (including interest income from Cablevision of \$0 for both the three months ended June 30, 2010 and 2009 and \$914 and \$0 for the six months ended June 30, 2010 and 2009, respectively)	568	681	2,041	1,452
Interest expense	(1,556)	(1,078)	(3,147)	(2,120)
Miscellaneous	—	2,000	2,000	2,000
	(988)	1,603	894	1,332
Income (loss) from operations before income taxes	24,707	(7,165)	56,720	(9,518)
Income tax benefit (expense)	(10,694)	3,266	(25,326)	3,678
Net income (loss)	\$ 14,013	\$ (3,899)	\$ 31,394	\$ (5,840)
Basic net earnings (loss) per common share	\$ 0.19	\$ (0.05)	\$ 0.43	\$ (0.08)
Diluted net earnings (loss) per common share	\$ 0.18	\$ (0.05)	\$ 0.41	\$ (0.08)
Weighted-average number of common shares outstanding: (Refer to Note 3)				
Basic	73,957	73,309	73,705	73,309
Diluted	76,773	73,309	76,488	73,309

See accompanying notes to consolidated financial statements.

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MADISON SQUARE GARDEN, INC. CONSOLIDATED BALANCE SHEETS

	June 30, 2010 (Unaudited)	December 31, 2009
(In thousands, except par value)		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 319,745	\$ 109,716
Restricted cash	11,414	7,139
Accounts receivable, net of allowance for doubtful accounts of \$2,386 and \$2,337	108,983	130,460
Net receivable due from Cablevision	23,351	7,845
Prepaid expenses	33,038	36,849
Advances due from a subsidiary of Cablevision	—	190,000
Other current assets	29,578	37,049
Total current assets	526,109	519,058
Property and equipment, net of accumulated depreciation of \$395,466 and \$375,223	363,061	342,005
Other assets	129,543	131,820
Amortizable intangible assets, net of accumulated amortization of \$104,874 and \$105,351	139,013	148,028
Indefinite-lived intangible assets	158,096	158,096
Goodwill	742,492	742,492
	<u>\$ 2,058,314</u>	<u>\$ 2,041,499</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 1,506	\$ 7,104
Accrued liabilities:		
Employee related costs	57,791	71,646
Other expenses	86,252	85,815
Deferred revenue	128,549	133,584
Total current liabilities	274,098	298,149
Defined benefit and other postretirement obligations	55,947	45,165
Other employee related costs	37,801	44,407
Other liabilities	62,816	63,568
Deferred tax liability	513,907	484,107
Total liabilities	944,569	935,396
Commitments and contingencies (Refer to Note 9)		
Stockholders' Equity:		
Class A Common stock, par value \$0.01, 360,000 authorized; 62,247 outstanding as of June 30, 2010	624	—
Class B Common stock, par value \$0.01, 90,000 authorized; 13,589 outstanding as of June 30, 2010	136	—
Preferred stock, par value \$0.01, 45,000 authorized; none outstanding	—	—
Additional paid-in capital (paid-in capital, for the period prior to the Distribution)	1,023,081	1,042,283
Treasury stock	(3,723)	—
Retained earnings	109,267	77,873
Accumulated other comprehensive loss	(15,640)	(14,053)
Total stockholders' equity	1,113,745	1,106,103
	<u>\$ 2,058,314</u>	<u>\$ 2,041,499</u>

See accompanying notes to consolidated financial statements.

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MADISON SQUARE GARDEN, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 31,394	\$ (5,840)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	29,260	30,496
Impairment of deferred costs	9,945	—
Share-based compensation expense related to equity classified awards	4,585	—
Deemed capital contribution related to income taxes	2,712	143
Share-based compensation expense prior to the Distribution	1,012	6,913
Amortization of deferred financing costs	908	—
Provision for doubtful accounts	294	193
Amortization of purchase accounting liability related to unfavorable contracts	—	(1,344)
Excess tax benefit on share-based awards	(618)	—
Change in assets and liabilities:		
Accounts receivable, net	21,183	23,958
Net receivable due from Cablevision	(15,506)	(463)
Prepaid expenses and other assets	4,794	10,799
Accrued and other liabilities	(5,614)	(30,043)
Deferred revenue	(5,035)	(15,605)
Deferred income taxes	(8,516)	(3,678)
Net cash provided by operating activities	70,798	15,529
Cash flows from investing activities:		
Capital expenditures	(43,766)	(23,810)
Decrease in restricted cash	2,000	—
Net cash used in investing activities	(41,766)	(23,810)
Cash flows from financing activities:		
Proceeds from promissory note due from a subsidiary of Cablevision	190,000	—
Additions to deferred financing costs	(8,363)	—
Purchase of shares	(3,723)	—
Proceeds from stock option exercises	3,119	—
Capital contribution	—	148
Excess tax benefit on share-based awards	618	—
Principal payments on capital lease obligations	(654)	(609)
Net cash provided by (used in) financing activities	180,997	(461)
Net increase (decrease) in cash and cash equivalents	210,029	(8,742)
Cash and cash equivalents at beginning of period	109,716	70,726
Cash and cash equivalents at end of period	\$319,745	\$ 61,984
Non-cash investing and financing activities:		
Deemed capital contributions (distributions), net primarily related to income taxes and share-based compensation expense prior to the Distribution	\$(26,636)	\$ 7,056
Leasehold improvements paid by landlord	3,049	—

See accompanying notes to consolidated financial statements.

MADISON SQUARE GARDEN, INC.

CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(In thousands)	Common Stock Issued	Additional Paid-in Capital (Paid-in Capital for the period prior to the Distribution)	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2010	\$ —	\$ 1,042,283	\$ —	\$ 77,873	\$ (14,053)	\$ 1,106,103
Net income	—	—	—	31,394	—	31,394
Pension and postretirement plan liability adjustments, net of taxes	—	—	—	—	562	562
Comprehensive income						31,956
Deemed capital contribution related to share-based compensation expense prior to the Distribution	—	1,012	—	—	—	1,012
Deemed capital contribution related to income taxes	—	2,712	—	—	—	2,712
Adjustments related to the transfer of liabilities from Cablevision related to certain pension plans as a result of the Distribution, net of taxes	—	—	—	—	(2,149)	(2,149)
Deemed capital contribution related to the transfer of certain liabilities between the Company and Cablevision, net of taxes	—	5,125	—	—	—	5,125
Reclassification of common stock in connection with the Distribution	755	(755)	—	—	—	—
Distribution date deferred tax assets and liabilities adjustments (Refer to Note 16)	—	(35,485)	—	—	—	(35,485)
Proceeds from exercise of options	5	3,114	—	—	—	3,119
Share-based compensation expense	—	4,585	—	—	—	4,585
Treasury stock acquired from acquisition of restricted shares	—	—	(3,723)	—	—	(3,723)
Excess tax benefit on share-based awards, net of deficiency	—	490	—	—	—	490
Balance at June 30, 2010	<u>\$ 760</u>	<u>\$ 1,023,081</u>	<u>\$ (3,723)</u>	<u>\$ 109,267</u>	<u>\$ (15,640)</u>	<u>\$ 1,113,745</u>

(In thousands)	Common Stock Issued	Additional Paid-in Capital (Paid-in Capital for the period prior to the Distribution)	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2009	\$ —	\$ 1,027,726	\$ —	\$ 50,224	\$ (5,327)	\$ 1,072,623
Net loss	—	—	—	(5,840)	—	(5,840)
Pension and postretirement plan liability adjustments, net of taxes	—	—	—	—	53	53
Comprehensive loss						(5,787)
Deemed capital contribution related to the allocation of Cablevision share-based compensation expense	—	6,913	—	—	—	6,913
Capital contribution	—	148	—	—	—	148
Deemed capital contribution related to income taxes	—	143	—	—	—	143
Balance at June 30, 2009	<u>\$ —</u>	<u>\$ 1,034,930</u>	<u>\$ —</u>	<u>\$ 44,384</u>	<u>\$ (5,274)</u>	<u>\$ 1,074,040</u>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

Note 1. Description of Business

Madison Square Garden, Inc. (together with its subsidiaries, the “Company” or “Madison Square Garden”) was incorporated on July 29, 2009 as an indirect, wholly-owned subsidiary of Cablevision Systems Corporation (“Cablevision”). On January 12, 2010, Cablevision’s board of directors approved the distribution of all the outstanding common stock of Madison Square Garden, Inc. to Cablevision shareholders (the “Distribution”) and the Company thereafter acquired the subsidiaries of Cablevision that owned, directly and indirectly, all of the partnership interests in Madison Square Garden, L.P. (“MSG L.P.”). MSG L.P. was the indirect, wholly-owned subsidiary of Cablevision through which Cablevision held the Company’s businesses until the Distribution occurred on February 9, 2010. Each holder of record of Cablevision NY Group Class A Common Stock as of close of business on January 25, 2010 (the “Record Date”) received one share of Madison Square Garden, Inc. Class A Common Stock for every four shares of Cablevision Class A Common Stock held. Each holder of record of Cablevision NY Group Class B Common Stock as of the Record Date received one share of Madison Square Garden, Inc. Class B Common Stock for every four shares of Cablevision NY Group Class B Common Stock held. MSG L.P. is now a wholly-owned subsidiary of Madison Square Garden, Inc. through which the Company conducts substantially all of its business activities.

The Company classifies its business interests into three reportable segments: MSG Media, MSG Entertainment, and MSG Sports. MSG Media produces, develops and acquires content for multiple distribution platforms, including content originating from the Company’s venues. MSG Entertainment creates, produces and/or presents a variety of live productions, including the *Radio City Christmas Spectacular*, featuring the Radio City Rockettes, and shows that the Company co-produces with Cirque du Soleil, such as *Wintuk* and *Banana Shpeel*. MSG Sports owns and operates sports franchises, including the New York Knicks of the National Basketball Association (“NBA”), the New York Rangers of the National Hockey League (“NHL”), the New York Liberty of the Women’s National Basketball Association, and the Hartford Wolf Pack of the American Hockey League, which is the primary player development team for the New York Rangers. MSG Sports also features other sports properties, including the presentation of a wide variety of premier live sporting events.

The Company conducts a significant portion of its operations at venues that are either owned or operated by it under long-term leases. The Company owns The Madison Square Garden Arena (“The Garden”) and The Theater at Madison Square Garden in New York City and The Chicago Theatre in Chicago. It leases Radio City Music Hall and the Beacon Theatre in New York City. The Company also has a booking agreement with respect to the Wang Theatre in Boston.

Note 2. Accounting Policies**Unaudited Interim Financial Statements**

The accompanying unaudited consolidated quarterly financial statements have been prepared on a basis consistent with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and pursuant to the rules of the U.S. Securities and Exchange Commission (“SEC”) and should be read in conjunction with the audited combined financial statements and notes thereto included in the Company’s 2009 Annual Report on Form 10-K filed on March 18, 2010 with the SEC (the “2009 Annual Report on Form 10-K”). The financial statements as of June 30, 2010 and for the three and six months ended June 30, 2010 and 2009 presented in this Quarterly Report on Form 10-Q are unaudited; however, in the opinion of management such financial statements reflect all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the results for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results that might be expected for future interim periods or for the full year. The dependence of our revenues on our sports teams and Christmas shows generally make our business seasonal with a disproportionate share of our revenues and operating income being derived in the fourth quarter of each year.

Principles of Consolidation

The financial statements include the accounts of Madison Square Garden, Inc. and its subsidiaries. For periods prior to the Distribution date, the financial statements were prepared on a combined basis and reflect the assets, liabilities, revenues and expenses of the Company as if it were a separate entity for those periods. However, for all periods prior to the Distribution, deferred tax assets and liabilities have been measured using the estimated applicable corporate tax rates historically used by Cablevision (refer to Note 16). All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(In thousands, except per share amounts)
(Unaudited)

during the reporting periods presented. Estimates are based on past experience and other considerations reasonable under the circumstances. Actual results could differ from those estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation.

Recently Issued Accounting Pronouncements Not Yet Adopted

The Company is currently evaluating the potential impact of Accounting Standards Update (“ASU”) No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, which provides amendments that (a) update the criteria for separating consideration in multiple-deliverable arrangements, (b) establish a selling price hierarchy for determining the selling price of a deliverable, and (c) replace the term “fair value” in the revenue allocation guidance with the term “selling price” to clarify that the allocation of revenue is based on entity-specific assumptions. ASU No. 2009-13 eliminates the residual method of allocating arrangement consideration to deliverables, requires the use of the relative selling price method and requires that a vendor determine its best estimate of selling price in a manner consistent with that used to determine the price to sell the deliverable on a stand-alone basis. ASU No. 2009-13 requires a vendor to significantly expand the disclosures related to multiple-deliverable revenue arrangements with the objective to provide information about the significant judgments made and changes to those judgments, and how the application of the relative selling price method affects the timing or amount of revenue recognition. ASU No. 2009-13 is required to be adopted on a prospective basis to revenue arrangements entered into or materially modified beginning in January 2011, and early adoption is permitted.

Note 3. Net Earnings (Loss) per Common Share

Basic net earnings (loss) per common share (“EPS”) is based upon net earnings (loss) divided by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the effect of the assumed exercise of stock options and vesting of restricted stock, restricted stock units and shares restricted on the same basis as underlying Cablevision restricted shares (refer to Note 13) only in the periods in which such effect would have been dilutive.

Common shares assumed to be outstanding during the three and six month periods ended June 30, 2009 totaled 73,309, representing the shares issued to Cablevision shareholders on the Distribution date for purposes of calculating basic EPS.

The table below presents a reconciliation of weighted-average shares used in the calculation of basic and diluted EPS.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Weighted-average shares for basic EPS	73,957	73,309	73,705	73,309
Dilutive effect of shares issuable under share-based compensation plans and shares restricted on the same basis as underlying Cablevision restricted shares	2,816	—	2,783	—
Weighted-average shares for diluted EPS	<u>76,773</u>	<u>73,309</u>	<u>76,488</u>	<u>73,309</u>

The Company has excluded 57 and 49 shares from the calculation of diluted EPS for the three and six months ended June 30, 2010, respectively, because their inclusion would have been anti-dilutive.

Note 4. Comprehensive Income (Loss)

The following table presents comprehensive income (loss) for the three and six months ended June 30, 2010 and 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income (loss)	\$ 14,013	\$ (3,899)	\$ 31,394	\$ (5,840)
Pension and postretirement plan liability adjustments, net of taxes	278	27	562	53
Comprehensive income (loss)	<u>\$14,291</u>	<u>\$(3,872)</u>	<u>\$31,956</u>	<u>\$(5,787)</u>

Note 5. Impairment Charges

As a result of *Banana Shpeel's* financial performance, the Company evaluated whether or not an impairment of the associated deferred costs had occurred.

In determining whether the deferred costs were recoverable, the Company estimated the undiscounted future cash flows over the expected term of the show and compared the undiscounted cash flows to the asset's carrying value. As a result, the Company concluded the costs would not be recoverable. The Company then determined the fair value of the asset by discounting the estimated future cash flows. The impairment charge was the difference between the carrying value of the asset and its fair value.

As such, the Company's MSG Entertainment reportable segment recorded a pre-tax impairment charge of approximately \$9,945 for the unamortized deferred costs remaining on the Company's financial statements at the end of the show's run at the Beacon Theatre.

This pre-tax impairment charge is reflected in direct operating expenses in the accompanying consolidated statements of operations for the three and six months ended June 30, 2010.

Note 6. Team Personnel Transactions and Insurance Recoveries

Direct operating and selling, general and administrative expenses in the accompanying consolidated statements of operations include net provisions for transactions relating to players on our sports teams for season-ending injuries, waivers and trades, and termination costs of other team personnel. The Company's MSG Sports segment recognizes the estimated ultimate cost of these events, including the Company's estimated future obligation for luxury tax attributable to Knicks player transactions, in the period in which they occur, net of anticipated insurance recoveries. Amounts due to such players are generally paid over their remaining contract terms. These provisions amounted to \$90 and \$19,377 for the three months ended June 30, 2010 and 2009, respectively. For the six months ended June 30, 2010 and 2009, these provisions amounted to \$6,313 and \$23,486, respectively. The provisions recorded in the three months ended June 30, 2010 and 2009 are net of insurance recoveries of \$0 and \$426, respectively. The provisions recorded in the six months ended June 30, 2010 and 2009 are net of insurance recoveries of \$820 and \$426, respectively.

In addition, during the three months ended June 30, 2010 and 2009, the Company recorded \$600 and \$1,233, respectively, in insurance recoveries related to non season-ending player injuries. For the six months ended June 30, 2010 and 2009, the Company recorded \$7,921 and \$4,838, respectively, in insurance recoveries related to non season-ending player injuries.

The accompanying consolidated balance sheets as of June 30, 2010 and December 31, 2009 include \$0 and \$5,929, respectively, in other current assets, for these team personnel related insurance recoveries.

Note 7. Investments

In June 2008, the Company purchased a minority ownership interest in a company for \$37,632, which is accounted for under the cost method. During both of the six month periods ended June 30, 2010 and 2009, the Company received a \$2,000 dividend representing the distribution of earnings from this cost method investment which was recognized in miscellaneous income in the accompanying consolidated statements of operations. As of June 30, 2010 and December 31, 2009, this investment is recognized as a component of other assets in the accompanying consolidated balance sheets. It was not practicable for the Company to estimate the fair value of this minority ownership interest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(In thousands, except per share amounts)
(Unaudited)

Note 8. Goodwill and Intangible Assets

The carrying amount of goodwill, by reportable segment, as of June 30, 2010 and December 31, 2009 is as follows:

MSG Media	\$465,326
MSG Entertainment	58,979
MSG Sports	218,187
	<u>\$742,492</u>

Based on the Company's annual impairment test during the first quarter of 2010, the Company's reporting units had significant safety margins, representing the excess of the estimated fair value of each reporting unit less its respective carrying value (including goodwill allocated to each respective reporting unit). In order to evaluate the sensitivity of the estimated fair value calculations of the Company's reporting units on the annual impairment calculation for goodwill, the Company applied a hypothetical 30% decrease to the estimated fair value of each reporting unit. This hypothetical decrease of 30% would have no impact on the goodwill impairment analysis for any of the Company's reporting units.

The Company's intangible assets are as follows:

At June 30, 2010	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:			
Affiliation agreements and affiliate relationships ^(a)	\$120,536	\$ (45,331)	\$ 75,205
Season ticket holder relationships	75,005	(29,100)	45,905
Suite holder relationships	15,394	(7,345)	8,049
Broadcast rights	15,209	(11,944)	3,265
Other intangibles ^(a)	17,743	(11,154)	6,589
Total intangible assets subject to amortization	<u>243,887</u>	<u>(104,874)</u>	<u>139,013</u>
Sports franchises (MSG Sports segment)	96,215	—	96,215
Trademarks (MSG Entertainment segment)	61,881	—	61,881
Total indefinite-lived intangible assets	<u>158,096</u>	<u>—</u>	<u>158,096</u>
Total intangible assets	<u>\$401,983</u>	<u>\$(104,874)</u>	<u>\$297,109</u>

At December 31, 2009	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:			
Affiliation agreements and affiliate relationships	\$124,770	\$ (45,909)	\$ 78,861
Season ticket holder relationships	75,005	(26,377)	48,628
Suite holder relationships	15,394	(6,645)	8,749
Broadcast rights	15,209	(11,182)	4,027
Other intangibles	23,001	(15,238)	7,763
Total intangible assets subject to amortization	<u>253,379</u>	<u>(105,351)</u>	<u>148,028</u>
Sports franchises (MSG Sports segment)	96,215	—	96,215
Trademarks (MSG Entertainment segment)	61,881	—	61,881
Total indefinite-lived intangible assets	<u>158,096</u>	<u>—</u>	<u>158,096</u>
Total intangible assets	<u>\$411,475</u>	<u>\$(105,351)</u>	<u>\$306,124</u>

(a) During the six months ended June 30, 2010, certain intangible assets became fully amortized.

Based on the Company's annual impairment test during the first quarter of 2010, the Company's Radio City related trademarks and sports franchise identifiable indefinite-lived intangible assets had significant safety margins, representing the excess of each identifiable indefinite-lived intangible asset's estimated fair value less its respective carrying value. In order to evaluate the sensitivity

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(In thousands, except per share amounts)
(Unaudited)

of the fair value calculations of all the Company's identifiable indefinite-lived intangibles, the Company applied hypothetical 15%, 20% and 30% decreases to the estimated fair value of each of the Company's identifiable indefinite-lived intangibles. These hypothetical 15%, 20% and 30% decreases in estimated fair value would not have resulted in an impairment of any of our identifiable indefinite-lived intangibles other than The Chicago Theatre related trademarks, which have a carrying value of \$8,000. The hypothetical fair value decline would have resulted in impairment charges against The Chicago Theatre related trademarks of approximately \$95, \$560 and \$1,490 at 15%, 20% and 30%, respectively.

Amortization expense was \$4,487 and \$4,605, for the three months ended June 30, 2010 and 2009, respectively. Amortization expense was \$9,015 and \$10,355 for the six months ended June 30, 2010 and 2009, respectively. The Company expects its aggregate annual amortization expense for existing intangible assets subject to amortization for each year from 2010 through 2014 to be as follows:

For the year ended December 31, 2010 (including the six months ended June 30, 2010)	\$17,629
For the year ended December 31, 2011	17,224
For the year ended December 31, 2012	14,434
For the year ended December 31, 2013	10,574
For the year ended December 31, 2014	10,574

Note 9. Commitments and Contingencies

Commitments

As more fully described in Notes 7 and 8 of the audited annual financial statements of the Company included in the 2009 Annual Report on Form 10-K, the Company's commitments primarily consist of long-term rights agreements for exclusive broadcast rights for certain live sporting events, obligations under employment agreements that the Company has with its professional sports teams' personnel, long-term noncancelable operating lease agreements for entertainment venues and office and storage space, and minimum purchase requirements. These arrangements result from the Company's normal course of business and represent obligations that may be payable over several years.

Legal Matters

Litigation Against MSG L.P.

In March 2008, a lawsuit was filed in the United States District Court for the Southern District of New York against MSG L.P. arising out of a January 23, 2007 automobile accident involving an individual who was allegedly drinking alcohol at several different establishments prior to the accident, allegedly including at an event at The Garden. The accident resulted in the death of two individuals. The plaintiffs filed suit against MSG L.P., the driver, and a New York City bar, asserting claims under the New York Dram Shop Act and seeking unspecified compensatory and punitive damages. The Company has insurance coverage for compensatory damages and legal expenses in this matter. Discovery in the case has been completed and MSG L.P. has filed a motion for summary judgment, which is pending before the court.

Other Matters

In addition to the matter discussed above, the Company is a defendant in various lawsuits. Although the outcome of these matters cannot be predicted with certainty, management does not believe that resolution of these lawsuits will have a material adverse effect on the financial position or liquidity of the Company.

Note 10. Debt

Total debt of the Company consists of the following:

	June 30, 2010	December 31, 2009
Revolving Credit Facility	\$ —	\$ —
Capital lease obligations due to a subsidiary of Cablevision ^(a)	5,581	6,235
Total	\$ 5,581	\$ 6,235

(a) Classified in other liabilities in the accompanying consolidated balance sheets.

On January 28, 2010, MSG L.P. and certain of its subsidiaries entered into a credit agreement with a syndicate of lenders providing for a new senior secured revolving credit facility of up to \$375,000 with a term of five years (the "Revolving Credit Facility"). The proceeds of borrowings under the Revolving Credit Facility are available for working capital and capital expenditures, including but not limited to the comprehensive transformation of The Garden (the "Transformation"), and for general corporate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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(Unaudited)

purposes. All borrowings under the Revolving Credit Facility are subject to the satisfaction of customary conditions, including covenant compliance, absence of a default and accuracy of representations and warranties. As of June 30, 2010, there was \$3,620 in letters of credit issued under the Revolving Credit Facility. The Company's available borrowing capacity under the Revolving Credit Facility as of June 30, 2010 was \$371,380.

The Revolving Credit Facility requires MSG L.P. to comply with the following financial covenants: (i) a maximum total secured leverage ratio of 3.50:1.00; and (ii) a maximum total leverage ratio of 6.00:1.00. In addition, there is a minimum interest coverage ratio of 2.50:1.00 for Madison Square Garden, Inc. As of June 30, 2010, the Company was in compliance with the financial covenants in the Revolving Credit Facility.

In connection with the entry into this borrowing facility, the Company incurred deferred financing costs of \$10,900, which are being amortized to interest expense over the five-year term of the Revolving Credit Facility.

Note 11. Fair Value Measurement

The fair value hierarchy, as outlined in the guidance under Accounting Standards Codification Topic 820, is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The following table presents for each of these hierarchy levels, the Company's financial assets that are measured at fair value on a recurring basis at June 30, 2010 and December 31, 2009:

		Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
June 30, 2010	Total			
Cash equivalents	\$209,873	\$209,873	\$ —	\$ —
December 31, 2009				
Cash equivalents	\$109,296	\$109,296	\$ —	\$ —

The Company's cash equivalents are primarily invested in money market funds and, are classified within Level 1 of the fair value hierarchy as they are valued using observable inputs that reflect quoted prices for identical assets in active markets.

Note 12. Pension and Other Postretirement Benefit Plans

The Company sponsors a non-contributory qualified defined benefit pension plan covering its non-union employees hired prior to January 1, 2001 (the "Retirement Plan"). Benefits payable to retirees under the Retirement Plan are based upon years of service and participants' compensation. The Company also sponsors an unfunded, non-qualified defined benefit pension plan for the benefit of certain employees who participate in the underlying qualified plan (the "Excess Plan"). This plan provides that, upon retirement, a participant will receive a benefit based on a formula which reflects the participant's compensation. As of December 31, 2007, both the Retirement Plan and Excess Plan were amended to freeze all benefits earned through December 31, 2007 and eliminate the ability of participants to earn benefits for future service under these plans.

In addition, the Company sponsors two non-contributory qualified defined benefit pension plans covering certain of its union employees ("Union Plans"). Benefits payable to retirees under the Union Plans are based upon years of service and, for one plan, participants' compensation.

Effective January 1, 2010, employees of the Company ceased participation in the Cablevision Cash Balance Pension Plan and Cablevision Excess Cash Balance Plan (the "Cablevision Cash Balance Plans") and began participation in the Company-sponsored MSG Cash Balance Pension Plan and MSG Excess Cash Balance Plan, an unfunded non-contributory non-qualified excess cash balance plan (collectively, the "MSG Cash Balance Plans"). Also effective January 1, 2010, the Company assumed the liability to pay benefits to current and former employees of the Company who had previously participated in the Cablevision Cash Balance Plans. The preliminary estimates of such liabilities assumed under the MSG Cash Balance Pension Plan and MSG Excess Cash Balance Plan as of January 1, 2010 were \$3,187 and \$3,300, respectively, and are reflected in the accompanying balance sheet as of June 30, 2010.

The Retirement Plan, Excess Plan, Union Plans, and MSG Cash Balance Plans are collectively referred to as "Pension Plans."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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The Company also sponsors a contributory welfare plan which provides certain postretirement healthcare benefits to certain employees hired prior to January 1, 2001 and their dependents that are eligible for early or normal retirement under the Retirement Plan, as well as certain union employees (“Postretirement Plan”).

Components of net periodic benefit cost for the Company’s Pension Plans and Postretirement Plan for the three and six months ended June 30, 2010 and 2009 are as follows:

	Pension Plans		Postretirement Plan	
	Three Months Ended June 30,			
	2010	2009	2010	2009
Service cost	\$1,363	\$99	\$55	\$64
Interest cost	1,628	1,372	89	88
Expected return on plan assets	(331)	(571)	—	—
Recognized actuarial loss (gain)	527	88	(13)	(11)
Amortization of unrecognized prior service cost (credit)	9	—	(33)	(32)
Net periodic benefit cost	<u>\$3,196</u>	<u>\$988</u>	<u>\$98</u>	<u>\$109</u>

	Pension Plans		Postretirement Plan	
	Six Months Ended June 30,			
	2010	2009	2010	2009
Service cost	\$2,724	\$198	\$109	\$128
Interest cost	3,256	2,744	180	177
Expected return on plan assets	(662)	(1,143)	—	—
Recognized actuarial loss (gain)	1,057	176	(27)	(22)
Amortization of unrecognized prior service cost (credit)	17	1	(66)	(66)
Net periodic benefit cost	<u>\$6,392</u>	<u>\$1,976</u>	<u>\$196</u>	<u>\$217</u>

In addition to the amounts reflected in the table above for Company sponsored benefit plans, for the three and six months ended June 30, 2009, the Company recorded \$1,250 and \$2,500, respectively, of expense related to the Cablevision Cash Balance Plans.

For the six months ended June 30, 2010, the Company contributed \$185 to one of its Union Plans.

In addition, Cablevision sponsors qualified and non-qualified savings plans (the “Cablevision Savings Plans”) in which employees of the Company continue to participate for a period of time after the Distribution (the “Transition Period”) until such time that the Company establishes its own savings plans. The Company makes matching cash contributions on behalf of its employees to the Cablevision Savings Plans in accordance with the terms of those plans. Expenses related to these Cablevision-sponsored plans included in the accompanying consolidated statements of operations were \$756 and \$1,399 for the three and six months ended June 30, 2010, respectively, compared to \$595 and \$1,195 for the comparable periods of the prior year.

Note 13. Share-based Compensation

In connection with the Distribution, the Company adopted the Madison Square Garden, Inc. 2010 Employee Stock Plan (the “Employee Stock Plan”) and the Madison Square Garden, Inc. 2010 Stock Plan for Non-Employee Directors (the “Non-Employee Director Plan”).

Under the Employee Stock Plan, the Company is authorized to grant incentive stock options, non-qualified stock options, restricted shares, restricted stock units, stock appreciation rights and other equity-based awards. The Company may grant awards for up to 7,000 shares of Madison Square Garden, Inc. Class A Common Stock (subject to certain adjustments). Options and stock appreciation rights under the Employee Stock Plan must be granted with an exercise price of not less than the fair market value of a share of Madison Square Garden, Inc. Class A Common Stock on the date of grant and must expire no later than 10 years from the date of grant (or up to one additional year in the case of the death of a holder). The terms and conditions of awards granted under the Employee Stock Plan, including vesting and exercisability, are determined by the Compensation Committee of the Board of Directors (“Compensation Committee”) and may be based upon performance criteria.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(In thousands, except per share amounts)
(Unaudited)

Under the Non-Employee Director Plan, the Company is authorized to grant non-qualified stock options, restricted stock units and other equity-based awards. The Company may grant awards for up to 300 shares of Madison Square Garden, Inc. Class A Common Stock (subject to certain adjustments). Options under the Non-Employee Director Plan must be granted with an exercise price of not less than the fair market value of a share of Madison Square Garden, Inc. Class A Common Stock on the date of grant and must expire no later than 10 years from the date of grant (or up to one additional year in the case of the death of a holder). The terms and conditions of awards granted under the Non-Employee Director Plan, including vesting and exercisability, are determined by the Compensation Committee. Unless otherwise provided in an applicable award agreement, options granted under this plan will be fully vested and exercisable, and restricted stock units granted under this plan will be fully vested, upon the date of grant.

Treatment After the Distribution of Share-based Payment Awards Initially Granted Under Cablevision Equity Award Programs

As described in Note 12 to the audited annual financial statements of the Company included in the 2009 Annual Report on Form 10-K, prior to the Distribution certain employees and non-employee directors of Cablevision (some of whom are employees or directors of the Company) participated in Cablevision's equity award programs.

In connection with the Distribution, each Cablevision stock option and stock appreciation right ("rights" or "SAR") outstanding at the Distribution date became two options/rights. Cablevision options were converted into options to acquire Cablevision NY Group Class A Common Stock and options to acquire Madison Square Garden, Inc. Class A Common Stock. Cablevision rights were converted into rights with respect to the cash value of Cablevision NY Group Class A Common Stock and rights with respect to the cash value of Madison Square Garden, Inc.'s Class A Common Stock. The number of shares of Madison Square Garden, Inc. Class A Common Stock that became subject to each option/right was based on the one:four distribution ratio (i.e., one share of Madison Square Garden, Inc. Common Stock for every four shares of Cablevision NY Group Class A Common Stock). The existing exercise price was allocated between the existing Cablevision options/rights and the Madison Square Garden, Inc. new options/rights based upon the ten-day weighted-average prices of the Cablevision NY Group Class A Common Stock and Madison Square Garden, Inc. Class A Common Stock, taking into account the one:four distribution ratio. As a result of this adjustment, 82.63% of the pre-Distribution exercise price of options and rights was allocated to the Cablevision options and rights and 17.37% was allocated to the new Madison Square Garden, Inc. options and rights. The options and the rights with respect to Madison Square Garden, Inc. Class A Common Stock were issued under the new Employee Stock Plan or the Non-Employee Director Plan, as applicable.

Further, in connection with the Distribution, one share of Madison Square Garden, Inc. Class A Common Stock was issued in respect of every four shares of Cablevision restricted stock and the Madison Square Garden, Inc. shares are restricted on the same basis as the underlying Cablevision restricted shares. These shares were not issued under any of the Company's new equity plans as they were issued as a dividend in respect of Cablevision NY Group Class A Common Stock in connection with the Distribution.

In addition, in connection with the Distribution, non-employee directors of Cablevision (some of whom are directors of the Company) received one share of Madison Square Garden, Inc. Class A Common Stock under the Non-Employee Director Plan for every four restricted stock units held under the applicable Cablevision equity plan.

As a result of the foregoing, on the Distribution date, Madison Square Garden, Inc. issued to holders of Cablevision equity awards (including its employees and Cablevision employees and/or non-employee directors) 2,238 shares of Madison Square Garden, Inc. Class A Common Stock (restricted on the same basis as the underlying Cablevision shares), 45 unrestricted shares of Madison Square Garden, Inc. Class A Common Stock, 2,471 non-qualified options for Madison Square Garden, Inc. Class A Common Stock and 155 Madison Square Garden, Inc. SARs.

Share-based Payment Award Activity

The following table summarizes activity relating to holders (including both Company and Cablevision employees) of Madison Square Garden, Inc. stock options for the period from February 10, 2010 (the day following the Distribution date) to June 30, 2010:

	Number of Shares Under Option		Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term (in years)
	Time Vesting Options	Performance Vesting Options ^(a)		
Balance, February 10, 2010	2,308	163	\$ 9.53	4.84
Granted	—	—	—	—
Exercised	(332)	(39)	\$ 8.41	—
Forfeited/Expired	(43)	—	\$ 29.93	—
Balance, June 30, 2010	1,933	124	\$ 9.31	4.66
Options exercisable at June 30, 2010	1,214	124	\$10.11	4.71

Options expected to vest in the future	719	—	\$ 8.17	4.58
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(a) The Cablevision performance objective with respect to these awards has been achieved.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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(Unaudited)

Of the total number of shares under option as of June 30, 2010, 1,949 were held by Cablevision employees (including the Company's Executive Chairman, and President and Chief Executive Officer).

The following table summarizes activity relating to holders (including both Company and Cablevision employees) of Madison Square Garden, Inc. Class A Common Stock restricted on the same basis as the underlying Cablevision restricted stock, as well as restricted shares issued under the Employee Stock Plan for the period from February 10, 2010 (the day following the Distribution date) to June 30, 2010:

	Restricted Shares	Weighted-Average Fair Value Per Share at Date of Grant
Unvested award balance, February 10, 2010	2,238 ^(a)	\$12.46
Granted	119 ^(b)	\$21.90
Vested	(453) ^(c)	\$20.10
Awards forfeited	(20)	\$10.11
Unvested award balance, June 30, 2010	<u>1,884</u>	<u>\$11.83</u>

- (a) Represents shares of the Madison Square Garden, Inc. Class A Common Stock restricted on the same basis as the underlying Cablevision restricted stock.
- (b) On March 29, 2010, the Company granted to an employee, under the Employee Stock Plan, 119 shares of restricted stock. This award is subject to performance criteria.
- (c) During the six months ended June 30, 2010, 453 shares of Madison Square Garden, Inc. Class A Common Stock issued to employees of the Company and Cablevision vested. To fulfill the employees' statutory minimum tax withholding obligations for the applicable income and other employment taxes, 182 of these shares, with an aggregate value of \$3,723, were surrendered to the Company. These acquired shares have been classified as treasury stock.

Of the total unvested award balance as of June 30, 2010, 1,438 restricted shares were held by Cablevision employees (including the Company's Executive Chairman, and President and Chief Executive Officer).

The following table summarizes activity relating to Madison Square Garden, Inc. Restricted Stock Units for the period from February 10, 2010 (the day following the Distribution date) to June 30, 2010:

	Number of Restricted Stock Units (RSUs)		Weighted- Average Fair Value Per Share at Date of Grant
	Time Vesting	Performance Vesting	
	RSUs	RSUs	
	RSUs	RSUs	
Balance, February 10, 2010	—	—	\$ —
Granted	533 ^{(a) (b)}	301 ^(a)	\$21.87
Vested	(50) ^(b)	—	\$21.90
Awards forfeited	(15)	—	\$21.90
Unvested award balance, June 30, 2010	<u>468</u>	<u>301</u>	<u>\$21.87</u>

- (a) Primarily represents a grant made by the Company to its employees under the Employee Stock Plan, on March 29, 2010, of 753 restricted stock units, of which 301 are subject to the attainment of certain performance criteria. These awards are subject to three-year cliff vesting. The restricted stock units will settle in stock, or, at the option of the Compensation Committee, in cash.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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(Unaudited)

- (b) On March 29, 2010, the Company granted its non-employee directors, under the Non-Employee Director Plan, 50 restricted stock units which immediately vested. The awards will be settled in stock, or, at the option of the Compensation Committee, in cash, on the first business day ninety days after the director's service on the Board of Directors ceases.

Share-based Compensation Expense

Share-based compensation expense, recognized as selling, general and administrative expense, for the three and six months ended June 30, 2010 was \$2,548 and \$5,859, respectively. Share-based compensation expense for the three and six months ended June 30, 2009 was \$4,512 and \$6,850, respectively. For the three and six months ended June 30, 2009, the Company's share-based compensation expense includes amounts related to Company employees participating in Cablevision equity award programs, as well as amounts related to Cablevision employees and non-employee directors to the extent allocated to the Company. Effective January 1, 2010, the Company no longer receives an allocation of share-based compensation expense for Cablevision employees and non-employee directors, including expense related to the Company's Executive Chairman, and President and Chief Executive Officer with respect to their participation in Cablevision equity award programs (given that they remained as executive officers of Cablevision).

Note 14. Related Party Transactions

The Dolan family, including trusts for the benefit of the Dolan family, collectively owns all of the Company's outstanding Class B Common Stock, less than 4% of outstanding Madison Square Garden, Inc. Class A Common Stock and approximately 70% of the total voting power of Madison Square Garden, Inc.'s outstanding common stock. The Dolan family is also the controlling stockholder of Cablevision.

In connection with the Distribution, the Company entered into various agreements with Cablevision, including a distribution agreement, a tax disaffiliation agreement, a transition services agreement and an employee matters agreement. These agreements govern certain of the Company's relationships with Cablevision subsequent to the Distribution and provide for the allocation of employee benefits, taxes and certain other liabilities and obligations attributable to periods prior to the Distribution. These agreements also include arrangements with respect to transition services and a number of on-going commercial relationships. The distribution agreement includes an agreement that the Company and Cablevision agree to provide each other with indemnities with respect to liabilities arising out of the businesses Cablevision transferred to the Company.

For periods prior to January 1, 2010, the consolidated financial statements of the Company reflect charges incurred pursuant to certain allocation policies of Cablevision. Effective January 1, 2010 through the Distribution date, the Company received allocations from Cablevision generally consistent with the transition services agreement, with certain adjustments. Although management believes that these charges have been made on a reasonable basis, it is not practicable to determine whether the allocated amounts represent amounts that might have been incurred on a stand-alone basis, including as a separate independent publicly traded company, as there are no company-specific or comparable industry benchmarks with which to make such estimates. Actual costs that may have been incurred if the Company had been a stand-alone company would depend on a number of factors, including what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology, staffing and infrastructure.

The following table summarizes the composition and amounts of the significant transactions with Cablevision that are reflected in revenues and operating expenses in the accompanying consolidated statements of operations for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Revenues	<u>\$39,186</u>	<u>\$31,731</u>	<u>\$78,783</u>	<u>\$63,942</u>
Operating expenses:				
Corporate general and administrative	(2,466)	(6,403)	(5,775)	(12,844)
Origination, master control and post production services and studio costs	(2,215)	(4,623)	(4,469)	(8,663)
Risk management and general insurance	—	(1,595)	(713)	(3,190)
Cablevision long-term incentive plans	—	(1,165)	—	(2,602)
Share-based compensation	—	(1,906)	—	(3,238)
Health and welfare plans	—	(3,448)	—	(6,350)
Other	(819)	(1,011)	(1,440)	(2,199)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(In thousands, except per share amounts)
(Unaudited)

Revenues

The Company recognizes revenue from the distribution of programming services to subsidiaries of Cablevision. Cablevision pays the Company for advertising in connection with signage at events, sponsorships and television advertisements.

Corporate General and Administrative

General and administrative costs, including costs of maintaining corporate headquarters, facilities and common support functions (such as executive management, human resources, legal, finance, tax, accounting, audit, treasury, strategic planning, information technology, transportation services, creative and production services, etc.) have been charged to the Company by Cablevision through December 31, 2009. From January 1, 2010 through the Distribution date, the Company received allocations from Cablevision generally consistent with the transition services agreement, with certain adjustments. Subsequent to the Distribution date, amounts charged to the Company by Cablevision were pursuant to the transition services agreement.

Origination, Master Control and Post Production Services and Studio Costs

Cablevision provides certain origination, master control and post production services to the Company. During the three and six months ended June 30, 2009 Cablevision also provided studio usage to the Company.

Risk Management and General Insurance

Cablevision provided the Company with risk management and general insurance related services through the date of the Distribution. For periods after the Distribution, Cablevision continues to provide risk management services through the transition services agreement (these amounts are reflected in the "Corporate general and administrative" line in the table above).

Cablevision Long-Term Incentive Plans

In 2009, 2008 and 2007, Cablevision granted three-year performance awards to certain employees under Cablevision's 2006 Cash Incentive Plan. The performance metrics in each employee's applicable award agreement for 2009 and 2008 are required to be adjusted to reflect the exclusion of the Company from the business of Cablevision. In addition, Cablevision granted deferred compensation awards to certain employees under Cablevision's Long-Term Incentive Plan (which was superseded by the Cablevision 2006 Cash Incentive Plan), which were unaffected by the Distribution. For the six months ended June 30, 2009, the Company's long-term incentive plan expense includes amounts related to Company employees participating in Cablevision award programs, as well as amounts related to Cablevision employees to the extent allocated to the Company. Effective January 1, 2010, the Company no longer receives an allocation of long-term incentive plan expense for Cablevision employees, including expense related to the Company's Executive Chairman, and President and Chief Executive Officer with respect to their participation in Cablevision long-term incentive plans (given that they remained as executive officers of Cablevision). The amount in the table above only reflects the portion of the Company's expense related to the allocation for Cablevision employees.

The portion of the Company's long-term incentive plan liability as of the Distribution date related to the allocation for Cablevision employees was assumed by Cablevision and is reflected as a deemed capital contribution from Cablevision in the accompanying consolidated statement of equity and comprehensive income (loss) for the six months ended June 30, 2010.

Share-based Compensation

The amount in the table above only reflects the portion of the Company's expense related to the allocation for Cablevision employees and non-employee directors. Refer to Note 13 for a discussion of share-based compensation expense.

Health and Welfare Plans

Employees of the Company participated in health and welfare plans sponsored by Cablevision through December 31, 2009. Health and welfare benefit costs have generally been charged by Cablevision based upon the proportionate number of participants in the plans.

Other

The Company and Cablevision routinely enter into transactions with each other in the ordinary course of business. The Company may incur expenses charged by Cablevision that include, but are not limited to film library usage and advertising expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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Advances to Cablevision

As of December 31, 2009, the Company had advances outstanding to a subsidiary of Cablevision of \$190,000 in the form of non-interest bearing advances. On January 28, 2010, the advances were replaced with a non-amortizing promissory note in the principal amount of \$190,000, which accrued interest at a rate of 3.25% per annum. The note had a maturity date of June 30, 2010 with prepayment without penalty at Cablevision's option. In March 2010, the entire principal balance of the promissory note was repaid, along with \$914 of accrued interest.

Other

Refer to Note 12 for discussion of the participation of Company employees in Cablevision sponsored retirement benefit plans.

Refer to Note 10 for information on the Company's capital lease obligations due to a subsidiary of Cablevision.

Note 15. Property and Equipment

As of June 30, 2010 and December 31, 2009, property and equipment (including equipment under capital leases) consisted of the following assets:

	June 30,	December 31,
	2010	2009
Land	\$ 67,921	\$ 67,921
Buildings	180,515	185,618
Equipment	236,019	222,965
Aircraft	38,611	38,611
Furniture and fixtures	15,162	14,330
Leasehold improvements	130,653	129,352
Construction in progress	89,646	58,431
	758,527	717,228
Less accumulated depreciation and amortization	(395,466)	(375,223)
	<u>\$ 363,061</u>	<u>\$ 342,005</u>

Depreciation and amortization expense on property and equipment (including equipment under capital leases) amounted to \$9,712 and \$20,245 for the three and six months ended June 30, 2010, respectively, as compared to \$10,163 and \$20,141 for the comparable periods of the prior year.

Through June 30, 2010, the Company has incurred approximately \$85,000 in costs associated with the Transformation that are primarily recorded in construction in progress. Depreciation is being accelerated for The Garden assets that are planned to be removed as a result of the Transformation.

As of June 30, 2010 and December 31, 2009, the gross amount of equipment and related accumulated depreciation recorded under capital leases included in the table above are as follows:

	June 30,	December 31,
	2010	2009
Equipment	\$ 13,351	\$ 13,351
Less accumulated depreciation	(9,073)	(8,588)
	<u>\$ 4,278</u>	<u>\$ 4,763</u>

Note 16. Income Taxes

Income tax expense for the three and six months ended June 30, 2010 of \$10,694 and \$25,326, respectively, differ from the income tax expense derived from applying the statutory federal rate to pretax income due principally to state income taxes and the impact of nondeductible expenses, partially offset by the tax benefit resulting from nontaxable disability insurance recoveries. The effective tax rate was 43% and 45% for the three and six months ended June 30, 2010, respectively.

Income tax benefit for the three and six months ended June 30, 2009 of \$3,266 and \$3,678, respectively, differ from the income tax benefit derived from applying the statutory federal rate to the pretax loss due principally to state income taxes and the tax benefit resulting from nontaxable disability insurance recoveries, partially offset by the impact of nondeductible expenses. The effective tax rate was 46% and 39% for the three and six months ended June 30, 2009, respectively.

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For all periods prior to the Distribution, deferred tax assets and liabilities have been measured using the estimated applicable corporate tax rates historically used by Cablevision. Due to the Company's significant presence in the City of New York, the estimated applicable corporate tax rate used to measure deferred taxes is higher for the Company as a stand-alone entity. As such, as of the Distribution date, an increase in the deferred tax liability of \$31,353 to reflect use of the higher stand-alone estimated applicable corporate tax rate was recorded as an adjustment to paid-in capital. In addition, as of the Distribution date, the deferred tax asset for share-based awards was reduced by \$4,092 through an adjustment to paid-in capital to eliminate the portion of the deferred tax asset relating to the share-based compensation expense attributable to Cablevision employees that was allocated to the Company prior to the Distribution. For all periods prior to the Distribution, allocable current income tax liabilities calculated on a stand-alone company basis that the Company did not pay directly have been reflected as deemed capital contributions to the Company from Cablevision. Such contributions amounted to \$2,712 and \$143 for the six months ended June 30, 2010 and 2009, respectively.

Note 17. Segment Information

The Company classifies its business interests into three reportable segments which are MSG Media, MSG Entertainment and MSG Sports. The Company allocates certain corporate costs to all of its reportable segments. In addition, the Company allocates its venue operating expenses to its MSG Entertainment and MSG Sports segments. Venue operating costs include the non-event related costs of operating the Company's venues, and include such costs as rent, real estate taxes, insurance, utilities, repairs and maintenance and labor related to the overall management of the venues. Depreciation related to The Garden and The Theater at Madison Square Garden is not allocated to the reportable segments and is recognized in "All other."

The Company conducts a significant portion of its operations at venues that are either owned or operated by it under long-term leases. The Company owns The Garden and The Theater at Madison Square Garden in New York City and The Chicago Theatre in Chicago. It leases Radio City Music Hall and the Beacon Theatre in New York City. The Company also has a booking agreement with respect to the Wang Theatre in Boston.

The Company evaluates segment performance based on several factors, of which the key financial measure is their operating income (loss) before depreciation and amortization, share-based compensation expense or benefit and restructuring charges or credits, which is referred to as adjusted operating cash flow, a non-GAAP measure. The Company has presented the components that reconcile adjusted operating cash flow to operating income (loss), an accepted GAAP measure. Information as to the operations of the Company's reportable segments is set forth below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues				
MSG Media	\$134,482	\$113,767	\$273,987	\$232,058
MSG Entertainment	46,765	41,024	88,238	79,032
MSG Sports	63,874	68,575	206,537	210,162
Inter-segment eliminations	(17,990)	(16,030)	(35,130)	(32,598)
	<u>\$227,131</u>	<u>\$207,336</u>	<u>\$533,632</u>	<u>\$488,654</u>
	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Inter-segment revenues				
MSG Media	\$ —	\$ —	\$ —	\$ —
MSG Entertainment	(25)	(26)	(51)	(51)
MSG Sports	(17,965)	(16,004)	(35,079)	(32,547)
	<u>\$ (17,990)</u>	<u>\$ (16,030)</u>	<u>\$ (35,130)</u>	<u>\$ (32,598)</u>

Inter-segment eliminations are primarily local television rights recognized by the Company's MSG Sports segment from the licensing of team programming to the Company's MSG Media segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(In thousands, except per share amounts)
(Unaudited)

Reconciliation (by Segment and in Total) of Adjusted Operating Cash Flow to Operating Income (Loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Adjusted operating cash flow				
MSG Media	\$ 62,113	\$ 39,880	\$ 123,892	\$ 83,574
MSG Entertainment	(20,037)	(11,752)	(32,750)	(26,059)
MSG Sports	3,545	(15,815)	6,952	(27,022)
All other ^(a)	(3,179)	(1,801)	(7,149)	(3,997)
	<u>\$ 42,442</u>	<u>\$ 10,512</u>	<u>\$ 90,945</u>	<u>\$ 26,496</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Depreciation and amortization				
MSG Media	\$ 4,969	\$ 4,690	\$ 9,767	\$ 10,505
MSG Entertainment	2,308	2,665	4,639	5,049
MSG Sports	2,607	2,575	5,214	5,146
All other ^(b)	4,315	4,838	9,640	9,796
	<u>\$ 14,199</u>	<u>\$ 14,768</u>	<u>\$ 29,260</u>	<u>\$ 30,496</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Share-based compensation expense				
MSG Media	\$ 484	\$ 1,850	\$ 1,688	\$ 2,809
MSG Entertainment	499	1,715	1,740	2,603
MSG Sports	351	947	1,217	1,438
All other	1,214	—	1,214	—
	<u>\$ 2,548</u>	<u>\$ 4,512</u>	<u>\$ 5,859</u>	<u>\$ 6,850</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Operating income (loss)				
MSG Media	\$ 56,660	\$ 33,340	\$ 112,437	\$ 70,260
MSG Entertainment	(22,844)	(16,132)	(39,129)	(33,711)
MSG Sports	587	(19,337)	521	(33,606)
All other	(8,708)	(6,639)	(18,003)	(13,793)
	<u>\$ 25,695</u>	<u>\$ (8,768)</u>	<u>\$ 55,826</u>	<u>\$ (10,850)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(In thousands, except per share amounts)
(Unaudited)

A reconciliation of reportable segment operating income (loss) to the Company's consolidated income (loss) from operations before income taxes is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Total operating income (loss) for reportable segments	\$ 34,403	\$ (2,129)	\$ 73,829	\$ 2,943
Other operating loss	(8,708)	(6,639)	(18,003)	(13,793)
Operating income (loss)	25,695	(8,768)	55,826	(10,850)
Items excluded from operating income (loss):				
Interest income	568	681	2,041	1,452
Interest expense	(1,556)	(1,078)	(3,147)	(2,120)
Miscellaneous income	—	2,000	2,000	2,000
Income (loss) from operations before income taxes	<u>\$ 24,707</u>	<u>\$ (7,165)</u>	<u>\$ 56,720</u>	<u>\$ (9,518)</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Capital expenditures				
MSG Media	\$ 2,216	\$ 244	\$ 9,915	\$ 517
MSG Entertainment	2,380	1,639	3,642	5,300
MSG Sports	57	89	116	137
All other	17,767	7,012	30,093	17,856
	<u>\$ 22,420</u>	<u>\$ 8,984</u>	<u>\$ 43,766</u>	<u>\$ 23,810</u>

(a) Consists principally of unallocated corporate general and administrative costs.

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

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

Note 18. Subsequent Events

On July 8, 2010, the Company entered into a construction management agreement with Turner Construction Company ("Turner") in connection with the Transformation (the "Construction Agreement"). Under the Construction Agreement, the Company has engaged Turner to act as construction manager for the Transformation, with responsibility for the orderly and expeditious performance of the construction work associated with the Transformation, including the direct performance of construction work, the engagement and supervision of, and responsibility for, subcontractors and the achievement of specific construction-related milestones in accordance with the timetable prescribed for the Transformation. For more information on the Construction Agreement, refer to the Company's filing on Form 8-K filed with the SEC on July 19, 2010.

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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 contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In this Management's Discussion and Analysis of Financial Condition and Results of Operations, there are statements concerning our future operating and future financial performance. 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 or results and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to:

- the level of our revenues, which depends in part on the popularity and competitiveness of our sports teams and the level and popularity of the *Radio City Christmas Spectacular* and other entertainment events which are presented in our venues;
- costs associated with player injuries, and waivers or terminations of players and other team personnel;
- changes in professional sports teams' compensation, including the impact of signing of free agents, subject to league salary caps;
- the level and timing of our capital expenditures, including the planned comprehensive transformation of The Madison Square Garden Arena ("The Garden");
- the impact of the planned comprehensive transformation of The Garden on our operations;
- the demand for our programming among cable television systems, satellite, telephone and other multichannel distributors (which we refer to as "Distributors"), and our ability to renew affiliation agreements with them;
- general economic conditions especially in the New York metropolitan area where we conduct the majority of our operations;
- the demand for advertising time and viewer ratings for our programming;
- competition, for example, from other regional sports networks, other teams and other entertainment options;
- changes in laws, National Basketball Association ("NBA") or National Hockey League ("NHL") rules, regulations, guidelines, bulletins, directives, policies and agreements (including the leagues' respective collective bargaining agreements with their players' associations, salary caps and NBA luxury tax thresholds) or other regulations under which we operate;
- our ability to maintain, obtain or produce content for our MSG Media segment, together with the cost of such content;
- the level of our expenses, including the anticipated expenditures related to the expected increase in our corporate expenses as a publicly-traded company;
- future acquisitions and dispositions of assets;
- the costs associated with, and the outcome of, litigation and other proceedings to the extent uninsured, including the matters described under Part II Item 1. "Legal Proceedings;"
- financial community and rating agency perceptions of our business, operations, financial condition and the industry in which we operate;
- our ownership of professional sports franchises in the NBA and NHL and certain transfer restrictions on our common stocks; and
- the factors described under "Risk Factors" in our 2009 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on March 18, 2010 ("2009 Annual Report on 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 Management's Discussion and Analysis of Financial Condition and Results of Operations are presented in thousands, except as otherwise noted. Capitalized terms used in the following Management's Discussion and Analysis of Financial Condition and Results of Operations and not otherwise defined shall have the meaning set forth in the accompanying Notes to the Consolidated Financial Statements.

**Management's Discussion and Analysis
of Financial Condition and Results of Operations
(Continued)**

Introduction

Management's discussion and analysis, or MD&A, of our financial condition and results of operations is provided as a supplement to, and should be read in conjunction with, our unaudited consolidated financial statements and footnotes thereto included elsewhere herein to help provide an understanding of our financial condition, changes in financial condition and results of our operations. Unless the context otherwise requires, all references to "we", "us", "our", "Madison Square Garden" or the "Company" refer to Madison Square Garden, Inc., together with its direct and indirect subsidiaries. "Madison Square Garden, Inc." refers to Madison Square Garden, Inc. individually as a separate entity. Madison Square Garden, Inc. is a holding company and conducts substantially all of its operations through its subsidiaries. This MD&A should be read in conjunction with our 2009 Annual Report on Form 10-K. Our MD&A is organized as follows:

Results of Operations. This section provides an analysis of our results of operations for the three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009. Our discussion is presented on both a consolidated and segment basis.

Liquidity and Capital Resources. This section provides a discussion of our financial condition, liquidity and capital resources as of June 30, 2010, as well as an analysis of our cash flows for the six months ended June 30, 2010 and 2009.

Recently Issued Accounting Pronouncements Not Yet Adopted and Critical Accounting Policies. This section discusses accounting pronouncements that have been issued but have not yet been adopted by the Company, except for any such pronouncements that are not expected to have a material effect on the Company's financial condition or results of operations. In addition, we have included our critical accounting policy in respect of goodwill and intangible assets in order to provide the results of our annual impairment testing performed during the three months ended March 31, 2010. There is no update to our other significant accounting policies, including our critical accounting policies, which are discussed in our 2009 Annual Report on Form 10-K under Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in the notes to the audited annual financial statements of the Company included therein.

The Company classifies its business interests into three reportable segments: MSG Media, MSG Entertainment, and MSG Sports. MSG Media produces, develops and acquires content for multiple distribution platforms, including content originating from the Company's venues. MSG Entertainment creates, produces and/or presents a variety of live productions, including the *Radio City Christmas Spectacular*, featuring the Radio City Rockettes, and shows that the Company co-produces with Cirque du Soleil, such as *Wintuk* and *Banana Shpeel*. MSG Sports owns and operates sports franchises, including the New York Knicks of the NBA, the New York Rangers of the NHL, the New York Liberty of the Women's National Basketball Association, and the Hartford Wolf Pack of the American Hockey League, which is the primary player development team for the New York Rangers. MSG Sports also features other sports properties, including the presentation of a wide variety of premier live sporting events.

The dependence of our revenues on our sports teams and Christmas shows generally make our business seasonal with a disproportionate share of our revenues and operating income being derived in the fourth quarter of each year.

**Management's Discussion and Analysis
of Financial Condition and Results of Operations
(Continued)**

Results of Operations

The tables below set forth, for the periods presented, certain historical financial information and the percentage that those items bear to revenues.

STATEMENT OF OPERATIONS DATA

	Three Months Ended June 30,				Increase (Decrease) in Net Income
	2010		2009		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	\$ 227,131	100%	\$207,336	100%	\$ 19,795
Operating expenses:					
Direct operating (excluding depreciation and amortization shown below)	124,451	55	122,319	59	(2,132)
Selling, general and administrative	62,786	28	79,017	38	16,231
Depreciation and amortization	14,199	6	14,768	7	569
Operating income (loss)	25,695	11	(8,768)	(4)	34,463
Other income (expense):					
Interest expense, net	(988)	NM	(397)	NM	(591)
Miscellaneous	—	NM	2,000	1	(2,000)
Income (loss) from operations before income taxes	24,707	11	(7,165)	(3)	31,872
Income tax benefit (expense)	(10,694)	(5)	3,266	2	(13,960)
Net income (loss)	<u>\$ 14,013</u>	6%	<u>\$(3,899)</u>	(2)%	<u>\$ 17,912</u>

	Six Months Ended June 30,				Increase (Decrease) in Net Income
	2010		2009		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	\$ 533,632	100%	\$ 488,654	100%	\$ 44,978
Operating expenses:					
Direct operating (excluding depreciation and amortization shown below)	320,914	60	329,328	67	8,414
Selling, general and administrative	127,632	24	139,680	29	12,048
Depreciation and amortization	29,260	5	30,496	6	1,236
Operating income (loss)	55,826	10	(10,850)	(2)	66,676
Other income (expense):					
Interest expense, net	(1,106)	NM	(668)	NM	(438)
Miscellaneous	2,000	NM	2,000	NM	—
Income (loss) from operations before income taxes	56,720	11	(9,518)	(2)	66,238
Income tax benefit (expense)	(25,326)	(5)	3,678	1	(29,004)
Net income (loss)	<u>\$ 31,394</u>	6%	<u>\$ (5,840)</u>	(1)%	<u>\$ 37,234</u>

NM – Percentage is not meaningful

See “Business Segment Results” for a more detailed discussion relating to the operating results of our segments. The business segment results do not reflect inter-segment eliminations.

**Management's Discussion and Analysis
of Financial Condition and Results of Operations
(Continued)**

Consolidated Results

Revenues for the three and six months ended June 30, 2010 increased \$19,795 (10%) and \$44,978 (9%), respectively, as compared to the comparable periods of the prior year. The net increases are attributable to the following:

	<u>Three Months</u> <u>Ended June 30, 2010</u>	<u>Six Months</u> <u>Ended June 30, 2010</u>
Increase in MSG Media segment revenues	\$ 20,715	\$ 41,929
Increase in MSG Entertainment segment revenues	5,741	9,206
Decrease in MSG Sports segment revenues	(4,701)	(3,625)
Inter-segment eliminations	(1,960)	(2,532)
	<u>\$ 19,795</u>	<u>\$ 44,978</u>

Direct operating expenses (excluding depreciation and amortization) for the three and six months ended June 30, 2010 increased \$2,132 (2%) and decreased \$8,414 (3%), respectively, as compared to the comparable periods of the prior year. The net increase (decrease) is attributable to the following:

	<u>Three Months</u> <u>Ended June 30, 2010</u>	<u>Six Months</u> <u>Ended June 30, 2010</u>
(Decrease) increase in MSG Media segment expenses	\$ (844)	\$ 455
Increase in MSG Entertainment segment expenses	14,504	14,519
Decrease in MSG Sports segment expenses	(9,566)	(20,859)
Inter-segment eliminations	(1,962)	(2,529)
	<u>\$ 2,132</u>	<u>\$ (8,414)</u>

As a percentage of revenues, direct operating expenses decreased 4% during the three months ended June 30, 2010 and decreased 7% during the six months ended June 30, 2010 as compared to the comparable periods of the prior year.

Selling, general and administrative expenses for the three and six months ended June 30, 2010 decreased \$16,231 (21%) and \$12,048 (9%), respectively, as compared to the comparable periods of the prior year. The net decreases are attributable to the following:

	<u>Three Months</u> <u>Ended June 30, 2010</u>	<u>Six Months</u> <u>Ended June 30, 2010</u>
(Decrease) increase in MSG Media segment expenses	\$ (2,040)	\$ 35
(Decrease) increase in MSG Entertainment segment expenses	(1,694)	515
Decrease in MSG Sports segment expenses	(15,091)	(16,961)
Increase in other expenses	2,594	4,363
	<u>\$ (16,231)</u>	<u>\$ (12,048)</u>

The increase in other expenses primarily reflects an increase in certain costs related to being an independent publicly traded company which were not allocated to the Company's business segments.

As a percentage of revenues, selling, general and administrative expenses decreased 10% during the three months ended June 30, 2010 and decreased 5% during the six months ended June 30, 2010 as compared to the comparable periods of the prior year.

Depreciation and amortization for the three months ended June 30, 2010 decreased \$569 (4%) as compared to the comparable period of the prior year primarily as a result of lower depreciation expense. Depreciation and amortization for the six months ended June 30, 2010 decreased \$1,236 (4%) as compared to the comparable period of the prior year primarily due to lower amortization of intangible assets resulting from certain intangible assets becoming fully amortized.

Interest expense, net for the three months ended June 30, 2010 increased \$591 (149%) as compared to the comparable period of the prior year primarily due to higher interest expense related to the Company's Revolving Credit Facility. Interest expense, net for the six months ended June 30, 2010 increased \$438 (66%) as compared to the comparable period of the prior year due to higher interest expense related to the Company's Revolving Credit Facility which was offset in part by higher interest income.

**Management's Discussion and Analysis
of Financial Condition and Results of Operations
(Continued)**

Miscellaneous income for the six months ended June 30, 2010 and 2009 reflects a dividend received from an investment accounted for under the cost method during the first quarter of 2010 and the second quarter of 2009, respectively.

Income taxes

Income tax expense for the three and six months ended June 30, 2010 of \$10,694 and \$25,326, respectively, differ from the income tax expense derived from applying the statutory federal rate to pretax income due principally to state income taxes and the impact of nondeductible expenses, partially offset by the tax benefit resulting from nontaxable disability insurance recoveries. The effective tax rate was 43% and 45% for the three and six months ended June 30, 2010, respectively.

Income tax benefit for the three and six months ended June 30, 2009 of \$3,266 and \$3,678, respectively, differ from the income tax benefit derived from applying the statutory federal rate to the pretax loss due principally to state income taxes and the tax benefit resulting from nontaxable disability insurance recoveries, partially offset by the impact of nondeductible expenses. The effective tax rate was 46% and 39% for the three and six months ended June 30, 2009, respectively.

Adjusted operating cash flow ("AOCF")

The Company evaluates segment performance based on several factors, of which the key financial measure is their operating income (loss) before depreciation and amortization, share-based compensation expense or benefit and restructuring charges or credits, which is referred to as adjusted operating cash flow, a non-GAAP measure. The Company has presented the components that reconcile adjusted operating cash flow to operating income (loss), an accepted GAAP measure. The following is a reconciliation of operating income (loss) to adjusted operating cash flow ("AOCF"):

	Three Months Ended June 30,		Increase (Decrease) in AOCF	Six Months Ended June 30,		Increase (Decrease) in AOCF
	2010	2009		2010	2009	
Operating income (loss)	\$ 25,695	\$ (8,768)	\$ 34,463	\$55,826	\$(10,850)	\$ 66,676
Share-based compensation	2,548	4,512	(1,964)	5,859	6,850	(991)
Depreciation and amortization	14,199	14,768	(569)	29,260	30,496	(1,236)
Adjusted operating cash flow	<u>\$ 42,442</u>	<u>\$ 10,512</u>	<u>\$ 31,930</u>	<u>\$ 90,945</u>	<u>\$ 26,496</u>	<u>\$ 64,449</u>

Adjusted operating cash flow for the three and six months ended June 30, 2010 increased \$31,930 (304%) and \$64,449 (243%), respectively, as compared to the comparable periods of the prior year. The net increases are attributable to the following:

	Three Months Ended June 30, 2010	Six Months
Increase in adjusted operating cash flow of the MSG Media segment	\$ 22,233	\$ 40,318
Decrease in adjusted operating cash flow of the MSG Entertainment segment	(8,285)	(6,691)
Increase in adjusted operating cash flow of the MSG Sports segment	19,360	33,974
Other net decreases	(1,378)	(3,152)
	<u>\$ 31,930</u>	<u>\$ 64,449</u>

Business Segment Results

MSG Media

The tables below set forth, for the periods presented, certain historical financial information and the percentage that those items bear to revenues for the Company's MSG Media segment.

**Management's Discussion and Analysis
of Financial Condition and Results of Operations
(Continued)**

	Three Months Ended June 30,				Increase (Decrease) in Operating Income
	2010		2009		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	\$ 134,482	100%	\$113,767	100%	\$ 20,715
Direct operating expenses (excluding depreciation and amortization)	51,727	38	52,571	46	844
Selling, general and administrative expenses	21,126	16	23,166	20	2,040
Depreciation and amortization	4,969	4	4,690	4	(279)
Operating income	\$ 56,660	42%	\$ 33,340	29%	\$ 23,320

	Six Months Ended June 30,				Increase (Decrease) in Operating Income
	2010		2009		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	\$ 273,987	100%	\$232,058	100%	\$ 41,929
Direct operating expenses (excluding depreciation and amortization)	109,118	40	108,663	47	(455)
Selling, general and administrative expenses	42,665	16	42,630	18	(35)
Depreciation and amortization	9,767	4	10,505	5	738
Operating income	\$ 112,437	41%	\$ 70,260	30%	\$ 42,177

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

	Three Months Ended June 30,		Increase (Decrease) in AOCF	Six Months Ended June 30,		Increase (Decrease) in AOCF
	2010	2009		2010	2009	
Operating income	\$ 56,660	\$ 33,340	\$ 23,320	\$ 112,437	\$ 70,260	\$ 42,177
Share-based compensation	484	1,850	(1,366)	1,688	2,809	(1,121)
Depreciation and amortization	4,969	4,690	279	9,767	10,505	(738)
Adjusted operating cash flow	<u>\$ 62,113</u>	<u>\$ 39,880</u>	<u>\$ 22,233</u>	<u>\$ 123,892</u>	<u>\$ 83,574</u>	<u>\$ 40,318</u>

Revenues for the three and six months ended June 30, 2010 increased \$20,715 (18%) and \$41,929 (18%), respectively, as compared to the comparable periods of the prior year. The net increases are attributable to the following:

	Three Months Ended June 30, 2010	Six Months
Increase in affiliation fee revenue, primarily at MSG Networks	\$ 19,719	\$ 38,628
Increase in advertising revenue	1,001	3,473
Other net decreases	(5)	(172)
	<u>\$ 20,715</u>	<u>\$ 41,929</u>

The increases in affiliation fee revenue referred to above were primarily attributable to higher contractual affiliation rates, including the impact of a new long-term affiliation agreement between Cablevision and MSG Networks that became effective January 1, 2010.

Subsequent to the end of the quarter, DISH Network's license to carry Fuse expired and DISH Network dropped Fuse from its programming lineup. The loss of carriage, representing approximately eight million subscribers, is not expected to have a material effect on the MSG Media segment's annual revenue or AOCF.

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Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Direct operating expenses (excluding depreciation and amortization) for the three and six months ended June 30, 2010 decreased \$844 (2%) and increased \$455, respectively, as compared to the comparable periods of the prior year. The net changes are attributable to the following:

	<u>Three Months</u> <u>Ended June 30, 2010</u>	<u>Six Months</u> <u>Ended June 30, 2010</u>
Increase in rights fees, primarily those attributable to the MSG Sports segment	\$ 2,022	\$ 3,695
Decrease due to lower levels of other production costs	(2,866)	(3,240)
	<u>\$ (844)</u>	<u>\$ 455</u>

The decrease in other production costs for both periods is primarily attributable to the timing of certain events combined with the favorable outcome of a previously recorded contingent liability.

As a percentage of revenues, direct operating expenses decreased 8% and 7% during the three and six months ended June 30, 2010, respectively, as compared to the comparable periods of the prior year.

Selling, general and administrative expenses for the three and six months ended June 30, 2010 decreased \$2,040 (9%) and increased \$35, respectively, as compared to the comparable periods of the prior year. The net changes are attributable to the following:

	<u>Three Months</u> <u>Ended June 30, 2010</u>	<u>Six Months</u> <u>Ended June 30, 2010</u>
Decrease in share-based compensation	\$ (1,366)	\$ (1,121)
Increase in employee compensation and related benefits, excluding share-based compensation	219	925
(Decrease) increase in marketing costs	(468)	326
Other net decreases	(425)	(95)
	<u>\$ (2,040)</u>	<u>\$ 35</u>

The decrease in share-based compensation is primarily due to the elimination of the allocation of share-based compensation expense for Cablevision employees effective January 1, 2010, partly offset by MSG Media's share of equity awards granted to the Company's employees in 2010.

As a percentage of revenues, selling, general and administrative expenses decreased 4% and 2% during the three and six months ended June 30, 2010, respectively, as compared to the comparable periods of the prior year.

Depreciation and amortization for the three and six months ended June 30, 2010 increased \$279 (6%) and decreased \$738 (7%), respectively, as compared to the comparable periods of the prior year. The change for both periods is due to higher depreciation offset by lower amortization of intangible assets resulting from certain intangible assets becoming fully amortized.

Adjusted operating cash flow increased \$22,233 (56%) and \$40,318 (48%) for the three and six months ended June 30, 2010, respectively, as compared to the comparable periods of the prior year primarily due to an increase in affiliation fee revenue as referred to above.

MSG Entertainment

The tables below set forth, for the periods presented, certain historical financial information and the percentage that those items bear to revenues for the Company's MSG Entertainment segment.

**Management's Discussion and Analysis
of Financial Condition and Results of Operations
(Continued)**

	Three Months Ended June 30,				(Increase) Decrease in Operating Loss
	2010		2009		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	\$ 46,765	100%	\$41,024	100%	\$ 5,741
Direct operating expenses (excluding depreciation and amortization)	52,422	112	37,918	92	(14,504)
Selling, general and administrative expenses	14,879	32	16,573	40	1,694
Depreciation and amortization	2,308	5	2,665	6	357
Operating loss	\$ (22,844)	(49)%	\$ (16,132)	(39)%	\$ (6,712)

	Six Months Ended June 30,				(Increase) Decrease in Operating Loss
	2010		2009		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	\$88,238	100%	\$79,032	100%	\$ 9,206
Direct operating expenses (excluding depreciation and amortization)	91,694	104	77,175	98	(14,519)
Selling, general and administrative expenses	31,034	35	30,519	39	(515)
Depreciation and amortization	4,639	5	5,049	6	410
Operating loss	\$(39,129)	(44)%	\$(33,711)	(43)%	\$ (5,418)

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

	Three Months Ended June 30,		Increase (Decrease) in AOCF	Six Months Ended June 30,		Increase (Decrease) in AOCF
	2010	2009		2010	2009	
Operating loss	\$ (22,844)	\$ (16,132)	\$ (6,712)	\$ (39,129)	\$ (33,711)	\$ (5,418)
Share-based compensation	499	1,715	(1,216)	1,740	2,603	(863)
Depreciation and amortization	2,308	2,665	(357)	4,639	5,049	(410)
Adjusted operating cash flow	<u>\$ (20,037)</u>	<u>\$ (11,752)</u>	<u>\$ (8,285)</u>	<u>\$ (32,750)</u>	<u>\$ (26,059)</u>	<u>\$ (6,691)</u>

Revenues for the three and six months ended June 30, 2010 increased \$5,741 (14%) and \$9,206 (12%), respectively, as compared to the comparable periods of the prior year. The net increases are attributable to the following:

**Management's Discussion and Analysis
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	<u>Three Months</u> <u>Ended June 30, 2010</u>	<u>Six Months</u> <u>Ended June 30, 2010</u>
Increase in event-related revenues at Radio City Music Hall	\$ 8,193	\$ 13,477
Increase in revenues from the presentation of <i>Banana Shpeel</i>	2,747	3,180
Net (decrease) increase in event-related revenues at The Garden and The Theater at Madison Square Garden	(2,323)	2,293
Decrease in event-related revenues at the Beacon Theatre, excluding \$2,747 of revenues from <i>Banana Shpeel</i> in both the three and six months ended June 30, 2010 reported above	(3,967)	(8,899)
Other net increases (decreases)	1,091	(845)
	<u>\$ 5,741</u>	<u>\$ 9,206</u>

The higher event-related revenues at Radio City Music Hall for both periods were primarily due to an increase in the number of events. The increase in the number of events during the six month period includes performances of the *Radio City Christmas Spectacular* that took place in January 2010, where none took place in January 2009.

The decrease in event-related revenues at The Garden and The Theater at Madison Square Garden for the three months ended June 30, 2010 reflects a decline in the number of events held at The Garden primarily attributable to timing. The six month results reflect an increase in the number of events at The Garden partly offset by fewer events at The Theater at Madison Square Garden.

The decline in revenues at the Beacon Theatre, excluding revenues generated from *Banana Shpeel*, during the three and six month periods is primarily due to the venue being utilized during the second quarter of 2010 for the presentation of *Banana Shpeel* (shown in a separate line in the table above). The six month results also reflect a lower level of events held at the venue during the first quarter of 2010 when the Company utilized the theatre to rehearse *Banana Shpeel*.

The Theater at Madison Square Garden will be closed for the summer of 2010 as part of the overall transformation of The Garden. At the same time, the utilization of the Beacon Theatre will be impacted in the third quarter due to the early closing of the *Banana Shpeel* production.

Direct operating expenses (excluding depreciation and amortization) for the three and six months ended June 30, 2010 increased \$14,504 (38%) and \$14,519 (19%), respectively, as compared to the comparable periods of the prior year. The net increases are attributable to the following:

	<u>Three Months</u> <u>Ended June 30, 2010</u>	<u>Six Months</u> <u>Ended June 30, 2010</u>
Increase in expenses due to the presentation of <i>Banana Shpeel</i> , including an impairment charge of \$9,945 recorded in the second quarter of 2010	\$ 15,632	\$ 16,353
Increase in event-related expenses at Radio City Music Hall	5,038	8,473
Decrease in event-related expenses at the Beacon Theatre excluding the costs associated with <i>Banana Shpeel</i> as reported above	(1,997)	(5,520)
Net decrease in event-related expenses at The Garden and The Theater at Madison Square Garden	(1,792)	(908)
Other net decreases	(2,377)	(3,879)
	<u>\$ 14,504</u>	<u>\$ 14,519</u>

As a result of *Banana Shpeel*'s financial performance, the Company evaluated whether or not an impairment of the associated deferred costs had occurred and as a result recorded a pre-tax impairment charge for the unamortized deferred costs remaining on the Company's financial statements at the end of the show's run at the Beacon Theatre.

As a percentage of revenues, direct operating expenses increased 20% and 6% during the three and six months ended June 30, 2010, respectively, as compared to the comparable periods of the prior year.

Selling, general and administrative expenses for the three and six months ended June 30, 2010 decreased \$1,694 (10%) and increased \$515 (2%), respectively, as compared to the comparable periods of the prior year. The net changes are attributable to the following:

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Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

	<u>Three Months</u> <u>Ended June 30, 2010</u>	<u>Six Months</u> <u>Ended June 30, 2010</u>
Decrease in share-based compensation	\$ (1,216)	\$ (863)
Increase in employee compensation and related benefits, excluding share-based compensation	492	1,562
Decrease in professional fees	(455)	(440)
Other net (decreases) increases	(515)	256
	<u>\$ (1,694)</u>	<u>\$ 515</u>

The decrease in share-based compensation is primarily due to the elimination of the allocation of share-based compensation expense for Cablevision employees effective January 1, 2010, partly offset by MSG Entertainment's share of equity awards granted to the Company's employees in 2010.

As a percentage of revenues, selling, general and administrative expenses decreased 8% and 4% during the three and six months ended June 30, 2010, respectively, as compared to the comparable periods of the prior year.

Adjusted operating cash flow decreased \$8,285 (70%) and \$6,691 (26%) for the three and six months ended June 30, 2010, respectively, as compared to the comparable periods of the prior year. The decreases, as referred to above, were primarily due to increased direct operating expenses, primarily attributable to the write-off of deferred costs associated with *Banana Shpeel*, partly offset by the impact of net higher revenues.

MSG Sports

The tables below set forth, for the periods presented, certain historical financial information and the percentage that those items bear to revenues for the Company's MSG Sports segment.

	Three Months Ended June 30,				Increase (Decrease) in Operating Income
	2010		2009		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	\$ 63,874	100%	\$ 68,575	100%	\$ (4,701)
Direct operating expenses (excluding depreciation and amortization)	38,175	60	47,741	70	9,566
Selling, general and administrative expenses	22,505	35	37,596	55	15,091
Depreciation and amortization	2,607	4	2,575	4	(32)
Operating income (loss)	\$ 587	1%	\$ (19,337)	(28)%	\$ 19,924

	Six Months Ended June 30,				Increase (Decrease) in Operating Income
	2010		2009		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	\$206,537	100%	\$ 210,162	100%	\$ (3,625)
Direct operating expenses (excluding depreciation and amortization)	154,998	75	175,857	84	20,859
Selling, general and administrative expenses	45,804	22	62,765	30	16,961
Depreciation and amortization	5,214	3	5,146	2	(68)
Operating income (loss)	\$ 521	NM	\$ (33,606)	(16)%	\$ 34,127

NM – Percentage is not meaningful

**Management's Discussion and Analysis
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The following is a reconciliation of operating income (loss) to adjusted operating cash flow:

	Three Months Ended June 30,		Increase (Decrease) in AOCF	Six Months Ended June 30,		Increase (Decrease) in AOCF
	2010	2009		2010	2009	
Operating income (loss)	\$ 587	\$ (19,337)	\$ 19,924	\$ 521	\$ (33,606)	\$ 34,127
Share-based compensation	351	947	(596)	1,217	1,438	(221)
Depreciation and amortization	2,607	2,575	32	5,214	5,146	68
Adjusted operating cash flow	<u>\$ 3,545</u>	<u>\$ (15,815)</u>	<u>\$ 19,360</u>	<u>\$ 6,952</u>	<u>\$ (27,022)</u>	<u>\$ 33,974</u>

Revenues for the three and six months ended June 30, 2010 decreased \$4,701 (7%) and \$3,625 (2%), respectively, as compared to the comparable periods of the prior year. The net decreases are attributable to the following:

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Decrease in sports team playoff related revenues	\$ (7,458)	\$ (7,458)
Decrease in revenues from other live sporting events primarily due to the absence of arena boxing bouts in 2010 versus one in each of the first and second quarters of 2009	(1,759)	(3,003)
Increase in broadcast rights fees from MSG Media	1,959	2,528
Increase in sports team regular season ticket related revenue due primarily to higher average ticket prices	1,008	2,389
Other net increases	1,549	1,919
	<u>\$ (4,701)</u>	<u>\$ (3,625)</u>

Direct operating expenses (excluding depreciation and amortization) for the three and six months ended June 30, 2010 decreased \$9,566 (20%) and \$20,859 (12%), respectively, as compared to the comparable periods of the prior year. The net decreases are attributable to the following:

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Decrease in sports team playoff related expenses, including playoff related NHL revenue sharing	\$ (5,126)	\$ (5,126)
Decrease in net provisions for certain team personnel transactions (including the impact of NBA luxury tax)	(3,770)	(1,656)
Decrease in team personnel compensation, inclusive of the unfavorable impact of lower insurance recoveries of \$633 during the three month period and the favorable impact of higher insurance recoveries of \$3,083 during the six month period related to non season-ending player injuries	(1,691)	(10,161)
Decrease in expenses associated with other live sporting events	(1,380)	(2,297)
Increase (decrease) due to higher (lower) net provision for NBA luxury tax (excluding the impact of certain team personnel transactions described below) during the three and six month periods of \$1,248 and \$(3,714), respectively, and higher net provisions for NHL revenue sharing (excluding playoffs) during the three and six month periods of \$1,078 and \$529, respectively	2,326	(3,185)
Other net increases	75	1,566
	<u>\$ (9,566)</u>	<u>\$ (20,859)</u>

**Management's Discussion and Analysis
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Net provisions for certain team personnel transactions (including the impact of NBA luxury tax), NBA luxury tax (excluding the impact of certain team personnel transactions) and NHL revenue sharing (excluding playoffs) were as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Net provisions for certain team personnel transactions (including the impact of NBA luxury tax)	\$ 90	\$3,860	\$ (3,770)	\$6,313	\$7,969	\$ (1,656)
Net provisions for NBA luxury tax (excluding the impact of certain team personnel transactions) and NHL revenue sharing (excluding playoffs)	\$643	\$ (1,683)	\$ 2,326	\$ 112	\$3,297	\$ (3,185)

Team personnel transactions for the three months ended June 30, 2010 reflect a provision recorded for a player waiver of \$90. Team personnel transactions for the three months ended June 30, 2009 primarily include provisions recorded for a player waiver and the costs associated with a player trade of \$1,000 and \$3,286, respectively.

Team personnel transactions for the six months ended June 30, 2010 reflect provisions recorded for player waivers of \$4,838 and season-ending player injuries of \$1,475 which is net of insurance recoveries of \$820. Team personnel transactions for the six months ended June 30, 2009 primarily include provisions recorded for player waivers and the costs associated with a player trade of \$5,109 and \$3,286, respectively. The cost of these transactions are recorded when the transaction occurs, but payments owed are generally paid over the remaining contract terms.

The change in the net provisions for NBA luxury tax (excluding the impact of certain team personnel transactions) for the three months ended June 30, 2010 as compared to the comparable period of the prior year reflects a higher net provision for NBA luxury tax primarily due to lower escrow recoveries recorded by the Knicks than those recorded during the comparable period of the prior year. The change in the net provisions for NBA luxury tax (excluding the impact of certain team personnel transactions) for the six months ended June 30, 2010 as compared to the comparable period of the prior year reflects a lower net provision for NBA luxury tax, primarily due to a decrease in the gross luxury tax associated with the active rosters partly offset by the lower escrow recoveries.

The changes in the net provisions for NHL revenue sharing (excluding playoffs) for the three and six months ended June 30, 2010 as compared to the comparable periods of the prior year reflect a higher net provision for NHL revenue sharing expense, based primarily on estimates of the Rangers' and league-wide revenues at the end of the season.

As a percentage of revenues, direct operating expenses decreased 10% and 9% during the three and six months ended June 30, 2010, respectively, as compared to the comparable periods of the prior year.

Selling, general and administrative expenses for the three and six months ended June 30, 2010 decreased \$15,091 (40%) and \$16,961 (27%), respectively, as compared to the comparable periods of the prior year. The decline for both periods is primarily due to lower costs attributable to a separation agreement with a team executive entered into in 2009.

As a percentage of revenues, selling, general and administrative expenses decreased 20% and 8% during the three and six months ended June 30, 2010, respectively, as compared to the comparable periods of the prior year.

Adjusted operating cash flow increased \$19,360 (122%) and \$33,974 (126%) for the three and six months ended June 30, 2010, respectively, as compared to the comparable periods of the prior year. The increases were due primarily to the lower operating expenses, including the costs attributable to a separation agreement with a team executive entered into in 2009, referred to above.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash and cash equivalents on hand, cash flow from the operations of our businesses and available borrowing capacity under our \$375,000 five-year credit agreement with a syndicate of lenders providing for a senior secured revolving credit facility that we refer to as the "Revolving Credit Facility" (see "— Financing Agreements" below.) Our principal uses of cash include capital spending and investments that we may fund from time to time. We currently expect that our net funding and investment requirements for the next twelve months will be met by our cash and cash equivalents on hand and cash generated by our operating activities. The decision of the Company as to the use of its available liquidity will be based upon an ongoing review of the funding needs of the business, the optimal allocation of cash resources, and the timing of cash flow generation.

**Management's Discussion and Analysis
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We previously announced our intent to pursue a comprehensive transformation of The Garden, which project we refer to as the "Transformation". We continue to review all aspects of this complex project with our consultants in order to improve the Transformation plans, mitigate project risks and identify efficiencies in all aspects of costs, planning and project-phasing. We also continue to refine our cost and capital investment estimates to ensure that the Transformation meets our overall expectations and objectives. While the cost estimates are not yet final, current estimated Transformation costs remain within the \$775,000 to \$850,000 range we have previously disclosed. Total Transformation expenditures incurred through June 30, 2010 were approximately \$85,000 of which approximately \$27,000 was incurred during the first six months of 2010. We expect that the estimated costs associated with the project will be met from cash and cash equivalents on hand and cash flow from our operations. To the extent that management determines that financing for the Transformation is required or desirable, we would expect to draw on our Revolving Credit Facility for that purpose.

The Transformation will be a year-round project in order to most efficiently and effectively complete the construction work. Our goal is to minimize disruption to current operations and to achieve this, we plan for The Garden to remain open for the New York Knicks' and New York Rangers' regular seasons and playoffs and other events during such periods in the years the Transformation takes place, while we sequence the construction to ensure that we maximize our construction efforts when we close The Garden during summer months. We currently expect the renovated lower bowl of The Garden to be open for the 2011-12 NBA and NHL regular seasons and the renovated upper bowl to be open for the 2012-13 NBA and NHL regular seasons. In each case, construction on areas such as concourses and certain restrooms, concessions and suites will continue during the seasons and a portion of the upper bowl seating (less than 1,500 seats) will be unavailable during part of the 2011-2012 NBA and NHL seasons. We plan to close The Garden and The Theater at Madison Square Garden during the summer months from 2011 to 2013 (for not less than twenty weeks after the conclusion of the New York Knicks' and New York Rangers' seasons). The Theater at Madison Square Garden will be closed for the summer of 2010 in order to support the Transformation. We will seek to move events during the summer months to our other venues or to other times of the year when The Garden or The Theater at Madison Square Garden will be open, although some loss of revenue will occur. Given the scope and complexity of the project, there can be no assurance that the Transformation will be completed or what the ultimate cost, scope or timing of the project will be.

We have assessed the implications of the recent volatility in the capital and credit markets against our ability to meet our net funding and investing requirements over the next twelve months and we believe that a combination of cash and cash equivalents on hand, cash generated from operating activities and borrowing availability under our Revolving Credit Facility should provide us with sufficient liquidity. However, continued market disruptions could cause broader economic downturns, which may lead to reduced demand for our offerings, such as lower attendance or advertising levels. These economic events could adversely impact our results of operations and our cash flows and might require that we seek alternative sources of funding.

Financing Agreements

Credit Facility

On January 28, 2010, MSG L.P., our wholly owned subsidiary, and certain of its subsidiaries entered into the Revolving Credit Facility. The proceeds of borrowings under the Revolving Credit Facility are available for working capital and capital expenditures, including but not limited to the Transformation, and for general corporate purposes. The Revolving Credit Facility and the related security agreement contain certain customary representations and warranties, affirmative covenants and events of default. All borrowings under the Revolving Credit Facility are subject to the satisfaction of customary conditions, including covenant compliance, absence of a default and accuracy of representations and warranties. As of June 30, 2010, there was \$3,620 in letters of credit issued under the Revolving Credit Facility. Our available borrowing capacity under the Revolving Credit Facility as of June 30, 2010 was \$371,380.

The Revolving Credit Facility requires MSG L.P. to comply with the following financial covenants: (i) a maximum total secured leverage ratio of 3.50:1.00; and (ii) a maximum total leverage ratio of 6.00:1.00. In addition, there is a minimum interest coverage ratio of 2.50:1.00 for Madison Square Garden, Inc. As of June 30, 2010, the Company was in compliance with the financial covenants in the credit agreement.

Advances to Cablevision

As of December 31, 2009, the Company had advances outstanding to a subsidiary of Cablevision of \$190,000 in the form of non-interest bearing advances. On January 28, 2010, the advances were replaced with a non-amortizing promissory note in the principal amount of \$190,000, which accrued interest at a rate of 3.25% per annum. The note had a maturity date of June 30, 2010 with prepayment without penalty at Cablevision's option. In March 2010, the entire principal balance of the promissory note was repaid, along with \$914 of accrued interest.

**Management's Discussion and Analysis
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Tax Disaffiliation Agreement

Under the terms of our Tax Disaffiliation Agreement with Cablevision, in order to preserve the tax-free treatment to Cablevision of the Distribution, we are subject to certain restrictions during the two-year period following the Distribution that might affect our ability to raise cash. In particular, we may not issue equity securities if any such issuances would, in the aggregate, constitute 50% or more of the voting power or value of our capital stock, which restriction might limit our financing options. This restriction will be more pronounced if the market price of our stock declines significantly below the value of our stock on the Distribution date, since the restrictions in the Tax Disaffiliation Agreement apply to the number of shares issued, rather than the proceeds we receive upon issuance. In addition, we are restricted from selling certain of our assets during the two-year period, which might also impede our ability to raise cash through asset sales.

Cash Flow Discussion***Operating Activities***

Net cash provided by operating activities increased \$55,269 to \$70,798 for the six months ended June 30, 2010 from \$15,529 for the six months ended June 30, 2009. This increase in operating cash primarily resulted from higher net income of \$37,234, as well as increases in cash flow of \$11,697 and \$6,338 resulting from non-cash items and changes in assets and liabilities, respectively.

Investing Activities

Net cash used in investing activities increased \$17,956 to \$41,766 for the six months ended June 30, 2010 from \$23,810 for the six months ended June 30, 2009 primarily due to additional costs related the Transformation of The Garden.

Financing Activities

Net cash provided by financing activities increased \$181,458 to \$180,997 for the six months ended June 30, 2010 from net cash used in financing activities of \$461 for the six months ended June 30, 2009 primarily due to the receipt of amounts due from a subsidiary of Cablevision of \$190,000 in the first quarter of 2010 partly offset by additions made to deferred financing costs of \$8,363 in 2010.

Recently Issued Accounting Pronouncements Not Yet Adopted and Critical Accounting Policies**Recently Issued Accounting Pronouncements Not Yet Adopted**

The Company is currently evaluating the potential impact of Accounting Standards Update ("ASU") No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, which provides amendments that (a) update the criteria for separating consideration in multiple-deliverable arrangements, (b) establish a selling price hierarchy for determining the selling price of a deliverable, and (c) replace the term "fair value" in the revenue allocation guidance with the term "selling price" to clarify that the allocation of revenue is based on entity-specific assumptions. ASU No. 2009-13 eliminates the residual method of allocating arrangement consideration to deliverables, requires the use of the relative selling price method and requires that a vendor determine its best estimate of selling price in a manner consistent with that used to determine the price to sell the deliverable on a stand-alone basis. ASU No. 2009-13 requires a vendor to significantly expand the disclosures related to multiple-deliverable revenue arrangements with the objective to provide information about the significant judgments made and changes to those judgments, and how the application of the relative selling price method affects the timing or amount of revenue recognition. ASU No. 2009-13 is required to be adopted on a prospective basis to revenue arrangements entered into or materially modified beginning in January 2011 and early adoption is permitted.

Critical Accounting Policies

The following critical accounting policy discussion has been included to provide the results of our annual impairment testing of goodwill and identifiable indefinite-lived assets performed during the three months ended March 31, 2010. Accordingly, we have not repeated herein a discussion of the Company's other critical accounting policies as set forth in our 2009 Annual Report on Form 10-K.

Impairment of Long-Lived and Indefinite-Lived Assets:

The Company's long-lived and indefinite-lived assets at June 30, 2010 include goodwill of \$742,492, other intangible assets, net of \$297,109 (\$158,096 of which are identifiable indefinite-lived intangibles), and \$363,061 of property and equipment, net. These assets accounted for approximately 68% of the Company's consolidated total assets as of June 30, 2010.

Goodwill and identifiable indefinite-lived intangible assets, which represent the Company's various trademarks and sports franchise intangibles, are tested annually for impairment during the first quarter and at any time upon the occurrence of certain events or

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substantive changes in circumstances. In accordance with Accounting Standards Codification Topic 350, Intangibles—Goodwill and Other, the impairment test for goodwill is a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is

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recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination. For the purpose of evaluating goodwill impairment, the Company has three reporting units, all of which recognized goodwill.

The goodwill balance by reporting unit as of June 30, 2010 is as follows:

Reporting Unit	Goodwill Balance
MSG Media	\$465,326
MSG Entertainment	58,979
MSG Sports	218,187
	<u>\$742,492</u>

The impairment test for identifiable indefinite-lived intangible assets consists of a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The following table sets forth the amount of identifiable indefinite-lived intangible assets reported in the Company's consolidated balance sheet as of June 30, 2010:

Reportable Segment	Identifiable Indefinite- Lived Intangible Assets Balance
MSG Entertainment	\$61,881
MSG Sports	96,215
	<u>\$158,096</u>

The Company's identifiable indefinite-lived intangible assets relate to trademarks and sports franchises. The Company's indefinite-lived trademark intangible assets relate to the Company's Radio City related trademarks which include the *Radio City Christmas Spectacular* and The Rockettes, and The Chicago Theatre related trademarks, which were all valued using a relief-from-royalty method in which the expected benefits are valued by discounting royalty revenue over projected revenues covered by the trademarks. The Company's indefinite-lived sports franchises intangibles representing the Company's NBA and NHL sports franchises are valued using a direct valuation method based on market comparables. Both the Radio City related trademarks and the sports franchises were recorded when Cablevision acquired the remaining 40% interest in a subsidiary of Cablevision which wholly-owned the Company in April 2005. Significant judgments inherent in a discounted cash flow valuation include the selection of appropriate discount rates, estimating the amount and timing of estimated 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 generated by the respective intangible assets.

For other long-lived assets, including intangible assets that are amortized, the Company evaluates assets for recoverability when there is an indication of potential impairment. If the undiscounted cash flows from a group of assets being evaluated is less than the carrying value of that group of assets, the fair value of the asset group is determined and the carrying value of the asset group is written down to fair value.

In assessing the recoverability of the Company's goodwill and other long-lived assets, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Estimates of fair value are primarily determined using discounted cash flows and comparable market transactions. These valuations are based on estimates and assumptions including projected future cash flows, discount rate, determination of appropriate market comparables and determination of whether a premium or discount should be applied to comparables. For MSG Media, these valuations also include assumptions for projected average rates per viewing subscriber and growth in fixed price contractual arrangements used to determine affiliation fee revenue, access to sports programming and programming rights and the cost of such sports programming and programming rights, amount of programming time that is advertiser supported, number of advertising spots available and the sell through rates for those spots, average fee per advertising spot, and

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operating margins, among other assumptions. For MSG Entertainment, these valuations also include assumptions for number of shows and events at the Company's venues and number of shows related to the Company's proprietary content on tour. For MSG Sports, these valuations also include assumptions for ticket sales which include suite income, local and national television broadcasting rights, sponsorships, concessions, player and other team personnel compensation, and luxury tax or revenue sharing assumptions for comparable market transactions. If these estimates or material related assumptions change in the future, we may be required to record impairment charges related to our long-lived assets.

Based on the Company's annual impairment test during the first quarter of 2010, the Company's reporting units had significant safety margins, representing the excess of the estimated fair value of each reporting unit less its respective carrying value (including goodwill allocated to each respective reporting unit). In order to evaluate the sensitivity of the estimated fair value calculations of the Company's reporting units on the annual impairment calculation for goodwill, the Company applied a hypothetical 30% decrease to the estimated fair value of each reporting unit. This hypothetical decrease of 30% would have no impact on the goodwill impairment analysis for any of the Company's reporting units.

Based on the Company's annual impairment test during the first quarter of 2010, the Company's Radio City related trademarks and sports franchise identifiable indefinite-lived intangible assets had significant safety margins, representing the excess of each identifiable indefinite-lived intangible asset's estimated fair value less its respective carrying value. In order to evaluate the sensitivity of the fair value calculations of all the Company's identifiable indefinite-lived intangibles, the Company applied hypothetical 15%, 20% and 30% decreases to the estimated fair value of each of the Company's identifiable indefinite-lived intangibles. These hypothetical 15%, 20% and 30% decreases in estimated fair value would not have resulted in an impairment of any of our identifiable indefinite-lived intangibles other than The Chicago Theatre related trademarks, which have a carrying value of \$8,000. The hypothetical fair value decline would have resulted in impairment charges against The Chicago Theatre related trademarks of approximately \$95, \$560 and \$1,490 at 15%, 20% and 30%, respectively.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosure on this matter made in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

Item 4. Controls and Procedures

Based on their evaluation as of the end of the period covered by this report, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures referred to in paragraph 4(c) of their certifications included as exhibits to this report were effective.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See the Legal Proceedings section of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2010.

Item 6. Exhibits

(a) Index to Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	First Amendment to Restated Guaranty dated as of March 22, 2010 by and among RCPI Landmark properties, L.L.C and Madison Square Garden, L.P. +
10.2	Employment Agreement by and between Madison Square Garden, Inc. and Robert J. Lynn.†
31.1	Certification of Hank J. Ratner pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Robert M. Pollichino pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Hank J. Ratner pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Robert M. Pollichino pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

+ Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

† This exhibit is an arrangement 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 6th day of August, 2010.

Madison Square Garden, Inc.

By: /s/ Robert M. Pollichino

Name: Robert M. Pollichino

Title: Executive Vice President and Chief Financial Officer

A portion of this exhibit has been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. The omission has been indicated by asterisks (*****), and the omitted text has been filed separately with the Securities and Exchange Commission.

FIRST AMENDMENT TO RESTATED GUARANTY

This FIRST AMENDMENT TO RESTATED GUARANTY dated as of March 22, 2010 (this “Amendment”) by and among **RCPI LANDMARK PROPERTIES, L.L.C.**, a Delaware limited liability company having an address do Tishman Speyer, 45 Rockefeller Plaza, New York, New York 10111 (“Landlord”), and **MADISON SQUARE GARDEN, L.P.**, a Delaware limited partnership having an office at 2 Penn Plaza, New York, New York (“Guarantor”).

WITNESSETH

WHEREAS, RCPI Trust, predecessor-in-interest to Landlord, and Radio City Productions LLC entered into that certain Lease dated as of December 4, 1997, as modified by First Amendment to Lease dated as of February 19, 1999, Second Amendment to Lease dated as of October 6, 2002 and Third Amendment to Lease dated as of August 14, 2008 (as so amended, the “Lease”), covering premises described and defined in the Lease;

WHEREAS, in connection with the Lease, Guarantor provided that certain Guaranty of Lease dated as of December 4, 1997, which was restated in its entirety pursuant to that certain Restated. Guaranty of Lease (the “Restated Guaranty”) dated as of August 14, 2008;

WHEREAS, Guarantor represents and warrants to Landlord that on January 12, 2010, Cablevision Systems Corporation (“Cablevision”) approved the distribution of all of the outstanding common stock of Madison Square Garden, Inc. (“MSGI”) to Cablevision shareholders (the “Distribution”) and MSGI thereafter acquired the subsidiaries of Cablevision that own, directly and indirectly, 100% of the partnership interests in Guarantor;

WHEREAS, Guarantor represents and warrants to Landlord that on February 9, 2010, the Distribution occurred; and

WHEREAS, in connection with the Distribution, Guarantor has requested certain changes to the Restated Guaranty, and Landlord and Guarantor desire to modify certain terms and conditions of the Restated Guaranty, all as hereinafter set forth.

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

1. Capitalized Terms . All capitalized terms used and not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Restated Guaranty.

2. Modifications . As of the date hereof:

(a) Section 2(a) of the Restated Guaranty shall be deleted in its entirety and replaced with the following provision:

“2. (a) Guarantor covenants and agrees that for the Term of the Lease it shall maintain a Net Worth of not less than *****. Guarantor represents and warrants to Landlord that Guarantor is 100% owned by Madison Square Garden, Inc. (“MSGI”) Guarantor shall deliver or cause to be delivered to Landlord, as soon as available and in no event later than 90 days after the close of each calendar year during the Term, either (i) annual consolidated financial statements for Guarantor prepared in accordance with generally accepted accounting principles, which shall be certified by an officer of Guarantor and audited by an independent accounting firm which shall be any one of the so- called “Big Four” accounting firms or any other accounting firm reasonably acceptable to Landlord, or (ii) both (A) annual consolidated financial statements for MSGI prepared in accordance with generally accepted accounting principles, which shall be certified by an officer of MSGI and audited by an independent accounting firm which shall be any one of the so- called “Big Four” accounting firms or any other accounting firm reasonably acceptable to Landlord, and (B) an annual consolidating balance sheet for MSGI prepared in accordance with generally accepted accounting principles, which shall be certified by the Executive Vice President and Chief Financial Officer of MSGI or a Senior Vice President, Finance of MSGI, and which consolidating balance sheet shall show the assets, liabilities and equity of Guarantor in sufficient detail for Landlord to determine if Guarantor’s Net Worth shall fail to meet the Net Worth requirement set forth above; provided, however, that the only effect of the breach of such covenants shall be that such breach shall constitute an Event of Default under the Lease. Landlord shall have all of its rights against Guarantor by reason of the occurrence of an Event of Default under the Lease, but shall have no independent right of action against Guarantor by reason of the breach of the foregoing covenants.”

(b) The phrase “Notwithstanding anything in Section 2(a) to the contrary, if as the close of any of Guarantor’s fiscal quarters during the term of the Lease, Guarantor’s Net Worth shall fail to meet the requirement set forth in Section 2(a) above (the “Failure ”)” appearing in Section 2(b) of the Restated Guaranty is restated to read as follows: “Notwithstanding anything in Section 2(a) to the contrary, if as of the close of any of Guarantor’s fiscal quarters (in the case of clause (i) of Section 2(a)) or MSGI’s fiscal quarters (in the case of clause (ii) of Section 2 (a)) during the term of the Lease, Guarantor’s Net Worth shall fail to meet the requirement set forth in Section 2(a) above (the “Failure ”)”.

3. Representations and Warranties . Guarantor represents and warrants to Landlord that this Amendment has been duly authorized, executed and delivered by Guarantor and constitutes the legal, valid and binding obligation of Guarantor.

4. Miscellaneous . (a) Except as set forth herein, nothing contained in this Amendment shall be deemed to amend or modify in any respect the terms of the Restated Guaranty and such terms shall remain in full force and effect as modified hereby. If there is any inconsistency between the terms of this Amendment and the terms of the Restated Guaranty, the terms of this Amendment shall be controlling and prevail.

(b) This Amendment contains the entire agreement of the parties with respect to its subject matter and all prior negotiations, discussions, representations, agreements and understandings heretofore had among the parties with respect thereto are merged herein.

(c) This Amendment may be executed in duplicate counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

(d) This Amendment shall not be binding upon Landlord or Guarantor unless and until each party shall have received a fully executed counterpart of this Amendment.

(e) This Amendment shall be binding upon and inure to the benefit of Landlord and Guarantor and their successors and permitted assigns.

(f) This Amendment shall be governed by the laws of the State of New York without giving effect to conflict of laws principles thereof.

(g) The captions, headings, and titles in this Amendment are solely for convenience of reference and shall not affect its interpretation.

(h) The liability of Landlord for Landlord's obligations under this Amendment shall be limited to Landlord's interest in the Building and Tenant shall not look to any other property or assets of Landlord or the property or assets of any direct or indirect partner, member, manager, shareholder, director, officer, principal, employee or agent of Landlord (collectively, the "Parties") in seeking either to enforce Landlord's obligations under this Amendment or to satisfy a judgment for Landlord's failure to perform such obligations; and none of the Parties shall be personally liable for the performance of Landlord's obligations under this Amendment.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Third Amendment to Lease as of the day and year first above written.

LANDLORD

RCPI LANDMARK PROPERTIES, L.L.C.

By: /s/ Paul A. Galiano
Senior Managing Director

GUARANTOR

MADISON SQUARE GARDEN, L.P.

By: /s/ Gene Heaney
Name: Gene Heaney
Title: Senior Vice President, Finance,
and Controller

May 3, 2010

Robert J. Lynn

Dear Bob:

Following up on our recent conversations, I am pleased to forward this letter setting forth the details of the employment offer we have previously discussed. The prospect of your joining Madison Square Garden is extremely exciting to all of us here.

As I indicated to you, this offer is conditioned upon your successful completion of our pre-employment screening and testing process. Following the completion of that process and your acceptance of this offer, you will join the Company as an at will employee with the title of Senior Vice President, Treasury & Investor Relations reporting directly to me in my capacity as Executive Vice President and Chief Financial Officer. Your appointment as an officer of Madison Square Garden, Inc. ("MSG"), however, is subject to the approval of the Compensation Committee of the Board of Directors of Madison Square Garden, Inc. (the "Compensation Committee").

As discussed, your anticipated start date is no later than May 24, 2010. From and after your actual start date, you agree to devote 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.

Your initial base salary will be \$325,000 annually, paid bi-weekly. You will be eligible to participate in our discretionary annual bonus program with an annual target bonus opportunity equal to 35 percent of your base salary. Bonus payments are based on actual salary dollars paid during the year for which they are awarded, provided that any bonus payment for 2010 will be based on your full annual salary of \$325,000. Bonus payments depend on a number of factors, including Company, unit and individual performance. The decision on whether or not to pay a bonus, and the amount of that bonus, if any, is made by the Company in its sole discretion. Bonuses are typically paid early in the subsequent calendar year. In order to receive a bonus, you must be employed by the Company at the time bonuses are being paid.

You will also be eligible, subject to your continued employment by the Company and actual grant by the Compensation Committee, to participate in such long-term incentive programs that are made available in the future to similarly situated executives at the Company. In particular, as currently contemplated by our long-term incentive program (which is subject to change), an employee at your level would have been recommended to the Compensation Committee in March 2010 to receive long-term incentive awards with an aggregate target value (as determined by the Compensation Committee) of \$330,000 (subject to three-year cliff vesting and applicable performance objectives). In light of your subsequent start date, you are expected to be eligible to be recommended to receive an award in 2010 with a *pro rated* target value to reflect your mid-year hire (based on the number of full months remaining in the year as of your actual start date divided by 12). Any such awards would be subject to actual grant by the Compensation Committee, would be pursuant to the applicable plan document and would be subject to terms and conditions established by the Compensation Committee in its sole discretion as detailed in separate agreement(s) you would receive after any award is actually made.

If, prior to the one-year anniversary of your actual start date (the “Reference Date”), your employment is involuntarily terminated by the Company for any reason other than Cause, the Company will pay you severance in an amount equal to your base salary plus your target annual bonus, each as then in effect (the “Severance Amount”). Sixty percent (60%) of the Severance Amount would be payable to you on the six-month anniversary of the date on which your employment so terminated (the “Termination Date”) and the remaining 40% of the Severance Amount would be payable to you on the twelve-month anniversary of the Termination Date. Payment of any Severance Amount will be subject first to your execution and the effectiveness of a severance agreement to the Company’s satisfaction, which agreement will include, for example, non-competition (limited to one year), non-solicitation, non-disparagement, confidentiality and further cooperation commitments by you as well as a general release by you of the Company and its affiliates (and their respective directors, officers and employees).

For purposes of this letter, “ Cause ” means, as determined by the Company, 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.

You will also be eligible for our standard benefits program. Participation in our benefits program is 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 (10) paid holidays. As we discussed, you will be eligible for four (4) weeks vacation to be accrued and used in accordance with Company policy.

The Company may withhold from any payment due to you any taxes required to be withheld under any law, rule or regulation. If and to the extent that any payment or benefit under this letter or any plan or arrangement of the Company or its affiliates, is determined by the Company to constitute “non-qualified deferred compensation” subject to Section 409A of the Internal Revenue Code of 1986 (the “ Code ”) (“ Section 409A ”) and is payable to you by reason of your termination of employment, then (a) such payment or benefit shall be made or provided to you only upon a “separation from service” as defined for purposes of Section 409A under applicable regulations (a “ Separation from Service ”) and (b) if you are a “specified employee” (within the meaning of Section 409A and as determined by the Company), such payment or benefit shall not be made or provided before the date that is six months after the date of your Separation from Service (or your earlier death). Any amount not paid in respect of the six month period specified in the preceding sentence will be paid to you in a lump sum after the expiration of such six month period. Any such payment or benefit shall be treated as a separate payment for purposes of Section 409A to the extent Section 409A applies to such payments.

This letter reflects the entire understanding and agreement of you and the Company with respect to the subject matter hereof and supersedes any prior understandings or agreements.

Unless the Company publicly discloses this letter, you agree to keep this letter and its terms strictly confidential provided that you are authorized to disclose this letter and its terms to your immediate family members and your legal, financial and tax advisers and, with prior notice to the Company, as may be required by law.

This letter does not constitute a guarantee of employment or benefits for any definite period. You or the Company may terminate your employment at any time, with or without notice, liability or cause. **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 letter.**

This letter 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.

This letter will automatically expire and be of no further force and effect on the earlier of (i) May 7, 2010 if it is not acknowledged by you below prior to such date or (ii) the Reference Date (other than with respect to any severance obligations owed to you in accordance with this letter as of that date). Once again, we are all most enthusiastic about the prospect of your joining the Company and having you join our team.

Sincerely,

/s/ Robert Pollichino

Bob Pollichino

*Executive Vice President and
Chief Financial Officer
Madison Square Garden, Inc.*

Accepted and Agreed:

/s/ Robert J. Lynn

Robert J. Lynn

Certification

I, Hank J. Ratner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Madison Square Garden, Inc.;
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)) 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. [*Omitted pursuant to SEC Release No. 34-54942*];
 - 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: August 6, 2010

/s/ Hank J. Ratner

Hank J. Ratner

President and Chief Executive Officer

Certification

I, Robert M. Pollichino, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Madison Square Garden, Inc.;
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)) 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. [*Omitted pursuant to SEC Release No. 34-54942*];
 - 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: August 6, 2010

/s/ Robert M. Pollichino

Robert M. Pollichino

Executive Vice President and Chief Financial Officer

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Madison Square Garden, Inc. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the Quarter ended June 30, 2010 (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: August 6, 2010

/s/ Hank J. Ratner

Hank J. Ratner

President and Chief Executive Officer

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

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Madison Square Garden, Inc. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the Quarter ended June 30, 2010 (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: August 6, 2010

/s/ Robert M. Pollichino

Robert M. Pollichino

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.