

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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended December 31, 2014

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

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**The Madison Square Garden Company**

(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.)

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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)

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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 ☒

Number of shares of common stock outstanding as of January 30, 2015 :

|                                                 |   |            |
|-------------------------------------------------|---|------------|
| Class A Common Stock par value \$0.01 per share | — | 63,235,847 |
| Class B Common Stock par value \$0.01 per share | — | 13,588,555 |

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Item 1. Financial Statements

**PART I – FINANCIAL INFORMATION**

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

|                                                                                                                                                                 | December 31,<br>2014 | June 30,<br>2014 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------|
|                                                                                                                                                                 | (Unaudited)          |                  |
| <b>ASSETS</b>                                                                                                                                                   |                      |                  |
| Current Assets:                                                                                                                                                 |                      |                  |
| Cash and cash equivalents                                                                                                                                       | \$ 378,920           | \$ 92,251        |
| Restricted cash                                                                                                                                                 | 14,180               | 9,823            |
| Accounts receivable, net                                                                                                                                        | 139,589              | 135,369          |
| Net related party receivables                                                                                                                                   | 25,690               | 25,156           |
| Prepaid expenses                                                                                                                                                | 51,704               | 37,108           |
| Other current assets                                                                                                                                            | 23,746               | 23,216           |
| Assets held for sale                                                                                                                                            | —                    | 77,056           |
| Total current assets                                                                                                                                            | 633,829              | 399,979          |
| Investments in and loans to nonconsolidated affiliates                                                                                                          | 224,574              | 225,632          |
| Property and equipment, net                                                                                                                                     | 1,238,706            | 1,252,467        |
| Amortizable intangible assets, net                                                                                                                              | 75,107               | 80,306           |
| Indefinite-lived intangible assets                                                                                                                              | 163,850              | 163,850          |
| Goodwill                                                                                                                                                        | 701,674              | 701,674          |
| Other assets                                                                                                                                                    | 111,857              | 102,053          |
| Total assets                                                                                                                                                    | \$ 3,149,597         | \$ 2,925,961     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                     |                      |                  |
| Current Liabilities:                                                                                                                                            |                      |                  |
| Accounts payable                                                                                                                                                | \$ 25,542            | \$ 16,710        |
| Net related party payables                                                                                                                                      | 1,057                | 283              |
| Income taxes payable                                                                                                                                            | 38,272               | 13,418           |
| Accrued liabilities:                                                                                                                                            |                      |                  |
| Employee related costs                                                                                                                                          | 74,990               | 102,097          |
| Other accrued liabilities                                                                                                                                       | 152,800              | 159,585          |
| Deferred revenue                                                                                                                                                | 362,723              | 300,937          |
| Liabilities held for sale                                                                                                                                       | —                    | 11,171           |
| Total current liabilities                                                                                                                                       | 655,384              | 604,201          |
| Defined benefit and other postretirement obligations                                                                                                            | 73,311               | 75,728           |
| Other employee related costs                                                                                                                                    | 54,820               | 61,284           |
| Other liabilities                                                                                                                                               | 56,869               | 59,970           |
| Deferred tax liability                                                                                                                                          | 531,491              | 520,334          |
| Total liabilities                                                                                                                                               | 1,371,875            | 1,321,517        |
| Commitments and contingencies (see Note 10)                                                                                                                     |                      |                  |
| Stockholders' Equity:                                                                                                                                           |                      |                  |
| Class A Common stock, par value \$0.01, 360,000 shares authorized; 63,940 and 63,606 shares outstanding as of December 31, 2014 and June 30, 2014, respectively | 643                  | 639              |
| Class B Common stock, par value \$0.01, 90,000 shares authorized; 13,589 shares outstanding as of December 31, 2014 and June 30, 2014                           | 136                  | 136              |
| Preferred stock, par value \$0.01, 45,000 shares authorized; none outstanding                                                                                   | —                    | —                |
| Additional paid-in capital                                                                                                                                      | 1,085,402            | 1,081,055        |
| Treasury stock, at cost, 318 and 317 shares as of December 31, 2014 and June 30, 2014, respectively                                                             | (8,532)              | (7,537)          |
| Retained earnings                                                                                                                                               | 722,165              | 552,862          |
| Accumulated other comprehensive loss                                                                                                                            | (22,092)             | (22,711)         |
| Total stockholders' equity                                                                                                                                      | 1,777,722            | 1,604,444        |
| Total liabilities and stockholders' equity                                                                                                                      | \$ 3,149,597         | \$ 2,925,961     |

See accompanying notes to consolidated financial statements.

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

|                                                                                                                                                                                                                                                                       | <b>Three Months Ended<br/>December 31,</b> |             | <b>Six Months Ended<br/>December 31,</b> |             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------|------------------------------------------|-------------|
|                                                                                                                                                                                                                                                                       | <b>2014</b>                                | <b>2013</b> | <b>2014</b>                              | <b>2013</b> |
| Revenues (including related party revenues of \$43,269 and \$45,503 for the three months ended December 31, 2014 and 2013, respectively, and \$84,437 and \$91,341 for the six months ended December 31, 2014 and 2013, respectively)                                 | \$ 542,528                                 | \$ 509,379  | \$ 784,268                               | \$ 724,964  |
| Direct operating expenses (including related party expenses of \$3,188 and \$3,691 for the three months ended December 31, 2014 and 2013, respectively, and \$5,203 and \$6,501 for the six months ended December 31, 2014 and 2013, respectively)                    | 307,560                                    | 301,074     | 401,463                                  | 381,158     |
| Selling, general and administrative expenses (including related party expenses of \$2,527 and \$4,126 for the three months ended December 31, 2014 and 2013, respectively, and \$4,953 and \$7,554 for the six months ended December 31, 2014 and 2013, respectively) | 92,150                                     | 87,370      | 167,450                                  | 160,201     |
| Depreciation and amortization                                                                                                                                                                                                                                         | 28,245                                     | 24,388      | 65,846                                   | 47,195      |
| Gain on sale of Fuse (see Note 4)                                                                                                                                                                                                                                     | (23,764)                                   | —           | (186,178)                                | —           |
| Operating income                                                                                                                                                                                                                                                      | 138,337                                    | 96,547      | 335,687                                  | 136,410     |
| Other income (expense):                                                                                                                                                                                                                                               |                                            |             |                                          |             |
| Equity in loss of nonconsolidated affiliates                                                                                                                                                                                                                          | (30,151)                                   | (738)       | (32,755)                                 | (738)       |
| Interest income (including interest income from nonconsolidated affiliates of \$426 and \$122 for the three months ended December 31, 2014 and 2013, respectively, and \$875 and \$122 for the six months ended December 31, 2014 and 2013, respectively)             | 947                                        | 609         | 1,882                                    | 1,114       |
| Interest expense                                                                                                                                                                                                                                                      | (1,662)                                    | (1,822)     | (3,324)                                  | (3,615)     |
| Miscellaneous income (including related party income of \$644 and \$1,278 for the three and six months ended December 31, 2014, respectively)                                                                                                                         | 639                                        | 17          | 1,353                                    | 23          |
|                                                                                                                                                                                                                                                                       | (30,227)                                   | (1,934)     | (32,844)                                 | (3,216)     |
| Income from operations before income taxes                                                                                                                                                                                                                            | 108,110                                    | 94,613      | 302,843                                  | 133,194     |
| Income tax expense                                                                                                                                                                                                                                                    | (46,880)                                   | (34,104)    | (133,540)                                | (48,817)    |
| Net income                                                                                                                                                                                                                                                            | \$ 61,230                                  | \$ 60,509   | \$ 169,303                               | \$ 84,377   |
| Basic earnings per common share                                                                                                                                                                                                                                       | \$ 0.79                                    | \$ 0.79     | \$ 2.18                                  | \$ 1.10     |
| Diluted earnings per common share                                                                                                                                                                                                                                     | \$ 0.78                                    | \$ 0.77     | \$ 2.16                                  | \$ 1.08     |
| Weighted-average number of common shares outstanding:                                                                                                                                                                                                                 |                                            |             |                                          |             |
| Basic                                                                                                                                                                                                                                                                 | 77,727                                     | 77,035      | 77,611                                   | 77,024      |
| Diluted                                                                                                                                                                                                                                                               | 78,252                                     | 78,116      | 78,271                                   | 78,109      |

See accompanying notes to consolidated financial statements.

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

|                                                                                | Three Months Ended<br>December 31, |                  | Six Months Ended<br>December 31, |                  |
|--------------------------------------------------------------------------------|------------------------------------|------------------|----------------------------------|------------------|
|                                                                                | 2014                               | 2013             | 2014                             | 2013             |
| Net income                                                                     | \$ 61,230                          | \$ 60,509        | \$ 169,303                       | \$ 84,377        |
| Other comprehensive income (loss), before income taxes:                        |                                    |                  |                                  |                  |
| Pension plans and postretirement plan:                                         |                                    |                  |                                  |                  |
| Amounts reclassified from accumulated other comprehensive loss:                |                                    |                  |                                  |                  |
| Amortization of net actuarial loss included in net periodic benefit cost       | \$ 571                             | \$ 360           | \$ 1,142                         | \$ 722           |
| Amortization of net prior service credit included in net periodic benefit cost | (29) \$ 542                        | (31) \$ 329      | (58) \$ 1,084                    | (63) \$ 659      |
| Other comprehensive income, before income taxes                                | 542                                | 329              | 1,084                            | 659              |
| Income tax expense related to items of other comprehensive income              | (234)                              | (140)            | (465)                            | (281)            |
| Other comprehensive income                                                     | 308                                | 189              | 619                              | 378              |
| Comprehensive income                                                           | <u>\$ 61,538</u>                   | <u>\$ 60,698</u> | <u>\$ 169,922</u>                | <u>\$ 84,755</u> |

See accompanying notes to consolidated financial statements.

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

|                                                                                                                | Six Months Ended<br>December 31, |            |
|----------------------------------------------------------------------------------------------------------------|----------------------------------|------------|
|                                                                                                                | 2014                             | 2013       |
| Cash flows from operating activities:                                                                          |                                  |            |
| Net income                                                                                                     | \$ 169,303                       | \$ 84,377  |
| Adjustments to reconcile net income to net cash provided by operating activities:                              |                                  |            |
| Depreciation and amortization                                                                                  | 65,846                           | 47,195     |
| Amortization of deferred financing costs                                                                       | 800                              | 1,090      |
| Share-based compensation expense                                                                               | 10,644                           | 8,467      |
| Excess tax benefit on share-based awards                                                                       | (10,245)                         | (1,203)    |
| Gain on sale of Fuse, before income taxes                                                                      | (186,178)                        | —          |
| Change in income taxes payable and deferred income taxes related to the sale of Fuse                           | 29,066                           | —          |
| Equity in loss of nonconsolidated affiliates                                                                   | 32,755                           | 738        |
| Provision for doubtful accounts                                                                                | 202                              | 13         |
| Change in assets and liabilities:                                                                              |                                  |            |
| Accounts receivable, net                                                                                       | (4,422)                          | (4,238)    |
| Net related party receivables                                                                                  | (561)                            | (7,817)    |
| Prepaid expenses and other assets                                                                              | (29,817)                         | (24,195)   |
| Accounts payable                                                                                               | 7,289                            | 5,655      |
| Net related party payables                                                                                     | 774                              | 839        |
| Income taxes payable, excluding the impact of the change in income taxes payable related to the sale of Fuse   | 12,504                           | (6,061)    |
| Accrued and other liabilities                                                                                  | (48,922)                         | 17,076     |
| Deferred revenue                                                                                               | 61,786                           | 91,440     |
| Deferred income taxes, excluding the impact of the change in deferred income taxes related to the sale of Fuse | 4,221                            | 10,491     |
| Net cash provided by operating activities                                                                      | 115,045                          | 223,867    |
| Cash flows from investing activities:                                                                          |                                  |            |
| Capital expenditures                                                                                           | (41,161)                         | (194,859)  |
| Proceeds from sale of Fuse, net of transaction costs (see Note 4)                                              | 228,063                          | —          |
| Investments in and loans to nonconsolidated affiliates                                                         | (7,947)                          | (151,135)  |
| Net cash provided by (used in) investing activities                                                            | 178,955                          | (345,994)  |
| Cash flows from financing activities:                                                                          |                                  |            |
| Principal payments on capital lease obligations                                                                | —                                | (125)      |
| Payments for financing costs                                                                                   | (70)                             | —          |
| Proceeds from stock option exercises                                                                           | 308                              | 66         |
| Repurchases of common stock                                                                                    | (1,398)                          | —          |
| Taxes paid in lieu of shares issued for equity-based compensation                                              | (16,416)                         | (2,401)    |
| Excess tax benefit on share-based awards                                                                       | 10,245                           | 1,203      |
| Net cash used in financing activities                                                                          | (7,331)                          | (1,257)    |
| Net increase (decrease) in cash and cash equivalents                                                           | 286,669                          | (123,384)  |
| Cash and cash equivalents at beginning of period                                                               | 92,251                           | 277,913    |
| Cash and cash equivalents at end of period                                                                     | \$ 378,920                       | \$ 154,529 |
| <b>Supplemental Data:</b>                                                                                      |                                  |            |
| Income taxes paid, net                                                                                         | \$ 83,499                        | \$ 44,290  |
| <b>Non-cash investing activities:</b>                                                                          |                                  |            |
| Capital expenditures incurred but not yet paid                                                                 | \$ 13,767                        | \$ 64,910  |
| Interest in SiTV Media, LLC received from sale of Fuse (see Note 4)                                            | 24,000                           | —          |
| Asset retirement obligations                                                                                   | —                                | (4,370)    |

See accompanying notes to consolidated financial statements.

**THE MADISON SQUARE GARDEN COMPANY**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(Unaudited)**  
**(in thousands)**

|                                                                             | Common<br>Stock<br>Issued | Additional<br>Paid-In<br>Capital | Treasury<br>Stock | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total               |
|-----------------------------------------------------------------------------|---------------------------|----------------------------------|-------------------|----------------------|--------------------------------------------------------|---------------------|
| Balance as of June 30, 2014                                                 | \$ 775                    | \$ 1,081,055                     | \$ (7,537)        | \$ 552,862           | \$ (22,711)                                            | \$ 1,604,444        |
| Net income                                                                  | —                         | —                                | —                 | 169,303              | —                                                      | 169,303             |
| Other comprehensive income                                                  | —                         | —                                | —                 | —                    | 619                                                    | 619                 |
| Comprehensive income                                                        |                           |                                  |                   |                      |                                                        | 169,922             |
| Exercise of stock options                                                   | 1                         | 280                              | —                 | —                    | —                                                      | 281                 |
| Share-based compensation expense                                            | —                         | 10,644                           | —                 | —                    | —                                                      | 10,644              |
| Tax withholding associated with shares issued for equity-based compensation | —                         | (16,416)                         | —                 | —                    | —                                                      | (16,416)            |
| Excess tax benefit on share-based awards                                    | —                         | 10,245                           | —                 | —                    | —                                                      | 10,245              |
| Repurchases of common stock                                                 | —                         | —                                | (1,398)           | —                    | —                                                      | (1,398)             |
| Shares issued upon distribution of Restricted Stock Units                   | 3                         | (406)                            | 403               | —                    | —                                                      | —                   |
| Balance as of December 31, 2014                                             | <u>\$ 779</u>             | <u>\$ 1,085,402</u>              | <u>\$ (8,532)</u> | <u>\$ 722,165</u>    | <u>\$ (22,092)</u>                                     | <u>\$ 1,777,722</u> |

|                                                                             | Common<br>Stock<br>Issued | Additional<br>Paid-In<br>Capital | Treasury<br>Stock  | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total               |
|-----------------------------------------------------------------------------|---------------------------|----------------------------------|--------------------|----------------------|--------------------------------------------------------|---------------------|
| Balance as of June 30, 2013                                                 | \$ 775                    | \$ 1,070,764                     | \$ (14,179)        | \$ 437,794           | \$ (16,219)                                            | \$ 1,478,935        |
| Net income                                                                  | —                         | —                                | —                  | 84,377               | —                                                      | 84,377              |
| Other comprehensive income                                                  | —                         | —                                | —                  | —                    | 378                                                    | 378                 |
| Comprehensive income                                                        |                           |                                  |                    |                      |                                                        | 84,755              |
| Exercise of stock options                                                   | —                         | (882)                            | 979                | —                    | —                                                      | 97                  |
| Share-based compensation expense                                            | —                         | 8,467                            | —                  | —                    | —                                                      | 8,467               |
| Tax withholding associated with shares issued for equity-based compensation | —                         | (2,401)                          | —                  | —                    | —                                                      | (2,401)             |
| Excess tax benefit on share-based awards                                    | —                         | 1,203                            | —                  | —                    | —                                                      | 1,203               |
| Balance as of December 31, 2013                                             | <u>\$ 775</u>             | <u>\$ 1,077,151</u>              | <u>\$ (13,200)</u> | <u>\$ 522,171</u>    | <u>\$ (15,841)</u>                                     | <u>\$ 1,571,056</u> |

See accompanying notes to consolidated financial statements.

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

All amounts included in the following Notes to Consolidated Financial Statements are presented in thousands, except per share data or as otherwise noted.

**Note 1. Description of Business and Basis of Presentation**

**Description of Business**

The Madison Square Garden Company (together with its subsidiaries, the "Company" or "Madison Square Garden") is comprised of 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, and is comprised of the Company's regional sports networks, MSG Network and MSG+, collectively the "MSG Networks." MSG Entertainment presents or hosts live entertainment events, such as concerts, family shows, performing arts and special events, in the Company's diverse collection of venues. MSG Entertainment also creates, produces and/or presents live productions, including the *Radio City Christmas Spectacular* featuring the Radio City Rockettes (the "Rockettes"), that are performed in the Company's venues. MSG Sports owns and operates the following sports franchises: the New York Knicks (the "Knicks") of the National Basketball Association (the "NBA"), the New York Rangers (the "Rangers") of the National Hockey League (the "NHL"), the New York Liberty (the "Liberty") of the Women's National Basketball Association (the "WNBA"), the Hartford Wolf Pack of the American Hockey League (the "AHL"), which is the primary player development team for the Rangers, and the Westchester Knicks, an NBA Development League (the "NBADL") team. MSG Sports also promotes, produces and/or presents a broad array of other live sporting events outside of the Company's sports franchises' games.

The Company conducts a significant portion of its operations at venues that it either owns or operates under long-term leases. The Company owns the Madison Square Garden Arena ("The Garden") and The Theater at Madison Square Garden in New York City, the Forum in Inglewood, CA and The Chicago Theatre in Chicago. In addition, the Company leases Radio City Music Hall and the Beacon Theatre in New York City, and has a booking agreement with respect to the Wang Theatre in Boston.

On July 1, 2014, the Company completed its sale of Fuse, a national music television network (see Note 4). For all periods presented prior to the sale, MSG Media also included Fuse.

The Company was incorporated on July 29, 2009 as an indirect, wholly-owned subsidiary of Cablevision Systems Corporation ("Cablevision"). On February 9, 2010, Cablevision distributed all of the outstanding common stock of The Madison Square Garden Company 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 MSG Holdings, 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. MSG L.P. is now a wholly-owned subsidiary of The Madison Square Garden Company through which the Company conducts substantially all of its business activities.

**Unaudited Interim Financial Statements**

The accompanying interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and the instructions to Rule 10-01 of Regulation S-X, and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2014. The financial statements as of December 31, 2014 and for the three and six months ended December 31, 2014 and 2013 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 interim periods presented. The results of operations for the periods presented are not necessarily indicative of the results that might be expected for future interim periods or for the full year. The dependence of the MSG Sports segment on revenues from its NBA and NHL sports teams generally means it earns a disproportionate share of its revenues in the second and third quarters of the Company's fiscal year. The dependence of the MSG Entertainment segment on revenues from the *Radio City Christmas Spectacular* generally means it earns a disproportionate share of its revenues and operating income in the second quarter of the Company's fiscal year.

**Reclassifications**

Certain reclassifications have been made to the prior period balance sheet and cash flow information in order to conform to the current period's presentation.

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

**Note 2. Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements of the Company include the accounts of The Madison Square Garden Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

**Use of Estimates**

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, investments, goodwill, intangible assets, other long-lived assets, tax accruals and other liabilities. In addition, estimates are used in revenue recognition, revenue sharing expense (net of escrow), luxury tax expense, income tax expense, performance and share-based compensation, depreciation and amortization, litigation matters and other matters. Management believes its use of estimates in the consolidated financial statements to be reasonable.

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

**Recently Issued Accounting Pronouncements Not Yet Adopted**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in FASB Accounting Standards Codification Topic 605, *Revenue Recognition*. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This standard will be effective for the Company beginning in the first quarter of fiscal year 2018 using one of two retrospective application methods. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

**Note 3. Computation of Earnings per Common Share**

Basic earnings per common share ("EPS") is based upon net income available to common stockholders 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 units ("RSUs") only in the periods in which such effect would have been dilutive.

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

|                                                                         | <b>Three Months Ended</b> |             | <b>Six Months Ended</b> |             |
|-------------------------------------------------------------------------|---------------------------|-------------|-------------------------|-------------|
|                                                                         | <b>December 31,</b>       |             | <b>December 31,</b>     |             |
|                                                                         | <b>2014</b>               | <b>2013</b> | <b>2014</b>             | <b>2013</b> |
| Weighted-average shares for basic EPS                                   | 77,727                    | 77,035      | 77,611                  | 77,024      |
| Dilutive effect of shares issuable under share-based compensation plans | 525                       | 1,081       | 660                     | 1,085       |
| Weighted-average shares for diluted EPS                                 | 78,252                    | 78,116      | 78,271                  | 78,109      |
| Anti-dilutive shares                                                    | —                         | —           | 7                       | —           |

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**Note 4. Disposition**

On July 1, 2014, the Company completed the previously announced sale of Fuse to SiTV Media, Inc., the parent company of NUVOTV, for a cash purchase price of \$231,995 (inclusive of a working capital adjustment) and a 15% equity interest in SiTV Media, LLC ("SiTV") (see Note 6). The Company's interest in SiTV was subject to potential reduction based on certain performance goals, which were satisfied during the three months ended December 31, 2014. As such, during the current quarter the Company recognized its interest in SiTV, and finalized a working capital adjustment, which resulted in the Company's Media segment recording a pre-tax gain of \$23,764 for the three months ended December 31, 2014. The Company's MSG Media segment total pre-tax gain on the sale of Fuse, reflected in its results for the six months ended December 31, 2014, was \$186,178 (net of transaction costs of \$3,932). The pre-tax gain on the sale of Fuse is reflected in operating income in the accompanying consolidated statements of operations for the three and six months ended December 31, 2014.

The assets and liabilities of Fuse segregated and reported as held for sale as of June 30, 2014 were as follows:

|                                   | <b>June 30, 2014</b> |
|-----------------------------------|----------------------|
| <b>Assets held for sale:</b>      |                      |
| Accounts receivable, net          | \$ 22,425            |
| Property and equipment, net       | 8,903                |
| Goodwill                          | 40,818               |
| Other assets                      | 4,910                |
| Assets held for sale              | <u>\$ 77,056</u>     |
| <b>Liabilities held for sale:</b> |                      |
| Net related party payables        | \$ 184               |
| Other accrued expenses            | 6,836                |
| Deferred revenue                  | 692                  |
| Other liabilities                 | 3,459                |
| Liabilities held for sale         | <u>\$ 11,171</u>     |

**Note 5. Team Personnel Transactions**

Direct operating and selling, general and administrative expenses in the accompanying consolidated statements of operations include net provisions for transactions relating to players and certain other team personnel on the Company's sports teams for (i) waivers and contract termination costs and (ii) trades ("Team Personnel Transactions"). Team Personnel Transactions amounted to \$4,291 and \$4,380 for the three months ended December 31, 2014 and 2013, respectively, and \$4,675 and \$5,808 for the six months ended December 31, 2014 and 2013, respectively.

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**Note 6 . Investments in Nonconsolidated Affiliates**

The Company's investments in and loans to nonconsolidated affiliates consisted of the following:

|                                                              | Ownership<br>Percentage | Investment        | Loan <sup>(b)</sup> | Total             |
|--------------------------------------------------------------|-------------------------|-------------------|---------------------|-------------------|
| <b>December 31, 2014</b>                                     |                         |                   |                     |                   |
| Azoff MSG Entertainment LLC ("Azoff-MSG")                    | 50%                     | \$ 121,726        | \$ 56,000           | \$ 177,726        |
| Brooklyn Bowl Las Vegas, LLC ("BBLV")                        | <sup>(a)</sup>          | —                 | 2,662               | 2,662             |
| Tribeca Enterprises LLC ("Tribeca Enterprises")              | 50%                     | 20,186            | —                   | 20,186            |
| SiTV                                                         | 15%                     | 24,000            | —                   | 24,000            |
| Total investments in and loans to nonconsolidated affiliates |                         | <u>\$ 165,912</u> | <u>\$ 58,662</u>    | <u>\$ 224,574</u> |
| <b>June 30, 2014</b>                                         |                         |                   |                     |                   |
| Azoff-MSG                                                    | 50%                     | \$ 125,677        | \$ 50,300           | \$ 175,977        |
| BBLV                                                         | <sup>(a)</sup>          | 25,725            | 1,348               | 27,073            |
| Tribeca Enterprises                                          | 50%                     | 22,582            | —                   | 22,582            |
| Total investments in and loans to nonconsolidated affiliates |                         | <u>\$ 173,984</u> | <u>\$ 51,648</u>    | <u>\$ 225,632</u> |

<sup>(a)</sup> The Company will be entitled to receive back its capital, which was 74% and 78% of BBLV's total capital as of December 31, 2014 and June 30, 2014, respectively, plus a preferred return, after which the Company would own a 20% interest in BBLV.

<sup>(b)</sup> Represents outstanding loan balance, inclusive of amounts due to the Company for interest of \$62 and \$313 as of December 31, 2014 and June 30, 2014, respectively.

The Company accounts for these investments under the equity method of accounting.

As a result of BBLV's current liquidity position, the Company evaluated whether or not an impairment of its investment had occurred as of December 31, 2014. This evaluation resulted in the Company recording a pre-tax non-cash impairment charge of \$23,600 to write-off the carrying value of its equity investment in BBLV, which is reflected in equity in loss of nonconsolidated affiliates in the accompanying consolidated statements of operations for the three and six months ended December 31, 2014. The impairment charge was based on a comparison of the fair value of the investment, which was determined using a discounted cash flow analysis, to its carrying value.

In connection with the Company's investment in Azoff-MSG, the Company provides a revolving credit facility to the entity. This loan facility was increased to \$100,000 in September 2014.

During the quarter ended December 31, 2014, the Company agreed to provide up to \$1,000 of revolving credit loans to Tribeca Enterprises, of which no amount had been drawn down as of December 31, 2014.

On July 1, 2014, the Company received a 15% equity interest in SiTV that was subject to potential reduction based on certain performance goals, which were satisfied during the three months ended December 31, 2014 (see Note 4). Given that SiTV is a partnership and the Company's 15% ownership interest, the Company accounts for this investment under the equity method of accounting.

**Note 7. Goodwill and Intangible Assets**

The carrying amounts of goodwill, by reportable segment, as of December 31, 2014 and June 30, 2014 are as follows:

|                   |                   |
|-------------------|-------------------|
| MSG Media         | \$ 424,508        |
| MSG Entertainment | 58,979            |
| MSG Sports        | 218,187           |
|                   | <u>\$ 701,674</u> |

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During the first quarter of fiscal year 2015, the Company performed its annual impairment test of goodwill, and there was no impairment of goodwill identified for any of its reportable segments.

The Company's indefinite-lived intangible assets as of December 31, 2014 and June 30, 2014 are as follows:

|                                        |           |                |
|----------------------------------------|-----------|----------------|
| Sports franchises (MSG Sports segment) | \$        | 101,429        |
| Trademarks (MSG Entertainment segment) |           | 62,421         |
|                                        | <u>\$</u> | <u>163,850</u> |

During the first quarter of fiscal year 2015, the Company performed its annual impairment test of identifiable indefinite-lived intangible assets, and there were no impairments identified.

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

| <b>December 31, 2014</b>           | <b>Gross</b>      | <b>Accumulated Amortization</b> | <b>Net</b>       |
|------------------------------------|-------------------|---------------------------------|------------------|
| Affiliate relationships            | \$ 83,044         | \$ (33,731)                     | \$ 49,313        |
| Season ticket holder relationships | 73,124            | (51,290)                        | 21,834           |
| Suite holder relationships         | 15,394            | (13,639)                        | 1,755            |
| Other intangibles                  | 4,217             | (2,012)                         | 2,205            |
|                                    | <u>\$ 175,779</u> | <u>\$ (100,672)</u>             | <u>\$ 75,107</u> |

| <b>June 30, 2014</b>               | <b>Gross</b>      | <b>Accumulated Amortization</b> | <b>Net</b>       |
|------------------------------------|-------------------|---------------------------------|------------------|
| Affiliate relationships            | \$ 83,044         | \$ (32,001)                     | \$ 51,043        |
| Season ticket holder relationships | 73,124            | (48,660)                        | 24,464           |
| Suite holder relationships         | 15,394            | (12,940)                        | 2,454            |
| Other intangibles                  | 4,217             | (1,872)                         | 2,345            |
|                                    | <u>\$ 175,779</u> | <u>\$ (95,473)</u>              | <u>\$ 80,306</u> |

Amortization expense for intangible assets amounted to \$2,599 and \$2,599 for the three months ended December 31, 2014 and 2013 , respectively. For the six months ended December 31, 2014 and 2013 amortization expense was \$5,199 and \$5,199 , respectively.

**Note 8 . Property and Equipment**

As of December 31, 2014 and June 30, 2014 , property and equipment consisted of the following assets:

|                                                | <b>December 31, 2014</b> | <b>June 30, 2014</b> |
|------------------------------------------------|--------------------------|----------------------|
| Land                                           | \$ 91,678                | \$ 91,678            |
| Buildings                                      | 1,098,300                | 1,077,823            |
| Equipment                                      | 336,168                  | 313,057              |
| Aircraft                                       | 43,598                   | 43,598               |
| Furniture and fixtures                         | 52,221                   | 52,236               |
| Leasehold improvements                         | 148,551                  | 151,536              |
| Construction in progress                       | 7,915                    | 6,115                |
|                                                | <u>1,778,431</u>         | <u>1,736,043</u>     |
| Less accumulated depreciation and amortization | (539,725)                | (483,576)            |
|                                                | <u>\$ 1,238,706</u>      | <u>\$ 1,252,467</u>  |

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Depreciation and amortization expense on property and equipment amounted to \$25,646 and \$21,789 for the three months ended December 31, 2014 and 2013, respectively. Depreciation and amortization expense on property and equipment amounted to \$60,647 and \$41,996 for the six months ended December 31, 2014 and 2013, respectively.

During the first quarter of fiscal year 2015, the estimated useful life of the Company's professional sports teams' plane was changed as a result of a transition by the teams to a new travel program. As a result of this change, the Company recorded accelerated depreciation on the plane of approximately \$8,400 during the first quarter of fiscal year 2015.

**Note 9 . Debt**

*Revolving Credit Facility*

On May 6, 2014, MSG L.P. and certain of its subsidiaries entered into a credit agreement with a syndicate of lenders providing for a senior secured revolving credit facility of up to \$500,000 with a term of five years (the "Revolving Credit Facility").

The Revolving Credit Facility contains certain customary representations and warranties, affirmative covenants and events of default. It also 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 subject to upward adjustment during the continuance of certain events. In addition, there is a minimum interest coverage ratio of 2.00:1.00 for the Company. As of December 31, 2014, MSG L.P. was in compliance with the financial covenants in the Revolving Credit Facility. 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 December 31, 2014, there was \$7,460 in letters of credit issued and outstanding under the Revolving Credit Facility with available borrowing capacity of \$492,540.

All obligations under the Revolving Credit Facility are guaranteed by MSG L.P.'s existing and future direct and indirect domestic subsidiaries that are not designated as excluded subsidiaries or unrestricted subsidiaries in accordance with the facility (the "Guarantors"). All obligations under the Revolving Credit Facility, including the guarantees of those obligations, are secured by certain of the assets of MSG L.P. and each Guarantor, (collectively, "Collateral") including, but not limited to, a pledge of the equity interests held directly or indirectly by MSG L.P. in each Guarantor. The Collateral, however, does not include, among other things, our sports franchises or other assets of any of MSG L.P.'s teams, including of the Knicks and Rangers, or any interests in real property of MSG L.P. or the Guarantors, including the Madison Square Garden Complex (which includes both The Garden and The Theater at Madison Square Garden), the Forum, the leasehold interest in Radio City Music Hall and MSG L.P.'s real property interest in other venues.

MSG L.P. is required to pay a commitment fee of 0.40% in respect of the average daily unused commitments thereunder and pay customary letter of credit fees, as well as fronting fees, to banks that issue letters of credit pursuant to the Revolving Credit Facility.

The Company is amortizing on a straight-line basis deferred financing costs of approximately \$8,000 to interest expense over the five-year term of the Revolving Credit Facility.

**Note 10. Commitments and Contingencies**

**Commitments**

As more fully described in Notes 11 and 12 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2014, the Company's commitments consist primarily of (i) the MSG Media segment's obligations related to professional team rights, acquired under license agreements, to telecast certain live sporting events, (ii) the MSG Sports segment's obligations under employment agreements that the Company has with its professional sports teams' personnel that are generally guaranteed regardless of employee injury or termination, (iii) long-term noncancelable operating lease agreements primarily for entertainment venues and office and storage space, and (iv) minimum purchase requirements incurred in the normal course of the Company's operations.

See Note 6 for information on the revolving credit facilities provided by the Company to Azoff-MSG and Tribeca Enterprises.

**Legal Matters**

In March 2012, the Company was named as a defendant in two purported class action antitrust lawsuits brought in the United States District Court for the Southern District of New York against the NHL and certain NHL member clubs, regional sports

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networks and cable and satellite distributors. The complaints, which are substantially identical, primarily assert that certain of the NHL's current rules and agreements entered into by defendants, which are alleged by the plaintiffs to provide certain territorial and other exclusivities with respect to the television and online distribution of live hockey games, violate Sections 1 and 2 of the Sherman Antitrust Act. The complaints seek injunctive relief against the defendants' continued violation of the antitrust laws, treble damages, attorneys' fees and pre- and post-judgment interest. On July 27, 2012, the Company and the other defendants filed a motion to dismiss the complaints (which have been consolidated for procedural purposes). On December 5, 2012, the Court issued an Opinion and Order largely denying the motion to dismiss. On April 8, 2014, following the conclusion of fact discovery, all defendants filed motions for summary judgment seeking dismissal of the complaints in their entirety. On August 8, 2014, the Court denied the motions for summary judgment. The defendants, including the Company, are vigorously defending the claims.

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

**Note 11. Fair Value Measurements**

The fair value hierarchy 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 fair value hierarchy consists of the following three levels:

- Level I — Quoted prices for identical instruments in active markets.
- Level II — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level III — Instruments whose significant value drivers are unobservable.

The following table presents for each of these hierarchy levels, the Company's assets that are measured at fair value on a recurring basis:

|                                     | Level I           | Level II    | Level III   | Total             |
|-------------------------------------|-------------------|-------------|-------------|-------------------|
| <b>December 31, 2014</b>            |                   |             |             |                   |
| Assets:                             |                   |             |             |                   |
| Money market accounts               | \$ 247,000        | \$ —        | \$ —        | \$ 247,000        |
| Time deposits                       | 80,906            | —           | —           | 80,906            |
| Total assets measured at fair value | <u>\$ 327,906</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 327,906</u> |
| <b>June 30, 2014</b>                |                   |             |             |                   |
| Assets:                             |                   |             |             |                   |
| Money market accounts               | \$ 61,941         | \$ —        | \$ —        | \$ 61,941         |
| Time deposits                       | 24,120            | —           | —           | 24,120            |
| Total assets measured at fair value | <u>\$ 86,061</u>  | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 86,061</u>  |

Money market accounts and time deposits 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. The carrying amount of the Company's money market accounts and time deposits approximates fair value due to their short-term maturities.

**Note 12 . Pension Plans and Other Postretirement Benefit Plan**

The Company sponsors a non-contributory qualified cash balance retirement plan covering its non-union employees (the "MSG Cash Balance Pension Plan") and an unfunded non-contributory, non-qualified excess cash balance plan covering certain employees who participate in the underlying qualified plan (collectively, the "MSG Cash Balance 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.

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The Company sponsored a non-contributory qualified defined benefit pension plan covering its non-union employees hired prior to January 1, 2001 (the "Retirement Plan") and sponsors an unfunded non-contributory non-qualified defined benefit pension plan for the benefit of certain employees who participate in the underlying qualified plan (the "Excess Plan"). As of December 31, 2007, both the Retirement Plan and Excess Plan were amended to freeze all benefits earned through December 31, 2007 and to eliminate the ability of participants to earn benefits for future service under these plans. On March 1, 2011, the Company merged the Retirement Plan into the MSG Cash Balance Pension Plan, effectively combining the assets and liabilities of the respective plans. In connection with this merger, the respective benefit formulas of the plans were not amended. Effective March 1, 2011, the Retirement Plan no longer exists as a stand-alone plan and is part of the MSG Cash Balance Pension Plan.

The MSG Cash Balance Plans (which now include the Retirement Plan), Union Plans, and Excess Plan are collectively referred to as the "Pension Plans."

The Company also sponsors a contributory welfare plan which provides certain postretirement healthcare benefits to certain employees hired prior to January 1, 2001 who are eligible to commence receipt of early or normal Retirement Plan benefits under the MSG Cash Balance Pension Plan and their dependents, as well as certain union employees ("Postretirement Plan").

Components of net periodic benefit cost for the Company's Pension Plans and Postretirement Plan recognized in direct operating expenses and selling, general and administrative expenses in the accompanying consolidated statements of operations for the three and six months ended December 31, 2014 and 2013 are as follows:

|                                                                         | <b>Pension Plans</b>      |                 | <b>Postretirement Plan</b> |               |
|-------------------------------------------------------------------------|---------------------------|-----------------|----------------------------|---------------|
|                                                                         | <b>Three Months Ended</b> |                 | <b>Three Months Ended</b>  |               |
|                                                                         | <b>December 31,</b>       |                 | <b>December 31,</b>        |               |
|                                                                         | <b>2014</b>               | <b>2013</b>     | <b>2014</b>                | <b>2013</b>   |
| Service cost                                                            | \$ 1,738                  | \$ 1,571        | \$ 61                      | \$ 53         |
| Interest cost                                                           | 1,979                     | 1,877           | 93                         | 88            |
| Expected return on plan assets                                          | (916)                     | (958)           | —                          | —             |
| Recognized actuarial loss (gain) <sup>(a)</sup>                         | 565                       | 362             | 6                          | (2)           |
| Amortization of unrecognized prior service cost (credit) <sup>(a)</sup> | 6                         | 7               | (35)                       | (38)          |
| Net periodic benefit cost                                               | <u>\$ 3,372</u>           | <u>\$ 2,859</u> | <u>\$ 125</u>              | <u>\$ 101</u> |

|                                                                         | <b>Pension Plans</b>    |                 | <b>Postretirement Plan</b> |               |
|-------------------------------------------------------------------------|-------------------------|-----------------|----------------------------|---------------|
|                                                                         | <b>Six Months Ended</b> |                 | <b>Six Months Ended</b>    |               |
|                                                                         | <b>December 31,</b>     |                 | <b>December 31,</b>        |               |
|                                                                         | <b>2014</b>             | <b>2013</b>     | <b>2014</b>                | <b>2013</b>   |
| Service cost                                                            | \$ 3,476                | \$ 3,141        | \$ 122                     | \$ 105        |
| Interest cost                                                           | 3,958                   | 3,755           | 186                        | 177           |
| Expected return on plan assets                                          | (1,832)                 | (1,917)         | —                          | —             |
| Recognized actuarial loss (gain) <sup>(a)</sup>                         | 1,130                   | 725             | 12                         | (3)           |
| Amortization of unrecognized prior service cost (credit) <sup>(a)</sup> | 12                      | 13              | (70)                       | (76)          |
| Net periodic benefit cost                                               | <u>\$ 6,744</u>         | <u>\$ 5,717</u> | <u>\$ 250</u>              | <u>\$ 203</u> |

<sup>(a)</sup> Reflects amounts reclassified from accumulated other comprehensive loss.

In addition, the Company sponsors the MSG Holdings, L.P. 401(k) Savings Plan and the MSG Holdings, L.P. Excess Savings Plan (the "MSG Savings Plans"). Expenses related to the MSG Savings Plans included in the accompanying consolidated statements of operations were \$870 and \$816 for the three months ended December 31, 2014 and 2013, respectively. For the six months ended December 31, 2014 and 2013 expenses related to the Savings Plans were \$1,767 and \$1,760, respectively.



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**Note 13 . Share-based Compensation**

See Note 17 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2014 for more information regarding The Madison Square Garden Company 2010 Employee Stock Plan (the "Employee Stock Plan") and The Madison Square Garden Company 2010 Stock Plan for Non-Employee Directors (the "Non-Employee Director Plan"), as well as the treatment after the Distribution of share-based payment awards initially granted under Cablevision equity award programs.

Share-based compensation expense reduced for estimated forfeitures was \$7,027 and \$5,637 for the three months ended December 31, 2014 and 2013 , respectively. Share-based compensation expense reduced for estimated forfeitures was \$10,644 and \$8,467 for the six months ended December 31, 2014 and 2013 , respectively. Share-based compensation expense for the three and six months ended December 31, 2014 is presented within selling, general and administrative expenses and direct operating expenses. Share-based compensation expense for the three and six months ended December 31, 2013 is presented within selling, general and administrative expenses.

*Stock Options Award Activity*

The following table summarizes activity relating to holders (including Company, Cablevision and AMC Networks Inc. ("AMC Networks")) employees and directors) of the Company's stock options for the six months ended December 31, 2014 :

|                                     | <b>Number of</b>       |                               | <b>Weighted-</b> | <b>Weighted-</b>       |                  |
|-------------------------------------|------------------------|-------------------------------|------------------|------------------------|------------------|
|                                     | <b>Non-Performance</b> | <b>Performance</b>            | <b>Average</b>   | <b>Average</b>         | <b>Aggregate</b> |
|                                     | <b>Vesting</b>         | <b>Vesting</b>                | <b>Exercise</b>  | <b>Remaining</b>       | <b>Intrinsic</b> |
|                                     | <b>Options</b>         | <b>Options <sup>(a)</sup></b> | <b>Price Per</b> | <b>Contractual</b>     | <b>Value</b>     |
|                                     |                        |                               | <b>Share</b>     | <b>Term (In Years)</b> |                  |
| Balance as of June 30, 2014         | 178                    | 20                            | \$ 11.74         | 1.40                   | \$ 10,025        |
| Exercised <sup>(b)</sup>            | (32)                   | (3)                           | \$ 8.89          |                        |                  |
| Balance as of December 31, 2014     | 146                    | 17                            | \$ 12.34         | 1.10                   | \$ 10,275        |
| Exercisable as of December 31, 2014 | 146                    | 17                            | \$ 12.34         | 1.10                   | \$ 10,275        |

<sup>(a)</sup> The Cablevision performance objective with respect to these awards has been achieved.

<sup>(b)</sup> Stock options exercised include 3 Company stock options that were exercised pursuant to a cashless exercise, of which 2 Company stock options were surrendered to the Company in order to meet tax withholding requirements and for the exercise price of the stock options. The Company remitted to Cablevision \$91 , which represents the aggregate value on the exercise date of the stock options that were surrendered to the Company to meet tax withholding requirements. This amount is reflected as a financing activity in the accompanying consolidated statement of cash flows for the six months ended December 31, 2014 and has been classified as additional paid-in capital.

The aggregate intrinsic value is calculated as the difference between (i) the exercise price of the underlying award and (ii) the quoted price of the Company's Class A Common Stock for all options outstanding (and all exercisable) which were all in-the-money at December 31, 2014 and June 30, 2014 , as applicable. For the six months ended December 31, 2014 the aggregate intrinsic value of the Company's stock options exercised was \$1,942 , determined as of the date of option exercise.

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*Restricted Share Units Award Activity*

The following table summarizes activity relating to the Company's RSUs for the six months ended December 31, 2014 :

|                                           | Number of                          |                                | Weighted-Average<br>Fair Value Per Share<br>At Date of Grant |
|-------------------------------------------|------------------------------------|--------------------------------|--------------------------------------------------------------|
|                                           | Non-Performance<br>Vesting<br>RSUs | Performance<br>Vesting<br>RSUs |                                                              |
| Unvested award balance, June 30, 2014     | 776                                | 476                            | \$ 38.10                                                     |
| Granted                                   | 248                                | 58                             | \$ 67.30                                                     |
| Vested                                    | (427)                              | (338)                          | \$ 34.16                                                     |
| Forfeited                                 | (89)                               | (7)                            | \$ 53.99                                                     |
| Unvested award balance, December 31, 2014 | 508                                | 189                            | \$ 55.21                                                     |

The fair value of RSUs that vested during the six months ended December 31, 2014 was \$51,827 . Upon delivery, RSUs granted under the Employee Stock Plan were net share-settled to cover the required statutory tax withholding obligations and the remaining number of shares were issued with new shares of the Company's Class A Common Stock. To fulfill the employees' statutory minimum tax withholding obligations for the applicable income and other employment taxes, 250 of these RSUs, with an aggregate value of \$16,325 were retained by the Company and reflected as financing activity in the accompanying consolidated statement of cash flows for the six months ended December 31, 2014 .

RSUs that were awarded under the Employee Stock Plan are generally subject to three -year cliff vesting, and certain RSUs are also subject to certain performance conditions. RSUs that were awarded by the Company to its employees will settle in shares of the Company's Class A Common Stock (either from treasury or with newly issued shares), or, at the option of the Compensation Committee, in cash.

RSUs that were awarded to non-employee directors under the Non-Employee Director Plan were fully vested upon the date of grant and will settle in shares of the Company's Class A Common Stock (either from treasury or with newly issued shares), or, at the option of the Compensation Committee, in cash, on the first business day after ninety days from the date the director's service on the Board of Directors ceases or, if earlier, upon the director's death.

**Note 14. Stock Repurchase Program**

On October 27, 2014, the Company's board of directors authorized the repurchase of up to \$500,000 of the Company's Class A Common Stock. Under the authorization, shares of Class A Common Stock may be purchased from time to time in open market or private transactions, in accordance with applicable insider trading and other securities laws and regulations. The timing and amount of purchases will depend on market conditions and other factors.

As of December 31, 2014 , the Company repurchased 19 shares, which are determined based on the settlement date of such trades, for a total cost of \$1,398 . These acquired shares have been classified as treasury stock in the accompanying consolidated balance sheet as of December 31, 2014 . As of December 31, 2014 , the Company had \$498,602 of availability remaining under its stock repurchase authorization.

**Note 15. Related Party Transactions**

As of December 31, 2014, members of the Dolan family group, for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, including trusts for the benefit of the Dolan family group, collectively beneficially own all of the Company's outstanding Class B Common Stock and own approximately 1.8% of the Company's outstanding Class A Common Stock. Such shares of the Company's Class A Common Stock and Class B Common Stock, collectively, represent approximately 69% of the aggregate voting power of the Company's outstanding common stock. Members of the Dolan family are also the controlling stockholders of both Cablevision and AMC Networks.

The Company has entered into various agreements with Cablevision and AMC Networks in connection with, and subsequent to, the Distribution. These agreements include arrangements with respect to a number of ongoing commercial relationships including affiliation agreements for carriage by Cablevision of MSG Networks and, prior to its sale, Fuse (see Note 4). The Company also has certain financing and commercial arrangements with our nonconsolidated affiliates.

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

**Revenues and Operating Expenses**

The following table summarizes the composition and amounts of related party transactions that are reflected in revenues and operating expenses in the accompanying consolidated statements of operations for the three and six months ended December 31, 2014 and 2013 :

|                                                       | <b>Three Months Ended December 31,</b> |             | <b>Six Months Ended December 31,</b> |             |
|-------------------------------------------------------|----------------------------------------|-------------|--------------------------------------|-------------|
|                                                       | <b>2014</b>                            | <b>2013</b> | <b>2014</b>                          | <b>2013</b> |
| Revenues                                              | \$ 43,269                              | \$ 45,503   | \$ 84,437                            | \$ 91,341   |
| Operating expenses:                                   |                                        |             |                                      |             |
| Origination, master control and technical services    | \$ 1,423                               | \$ 2,258    | \$ 2,759                             | \$ 4,460    |
| Advertising                                           | 2,899                                  | 4,225       | 4,635                                | 6,692       |
| Corporate general and administrative                  | 474                                    | 332         | 1,154                                | 989         |
| Telephone and other fiber optic transmission services | 596                                    | 540         | 1,193                                | 990         |
| Other                                                 | 323                                    | 462         | 415                                  | 924         |

*Revenues*

Revenues from related parties primarily consist of revenues recognized from the distribution of programming services to subsidiaries of Cablevision and include sponsorship revenue as well as advertising and promotional benefits received by the Company which is recognized as the benefits are realized.

*Origination, Master Control and Technical Services*

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

*Advertising*

The Company incurs advertising expenses for services rendered by its related parties, primarily Cablevision, most of which are related to the utilization of advertising and promotional benefits by the Company, with an equal amount being recognized as revenue when the benefits are realized.

*Corporate General and Administrative*

Amounts are charged to the Company for corporate general and administrative expenses pursuant to administrative and other service agreements with Cablevision.

*Telephone and Other Fiber Optic Transmission Services*

Amounts are charged to the Company by Cablevision for telephone and other fiber optic transmission services.

*Other Operating Expenses*

The Company and its related parties enter into transactions with each other in the ordinary course of business. The Company has also entered into transactions with certain entities owned and controlled by members of the Dolan family related to aircraft usage. Amounts charged to the Company for other transactions with its related parties are net of amounts charged by the Company to the Knickerbocker Group, LLC, an entity owned by James L. Dolan, the Executive Chairman and a director of the Company, for office-related services.

**Other**

Miscellaneous income in the accompanying consolidated statement of operations for the three and six months ended December 31, 2014 includes \$644 and \$1,278 , respectively, of income related to certain space leased and/or licensed by related parties from the Company.

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

Capital lease assets for transponder space had been subleased to the Company from a related party. As of June 30, 2014, the Company had \$1,967 of related party capital lease obligations which were recorded in liabilities held for sale in the accompanying consolidated balance sheet (see Note 4).

See Note 6 for information on loans that the Company provides to Azoff-MSG, BBLV and Tribeca Enterprises.

See Note 13 for information on share-based payment awards initially granted under Cablevision equity award programs.

**Note 16. Income Taxes**

Income tax expense for the three and six months ended December 31, 2014 was \$46,880 and \$133,540, respectively. The effective tax rate for the three months ended December 31, 2014 of 43.4% differs from the statutory federal rate of 35% due principally to the impact of state and local income taxes, changes in state tax rates used to value deferred taxes in connection with the filing of the Company's 2013 state income tax returns and non-deductible expenses. These increases were partially offset by the impact of the tax benefits of the domestic production activities deduction. The effective tax rate for the six months ended December 31, 2014 of 44.1% differs from the statutory federal rate of 35% due principally to the impact of state and local income taxes, changes in state tax rates used to value deferred taxes in connection with the filing of the Company's 2013 state income tax returns and due to the sale of Fuse, and non-deductible expenses. These increases were partially offset by the impact of the tax benefits of the domestic production activities deduction and the tax return to book provision adjustment in connection with the filing of the Company's federal income tax return.

Income tax expense for the three and six months ended December 31, 2013 was \$34,104 and \$48,817, respectively. The effective tax rate for the three months ended December 31, 2013 of 36.0% differs from the statutory federal rate of 35% due principally to state income taxes and, to a lesser extent, the impact of non-deductible expenses. These increases are partially offset by the benefit of the federal rehabilitation credit, the impact of the domestic production activities deduction, and the tax return to book provision adjustment in connection with the filing of the Company's 2012 state income tax returns. The effective tax rate for the six months ended December 31, 2013 of 36.7% differs from the statutory federal rate of 35% due principally to state income taxes and, to a lesser extent, the impact of non-deductible expenses. These increases are partially offset by the benefit of the federal rehabilitation credit, the impact of the domestic production activities deduction, and the tax return to book provision adjustment in connection with the filing of the Company's 2012 federal and state income tax returns. During the three and six months ended December 31, 2013, the amount of the rehabilitation tax credit benefit recognized in income tax expense was approximately \$5,000. This federal rehabilitation credit is based on eligible expenditures incurred as a result of the renovation of the Forum.

During the fourth quarter of fiscal year 2014, the State of New York commenced an examination of the Company's State of New York income tax returns as filed for the tax years ended December 31, 2010, 2011, and 2012. The examination is currently in fieldwork. The Company does not expect the examination, when finalized, to result in material changes to the tax returns as filed.

**Note 17. Segment Information**

The Company is comprised of 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. Allocated venue operating expenses include the non-event related costs of operating the Company's venues, and include such costs as rent for the Company's leased venues, real estate taxes, insurance, utilities, repairs and maintenance, and labor related to the overall management of the venues. Depreciation expense related to The Garden, The Theater at Madison Square Garden, and the Forum is not allocated to the reportable segments and is reported in "All other."

The Company conducts a significant portion of its operations at venues that it either owns or operates under long-term leases. The Company owns The Garden and The Theater at Madison Square Garden in New York City, the Forum in Inglewood, CA, and The Chicago Theatre in Chicago. In addition, the Company leases Radio City Music Hall and the Beacon Theatre in New York City, and 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 operating income (loss) before (i) depreciation, amortization and impairments of property and equipment and intangible assets, (ii) share-based compensation expense or benefit, (iii) restructuring charges or credits and (iv) gains or losses on sales or dispositions of businesses, which is referred to as adjusted operating cash flow ("AOCF"), a non-GAAP measure. The Company believes

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

AOCF is an appropriate measure for evaluating the operating performance of its business segments and the Company on a consolidated basis. AOCF and similar measures with similar titles are common performance measures used by investors and analysts to analyze the Company's performance. The Company uses revenues and AOCF measures as the most important indicators of its business performance, and evaluates management's effectiveness with specific reference to these indicators. AOCF should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), cash flows from operating activities, and other measures of performance and/or liquidity presented in accordance with GAAP. The Company has presented the components that reconcile AOCF 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<br>December 31, |                   | Six Months Ended<br>December 31, |                   |
|-------------------------------------------|------------------------------------|-------------------|----------------------------------|-------------------|
|                                           | 2014                               | 2013              | 2014                             | 2013              |
| <b>Revenues</b>                           |                                    |                   |                                  |                   |
| MSG Media                                 | \$ 166,220                         | \$ 180,709        | \$ 308,890                       | \$ 347,324        |
| MSG Entertainment                         | 194,125                            | 163,100           | 259,360                          | 191,725           |
| MSG Sports                                | 202,512                            | 183,389           | 256,017                          | 221,554           |
| All other                                 | 177                                | 123               | 353                              | 246               |
| Inter-segment eliminations <sup>(a)</sup> | (20,506)                           | (17,942)          | (40,352)                         | (35,885)          |
|                                           | <u>\$ 542,528</u>                  | <u>\$ 509,379</u> | <u>\$ 784,268</u>                | <u>\$ 724,964</u> |

**Reconciliation (by Segment and in Total) of AOCF to Operating Income (Loss)**

|                             | Three Months Ended<br>December 31, |                   | Six Months Ended<br>December 31, |                   |
|-----------------------------|------------------------------------|-------------------|----------------------------------|-------------------|
|                             | 2014                               | 2013              | 2014                             | 2013              |
| <b>AOCF</b>                 |                                    |                   |                                  |                   |
| MSG Media                   | \$ 89,091                          | \$ 85,794         | \$ 170,185                       | \$ 167,244        |
| MSG Entertainment           | 56,146                             | 42,320            | 51,726                           | 27,310            |
| MSG Sports                  | 14,944                             | 1,102             | 22,568                           | 4,025             |
| All other <sup>(b)(c)</sup> | (10,336)                           | (2,644)           | (18,480)                         | (6,507)           |
|                             | <u>\$ 149,845</u>                  | <u>\$ 126,572</u> | <u>\$ 225,999</u>                | <u>\$ 192,072</u> |

|                                      | Three Months Ended<br>December 31, |                  | Six Months Ended<br>December 31, |                  |
|--------------------------------------|------------------------------------|------------------|----------------------------------|------------------|
|                                      | 2014                               | 2013             | 2014                             | 2013             |
| <b>Depreciation and amortization</b> |                                    |                  |                                  |                  |
| MSG Media                            | \$ 3,313                           | \$ 3,953         | \$ 6,472                         | \$ 7,975         |
| MSG Entertainment                    | 2,546                              | 2,576            | 5,072                            | 4,960            |
| MSG Sports                           | 2,767                              | 2,594            | 15,735                           | 5,076            |
| All other <sup>(d)</sup>             | 19,619                             | 15,265           | 38,567                           | 29,184           |
|                                      | <u>\$ 28,245</u>                   | <u>\$ 24,388</u> | <u>\$ 65,846</u>                 | <u>\$ 47,195</u> |

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

|                                         | Three Months Ended<br>December 31, |                 | Six Months Ended<br>December 31, |                 |
|-----------------------------------------|------------------------------------|-----------------|----------------------------------|-----------------|
|                                         | 2014                               | 2013            | 2014                             | 2013            |
| <b>Share-based compensation expense</b> |                                    |                 |                                  |                 |
| MSG Media                               | \$ 604                             | \$ 1,177        | \$ 1,520                         | \$ 1,902        |
| MSG Entertainment                       | 1,311                              | 1,561           | 2,577                            | 2,576           |
| MSG Sports                              | 763                                | 1,419           | 1,802                            | 2,270           |
| All other <sup>(c)</sup>                | 4,349                              | 1,480           | 4,745                            | 1,719           |
|                                         | <u>\$ 7,027</u>                    | <u>\$ 5,637</u> | <u>\$ 10,644</u>                 | <u>\$ 8,467</u> |

|                                          | Three Months Ended<br>December 31, |             | Six Months Ended<br>December 31, |             |
|------------------------------------------|------------------------------------|-------------|----------------------------------|-------------|
|                                          | 2014                               | 2013        | 2014                             | 2013        |
| <b>Gain on sale of Fuse (see Note 4)</b> |                                    |             |                                  |             |
| MSG Media                                | \$ 23,764                          | \$ —        | \$ 186,178                       | \$ —        |
|                                          | <u>\$ 23,764</u>                   | <u>\$ —</u> | <u>\$ 186,178</u>                | <u>\$ —</u> |

|                                | Three Months Ended<br>December 31, |                  | Six Months Ended<br>December 31, |                   |
|--------------------------------|------------------------------------|------------------|----------------------------------|-------------------|
|                                | 2014                               | 2013             | 2014                             | 2013              |
| <b>Operating income (loss)</b> |                                    |                  |                                  |                   |
| MSG Media                      | \$ 108,938                         | \$ 80,664        | \$ 348,371                       | \$ 157,367        |
| MSG Entertainment              | 52,289                             | 38,183           | 44,077                           | 19,774            |
| MSG Sports                     | 11,414                             | (2,911)          | 5,031                            | (3,321)           |
| All other                      | (34,304)                           | (19,389)         | (61,792)                         | (37,410)          |
|                                | <u>\$ 138,337</u>                  | <u>\$ 96,547</u> | <u>\$ 335,687</u>                | <u>\$ 136,410</u> |

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

|                                                | Three Months Ended<br>December 31, |                  | Six Months Ended<br>December 31, |                   |
|------------------------------------------------|------------------------------------|------------------|----------------------------------|-------------------|
|                                                | 2014                               | 2013             | 2014                             | 2013              |
| Total operating income for reportable segments | \$ 172,641                         | \$ 115,936       | \$ 397,479                       | \$ 173,820        |
| Other operating loss                           | (34,304)                           | (19,389)         | (61,792)                         | (37,410)          |
| Operating income                               | 138,337                            | 96,547           | 335,687                          | 136,410           |
| Items excluded from operating income:          |                                    |                  |                                  |                   |
| Equity in loss of nonconsolidated affiliates   | (30,151)                           | (738)            | (32,755)                         | (738)             |
| Interest income                                | 947                                | 609              | 1,882                            | 1,114             |
| Interest expense                               | (1,662)                            | (1,822)          | (3,324)                          | (3,615)           |
| Miscellaneous income <sup>(e)</sup>            | 639                                | 17               | 1,353                            | 23                |
| Income from operations before income taxes     | <u>\$ 108,110</u>                  | <u>\$ 94,613</u> | <u>\$ 302,843</u>                | <u>\$ 133,194</u> |

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

|                             | Three Months Ended<br>December 31, |                   | Six Months Ended<br>December 31, |                   |
|-----------------------------|------------------------------------|-------------------|----------------------------------|-------------------|
|                             | 2014                               | 2013              | 2014                             | 2013              |
| <b>Capital expenditures</b> |                                    |                   |                                  |                   |
| MSG Media                   | \$ 2,629                           | \$ 530            | \$ 3,683                         | \$ 1,268          |
| MSG Entertainment           | 1,104                              | 2,209             | 1,906                            | 3,833             |
| MSG Sports                  | 2,010                              | 1,449             | 3,082                            | 2,927             |
| All other <sup>(f)</sup>    | 27,391                             | 98,031            | 32,490                           | 186,831           |
|                             | <u>\$ 33,134</u>                   | <u>\$ 102,219</u> | <u>\$ 41,161</u>                 | <u>\$ 194,859</u> |

- <sup>(a)</sup> Represents local media rights recognized as revenues by the Company's MSG Sports segment from the licensing of team related programming to the Company's MSG Media segment which are eliminated in consolidation. Local media rights are generally recognized on a straight-line basis over the fiscal year.
- <sup>(b)</sup> Consists of unallocated corporate general and administrative costs.
- <sup>(c)</sup> The amounts for the three and six months ended December 31, 2014 include executive management transition costs.
- <sup>(d)</sup> Principally includes depreciation and amortization expense on The Garden, The Theater at Madison Square Garden, the Forum, and certain corporate property, equipment and leasehold improvement assets not allocated to the Company's reportable segments.
- <sup>(e)</sup> Miscellaneous income for the three and six months ended December 31, 2014 primarily includes income related to certain space leased and/or licensed by related parties from the Company.
- <sup>(f)</sup> Capital expenditures associated with the comprehensive transformation of The Garden into a state-of-the-art arena and the renovation of the Forum are reflected in these amounts.

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. Concentration of Risk**

The accompanying consolidated balance sheets as of December 31, 2014 and June 30, 2014 include the following approximate amounts that are recorded in connection with the Company's license agreement with the New Jersey Devils:

| Reported in          | December 31,<br>2014 | June 30,<br>2014 |
|----------------------|----------------------|------------------|
| Prepaid expenses     | \$ 3,000             | \$ 1,000         |
| Other current assets | 2,000                | 2,000            |
| Other assets         | 42,000               | 42,000           |
|                      | <u>\$ 47,000</u>     | <u>\$ 45,000</u> |

**Note 19. Other Matters**

On October 27, 2014, the Company's board of directors unanimously approved a plan to explore a possible spin-off that would separate its entertainment businesses from its media and sports businesses, creating two distinct publicly traded companies. Subsequently, on December 18, 2014, the Company's board of directors authorized and directed the Company's management also to consider other spin-off structures including, without limitation, a separation of the Company's sports and entertainment businesses from its media business. If the Company proceeds with a spin-off transaction, it would be structured as a tax-free pro rata spin-off to all shareholders. There can be no assurance that a spin-off transaction will be completed. Completion of a spin-off would be subject to various conditions, as well as final board approval.

**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, or MD&A, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In this MD&A, there are statements concerning the future operating and future financial performance of the Company and its segments, including possible changes to the Company's luxury tax expense based on the Knicks' roster and impacts on advertising sales as a result of Knicks' ratings. 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 financial performance and plans identify forward-looking statements. Investors are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to:*

- the level of our revenues, which depends in part on the popularity and competitiveness of our sports teams and the level 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 contract terminations of players and other team personnel;
- changes in professional sports teams' compensation, including the impact of signing of free agents and trades, subject to league salary caps, and the impact of the National Basketball Association (the "NBA") luxury tax;
- the demand for our programming among cable television systems and satellite, telephone and other multichannel video programming distributors and the subscribers thereto, and our ability to renew affiliation agreements with such distributors, as well as the impact of consolidation among cable television systems and satellite providers;
- general economic conditions especially in the New York City metropolitan area where we conduct the majority of our operations;
- the demand for sponsorship arrangements and for advertising and viewer ratings for our programming;
- competition, for example, from other regional sports networks, other teams, other venues and other entertainment options;
- changes in laws, NBA or National Hockey League (the "NHL") rules, regulations, guidelines, bulletins, directives, policies and agreements (including the leagues' respective collective bargaining agreements with their players' associations, salary caps, revenue sharing and NBA luxury tax thresholds) or other regulations under which we operate;
- the relocation or insolvency of professional sports teams with which we have a rights agreement;
- our ability to maintain, obtain or produce content for our MSG Media segment, together with the cost of such content;
- the successful development of new live productions and enhancements to existing productions and the investments associated with such development or enhancements, including the *New York Spring Spectacular*, the Company's new large scale theatrical production;
- the acquisition or disposition of assets and/or the impact of, and our ability to, successfully pursue acquisitions or other strategic transactions, and the operating and financial performance thereof (including those that we do not control);
- the costs associated with, and the outcome of, litigation and other proceedings to the extent uninsured;
- the impact of governmental regulations or laws, including the continued benefit of certain tax exemptions and the ability to maintain necessary permits or licenses;
- financial community and rating agency perceptions of our business, operations, financial condition and the industry in which we operate;
- market conditions and other factors that may impact our determination as to whether and when to repurchase shares of Class A Common Stock under our repurchase authorization;
- business, competitive, tax, legal, financial, operational or other factors that may impact our exploration and the completion of any spin-off or other restructuring transaction;

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- our ownership of professional sports franchises in the NBA and NHL and certain transfer restrictions on our common stock; and
- the factors described under "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended June 30, 2014 .

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

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

### **Introduction**

MD&A is provided as a supplement to, and should be read in conjunction with, the Company's unaudited consolidated financial statements and accompanying notes thereto included in this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended June 30, 2014 to help provide an understanding of our financial condition, changes in financial condition and results of operations. Unless the context otherwise requires, all references to "we," "us," "our," "Madison Square Garden" or the "Company" refer collectively to The Madison Square Garden Company, a holding company, and its direct and indirect subsidiaries through which substantially all of our operations are actually conducted. The Company is comprised of 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, and is comprised of the Company's regional sports networks, MSG Network and MSG+, collectively the "MSG Networks." MSG Entertainment presents or hosts live entertainment events, such as concerts, family shows, performing arts and special events, in the Company's diverse collection of venues. MSG Entertainment also creates, produces and/or presents live productions, including the *Radio City Christmas Spectacular* featuring the Radio City Rockettes (the "Rockettes"), that are performed in the Company's venues. MSG Sports owns and operates the following sports franchises: the New York Knicks (the "Knicks") of the NBA, the New York Rangers (the "Rangers") of the NHL, the New York Liberty (the "Liberty") of the Women's National Basketball Association, the Hartford Wolf Pack of the American Hockey League, which is the primary player development team for the Rangers, and the Westchester Knicks, an NBA Development League team. MSG Sports also promotes, produces and/or presents a broad array of other live sporting events outside of the Company's sports franchises' games.

The Company conducts a significant portion of its operations at venues that it either owns or operates under long-term leases. The Company owns the Madison Square Garden Arena ("The Garden") and The Theater at Madison Square Garden in New York City, the Forum in Inglewood, CA and The Chicago Theatre in Chicago. In addition, the Company leases Radio City Music Hall and the Beacon Theatre in New York City, and has a booking agreement with respect to the Wang Theatre in Boston.

On July 1, 2014, the Company completed its sale of Fuse, a national music television network. For all periods presented prior to the sale, MSG Media also included Fuse.

On October 27, 2014, the Company's board of directors unanimously approved a plan to explore a possible spin-off that would separate its entertainment businesses from its media and sports businesses, creating two distinct publicly traded companies. Subsequently, on December 18, 2014, the Company's board of directors authorized and directed the Company's management also to consider other spin-off structures including, without limitation, a separation of the Company's sports and entertainment businesses from its media business. If the Company proceeds with a spin-off transaction, it would be structured as a tax-free pro rata spin-off to all shareholders. There can be no assurance that a spin-off transaction will be completed. Completion of a spin-off would be subject to various conditions, as well as final board approval.

This MD&A is organized as follows:

*Results of Operations.* This section provides an analysis of our unaudited results of operations for the three and six months ended December 31, 2014 compared to the three and six months ended December 31, 2013 on both a consolidated and segment basis.

*Liquidity and Capital Resources.* This section provides a discussion of our financial condition and liquidity, an analysis of our cash flows for the six months ended December 31, 2014 compared to the six months ended December 31, 2013 , as well as certain contractual obligations and off balance sheet arrangements.

*Seasonality of Our Business.* This section discusses the seasonal performance of our MSG Sports and MSG Entertainment segments .

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*Recently Issued Accounting Pronouncements Not Yet Adopted and Critical Accounting Policies.* This section discusses recently issued accounting pronouncements not yet adopted by the Company, as well as the results of the Company's annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the first quarter of fiscal year 2015. This section should be read together with our critical accounting policies, which are discussed in our Annual Report on Form 10-K for the year ended June 30, 2014 under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Recently Issued Accounting Pronouncements and Critical Accounting Policies — Critical Accounting Policies" and in the notes to the consolidated financial statements of the Company included therein.

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**Results of Operations**

*Comparison of the Three Months Ended December 31, 2014 versus the Three Months Ended December 31, 2013*

**Consolidated Results of Operations**

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

|                                              | Three Months Ended December 31, |                  |            |                  | Increase<br>(Decrease)<br>in Net<br>Income |
|----------------------------------------------|---------------------------------|------------------|------------|------------------|--------------------------------------------|
|                                              | 2014                            |                  | 2013       |                  |                                            |
|                                              | Amount                          | % of<br>Revenues | Amount     | % of<br>Revenues |                                            |
| Revenues                                     | \$ 542,528                      | 100 %            | \$ 509,379 | 100 %            | \$ 33,149                                  |
| Direct operating expenses                    | 307,560                         | 57 %             | 301,074    | 59 %             | (6,486)                                    |
| Selling, general and administrative expenses | 92,150                          | 17 %             | 87,370     | 17 %             | (4,780)                                    |
| Depreciation and amortization                | 28,245                          | 5 %              | 24,388     | 5 %              | (3,857)                                    |
| Gain on sale of Fuse                         | (23,764)                        | (4)%             | —          | NM               | 23,764                                     |
| Operating income                             | 138,337                         | 25 %             | 96,547     | 19 %             | 41,790                                     |
| Other income (expense):                      |                                 |                  |            |                  |                                            |
| Equity in loss of nonconsolidated affiliates | (30,151)                        | (6)%             | (738)      | NM               | (29,413)                                   |
| Interest expense, net                        | (715)                           | NM               | (1,213)    | NM               | 498                                        |
| Miscellaneous income                         | 639                             | NM               | 17         | NM               | 622                                        |
| Income from operations before income taxes   | 108,110                         | 20 %             | 94,613     | 19 %             | 13,497                                     |
| Income tax expense                           | (46,880)                        | (9)%             | (34,104)   | (7)%             | (12,776)                                   |
| Net income                                   | \$ 61,230                       | 11 %             | \$ 60,509  | 12 %             | \$ 721                                     |

NM – Percentage is not meaningful

The comparability of the results of operations of the Company and the MSG Media segment for the three months ended December 31, 2014 to the prior year period was impacted by the Company's sale of Fuse, which was completed on July 1, 2014. Fuse generated meaningful revenues in the prior year period but did not have a material impact on MSG Media or total Company adjusted operating cash flow ("AOCF").

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.

**Revenues**

Revenues for the three months ended December 31, 2014 increased \$33,149 , or 7% , to \$542,528 as compared to the prior year period. The net increase is attributable to the following:

|                                                |                  |
|------------------------------------------------|------------------|
| Decrease in MSG Media segment revenues         | \$ (14,489)      |
| Increase in MSG Entertainment segment revenues | 31,025           |
| Increase in MSG Sports segment revenues        | 19,123           |
| Increase in other revenues                     | 54               |
| Inter-segment eliminations                     | (2,564)          |
|                                                | <u>\$ 33,149</u> |

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### *Direct operating expenses*

Direct operating expenses for the three months ended December 31, 2014 increased \$6,486 , or 2% , to \$307,560 as compared to the prior year period. The net increase is attributable to the following:

|                                                |                 |
|------------------------------------------------|-----------------|
| Decrease in MSG Media segment expenses         | \$ (8,233)      |
| Increase in MSG Entertainment segment expenses | 17,109          |
| Increase in MSG Sports segment expenses        | 174             |
| Inter-segment eliminations                     | (2,564)         |
|                                                | <u>\$ 6,486</u> |

### *Selling, general and administrative expenses*

Selling, general and administrative expenses for the three months ended December 31, 2014 increased \$4,780 , or 5% , to \$92,150 as compared to the prior year period. The net increase is attributable to the following:

|                                                |                 |
|------------------------------------------------|-----------------|
| Decrease in MSG Media segment expenses         | \$ (10,126)     |
| Decrease in MSG Entertainment segment expenses | (160)           |
| Increase in MSG Sports segment expenses        | 4,451           |
| Increase in other expenses                     | 10,615          |
|                                                | <u>\$ 4,780</u> |

The increase in other expenses was primarily due to executive management transition costs recorded during the current year period and higher professional fees.

### *Depreciation and amortization*

Depreciation and amortization for the three months ended December 31, 2014 increased \$3,857 , or 16% , to \$28,245 as compared to the prior year period primarily driven by higher depreciation expense on property and equipment placed into service associated with the comprehensive transformation of The Garden into a state-of-the-art arena (the "Transformation") and the renovation of the Forum. These increases are partially offset by the absence of depreciation expense on Fuse's property and equipment.

### *Gain on sale of Fuse*

Gain on sale of Fuse for the three months ended December 31, 2014 represents the Company's recognition of its 15% equity interest in SiTV Media, LLC ("SiTV") and the finalization of a working capital adjustment. The Company's interest in SiTV was subject to potential reduction based on certain performance goals, which were satisfied during the three months ended December 31, 2014 (see Note 4 to the consolidated financial statements included in "Part I - Item 1. Financial Statements" of this Quarterly Report on Form 10-Q).

### *Equity in loss of nonconsolidated affiliates*

Equity in loss of nonconsolidated affiliates for the three months ended December 31, 2014 increased \$29,413 to \$30,151 primarily as a result of the Company recording a pre-tax non-cash impairment charge of \$23,600 to write-off the carrying value of its equity investment in BBLV during the current year period (see Note 6 to the consolidated financial statements included in "Part I - Item 1. Financial Statements" of this Quarterly Report on Form 10-Q) and its share of the net loss of BBLV .

### *Miscellaneous income*

Miscellaneous income for the three months ended December 31, 2014 includes income related to certain space leased and/or licensed by related parties from the Company.

### *Income taxes*

Income tax expense for the three months ended December 31, 2014 was \$46,880 . The effective tax rate for the three months ended December 31, 2014 of 43.4% differs from the statutory federal rate of 35% due principally to the impact of state and local income taxes, changes in state tax rates used to value deferred taxes in connection with the filing of the Company's 2013 state income tax returns and non-deductible expenses. These increases were partially offset by the impact of the tax benefits of the domestic production activities deduction.

Income tax expense for the three months ended December 31, 2013 was \$34,104 . The effective tax rate for the three months ended December 31, 2013 of 36.0% differs from the statutory federal rate of 35% due principally to state income taxes and, to a

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lesser extent, the impact of non-deductible expenses. These increases are partially offset by the benefit of the federal rehabilitation credit, the impact of the domestic production activities deduction, and the tax return to book provision adjustment in connection with the filing of the Company's 2012 state income tax returns.

### *Adjusted operating cash flow*

The Company evaluates segment performance based on several factors, of which the key financial measure is operating income (loss) before (i) depreciation, amortization and impairments of property and equipment and intangible assets, (ii) share-based compensation expense or benefit, (iii) restructuring charges or credits and (iv) gains or losses on sales or dispositions of businesses, which is referred to as AOCF, a non-GAAP measure. The Company has presented the components that reconcile AOCF to operating income, an accepted GAAP measure.

The following is a reconciliation of operating income to AOCF:

|                               | <b>Three Months Ended<br/>December 31,</b> |                   | <b>Increase<br/>(Decrease)<br/>in AOCF</b> |
|-------------------------------|--------------------------------------------|-------------------|--------------------------------------------|
|                               | <b>2014</b>                                | <b>2013</b>       |                                            |
| Operating income              | \$ 138,337                                 | \$ 96,547         | \$ 41,790                                  |
| Share-based compensation      | 7,027                                      | 5,637             | 1,390                                      |
| Depreciation and amortization | 28,245                                     | 24,388            | 3,857                                      |
| Gain on sale of Fuse          | (23,764)                                   | —                 | (23,764)                                   |
| <b>AOCF</b>                   | <b>\$ 149,845</b>                          | <b>\$ 126,572</b> | <b>\$ 23,273</b>                           |

AOCF for the three months ended December 31, 2014 increased \$23,273, or 18%, to \$149,845 as compared to the prior year period. The net increase is attributable to the following:

|                                                   |                  |
|---------------------------------------------------|------------------|
| Increase in AOCF of the MSG Media segment         | \$ 3,297         |
| Increase in AOCF of the MSG Entertainment segment | 13,826           |
| Increase in AOCF of the MSG Sports segment        | 13,842           |
| Other net decreases                               | (7,692)          |
|                                                   | <b>\$ 23,273</b> |

Other net decreases were primarily due to higher professional fees and executive management transition costs recorded during the current year period.

### **Business Segment Results**

#### **MSG Media**

The table below sets 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.

|                                              | Three Months Ended December 31, |                  |            |                  | Increase<br>(Decrease)<br>in<br>Operating<br>Income |
|----------------------------------------------|---------------------------------|------------------|------------|------------------|-----------------------------------------------------|
|                                              | 2014                            |                  | 2013       |                  |                                                     |
|                                              | Amount                          | % of<br>Revenues | Amount     | % of<br>Revenues |                                                     |
| Revenues                                     | \$ 166,220                      | 100 %            | \$ 180,709 | 100%             | \$ (14,489)                                         |
| Direct operating expenses                    | 59,355                          | 36 %             | 67,588     | 37%              | 8,233                                               |
| Selling, general and administrative expenses | 18,378                          | 11 %             | 28,504     | 16%              | 10,126                                              |
| Depreciation and amortization                | 3,313                           | 2 %              | 3,953      | 2%               | 640                                                 |
| Gain on sale of Fuse                         | (23,764)                        | (14)%            | —          | NM               | 23,764                                              |
| Operating income                             | \$ 108,938                      | 66 %             | \$ 80,664  | 45%              | \$ 28,274                                           |



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The following is a reconciliation of operating income to AOCF:

|                               | Three Months Ended<br>December 31, |                  | Increase<br>(Decrease)<br>in AOCF |
|-------------------------------|------------------------------------|------------------|-----------------------------------|
|                               | 2014                               | 2013             |                                   |
| Operating income              | \$ 108,938                         | \$ 80,664        | \$ 28,274                         |
| Share-based compensation      | 604                                | 1,177            | (573)                             |
| Depreciation and amortization | 3,313                              | 3,953            | (640)                             |
| Gain on sale of Fuse          | (23,764)                           | —                | (23,764)                          |
| AOCF                          | <u>\$ 89,091</u>                   | <u>\$ 85,794</u> | <u>\$ 3,297</u>                   |

### *Revenues*

Revenues for the three months ended December 31, 2014 decreased \$14,489 , or 8% , to \$166,220 as compared to the prior year period. The net decrease is attributable to the following:

|                                     |                    |
|-------------------------------------|--------------------|
| Decrease in affiliation fee revenue | \$ (10,262)        |
| Decrease in advertising revenue     | (5,365)            |
| Other net increases                 | 1,138              |
|                                     | <u>\$ (14,489)</u> |

The decrease in affiliation fee revenue was due to the absence of affiliation fee revenue for Fuse, as the Company completed its sale of the network on July 1, 2014, partially offset by a small increase in affiliation fee revenue at MSG Networks. The increase in affiliation fee revenue at MSG Networks was primarily due to higher affiliation rates and, to a lesser extent, the favorable impact of affiliate adjustments, partially offset by the impact of a low single digit percentage decrease in subscribers as compared to the prior year period.

The decrease in advertising revenue was primarily attributable to the absence of advertising revenue for Fuse partially offset by an increase at MSG Networks. The Company expects advertising sales results to be negatively impacted in the second half of this fiscal year due to Knicks' ratings being down on a year over year basis.

Other net increases primarily reflect a retroactive royalty payment recognized in the current year period.

### *Direct operating expenses*

Direct operating expenses for the three months ended December 31, 2014 decreased \$8,233 , or 12% , to \$59,355 as compared to the prior year period primarily attributable to the absence of expenses for Fuse, which were partially offset by higher expenses at MSG Networks. The increase in direct operating expenses at MSG Networks was primarily due to higher programming acquisition costs (rights fees), including rights fees from the licensing of MSG Sports' team related programming and, to a lesser extent, other programming cost increases.

### *Selling, general and administrative expenses*

Selling, general and administrative expenses for the three months ended December 31, 2014 decreased \$10,126 , or 36% , to \$18,378 as compared to the prior year period primarily due to the absence of expenses for Fuse.

### *Depreciation and amortization*

Depreciation and amortization for the three months ended December 31, 2014 decreased \$640 , or 16% , to \$3,313 as compared to the prior year period primarily due to the absence of depreciation expense on Fuse's property and equipment partially offset by higher depreciation expense at MSG Networks.

### *Gain on sale of Fuse*

Gain on sale of Fuse for the three months ended December 31, 2014 represents the Company's recognition of its 15% equity interest in SiTV and the finalization of a working capital adjustment. The Company's interest in SiTV was subject to potential reduction based on certain performance goals, which were satisfied during the three months ended December 31, 2014 (see Note 4 to the consolidated financial statements included in "Part I - Item 1. Financial Statements" of this Quarterly Report on Form 10-Q).

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### AOCF

AOCF for the three months ended December 31, 2014 increased \$3,297 , or 4% , to \$89,091 as compared to the prior year period primarily driven by lower selling, general and administrative expenses and direct operating expenses largely offset by a decrease in revenues, as discussed above.

### MSG Entertainment

The table below sets 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.

|                                              | Three Months Ended December 31, |                  |            |                  | Increase<br>(Decrease) in<br>Operating<br>Income |
|----------------------------------------------|---------------------------------|------------------|------------|------------------|--------------------------------------------------|
|                                              | 2014                            |                  | 2013       |                  |                                                  |
|                                              | Amount                          | % of<br>Revenues | Amount     | % of<br>Revenues |                                                  |
| Revenues                                     | \$ 194,125                      | 100%             | \$ 163,100 | 100%             | \$ 31,025                                        |
| Direct operating expenses                    | 118,936                         | 61%              | 101,827    | 62%              | (17,109)                                         |
| Selling, general and administrative expenses | 20,354                          | 10%              | 20,514     | 13%              | 160                                              |
| Depreciation and amortization                | 2,546                           | 1%               | 2,576      | 2%               | 30                                               |
| Operating income                             | \$ 52,289                       | 27%              | \$ 38,183  | 23%              | \$ 14,106                                        |

The following is a reconciliation of operating income to AOCF:

|                               | Three Months Ended<br>December 31, |                  | Increase<br>(Decrease)<br>in AOCF |
|-------------------------------|------------------------------------|------------------|-----------------------------------|
|                               | 2014                               | 2013             |                                   |
| Operating income              | \$ 52,289                          | \$ 38,183        | \$ 14,106                         |
| Share-based compensation      | 1,311                              | 1,561            | (250)                             |
| Depreciation and amortization | 2,546                              | 2,576            | (30)                              |
| AOCF                          | <u>\$ 56,146</u>                   | <u>\$ 42,320</u> | <u>\$ 13,826</u>                  |

### Revenues

Revenues for the three months ended December 31, 2014 increased \$31,025 , or 19% , to \$194,125 as compared to the prior year period. The net increase is attributable to the following:

|                                                                                                                |                  |
|----------------------------------------------------------------------------------------------------------------|------------------|
| Increase in event-related revenues at the Forum                                                                | \$ 13,522        |
| Increase in event-related revenues at The Garden                                                               | 8,298            |
| Increase in revenues from the presentation of the <i>Radio City Christmas Spectacular</i> franchise            | 4,233            |
| Increase in event-related revenues at The Chicago Theatre                                                      | 3,749            |
| Increase in venue-related sponsorship and signage and suite rental fee revenues                                | 2,261            |
| Decrease in event-related revenues at Radio City Music Hall, excluding <i>Radio City Christmas Spectacular</i> | (2,358)          |
| Other net increases                                                                                            | 1,320            |
|                                                                                                                | <u>\$ 31,025</u> |

The increase in event-related revenues at the Forum was primarily due to the venue being available for events during the current year period whereas during the prior year period the venue was closed due to the renovation.

The increase in event-related revenues at The Garden was due to additional events promoted by MSG Entertainment held at the venue during the current year period as compared to the prior year period.

The increase in revenues from the presentation of the *Radio City Christmas Spectacular* franchise was primarily driven by the Radio City Music Hall production of the show. The increase in revenues from the Radio City Music Hall production was primarily due to higher ticket-related revenue, mainly a result of higher average ticket prices and higher attendance, despite five fewer performances as compared to the prior year period. During the 2014 holiday season more than one million tickets were sold to the Radio City Music Hall production, which represents a low single digit percentage increase over the prior year period.

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The increase in event-related revenues at The Chicago Theatre was primarily due to more events held at the venue during the current year period as compared to the prior year period.

The increase in venue-related sponsorship and signage and suite rental fee revenues was primarily due to increased sponsorship revenues as a result of the re-opening of the Forum, higher suite rental fee revenue and expanded inventory at The Garden.

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

### *Direct operating expenses*

Direct operating expenses for the three months ended December 31, 2014 increased \$17,109, or 17%, to \$118,936 as compared to the prior year period. The net increase is attributable to the following:

|                                                                                                                                 |           |               |
|---------------------------------------------------------------------------------------------------------------------------------|-----------|---------------|
| Increase in event-related direct operating expenses at the Forum                                                                | \$        | 7,671         |
| Increase in event-related direct operating expenses at The Garden                                                               |           | 6,757         |
| Increase in event-related direct operating expenses at The Chicago Theatre                                                      |           | 2,694         |
| Decrease in event-related direct operating expenses at Radio City Music Hall, excluding <i>Radio City Christmas Spectacular</i> |           | (1,485)       |
| Decrease in direct operating expenses associated with the presentation of the <i>Radio City Christmas Spectacular</i> franchise |           | (156)         |
| Other net increases                                                                                                             |           | 1,628         |
|                                                                                                                                 | <u>\$</u> | <u>17,109</u> |

### *Selling, general and administrative expenses*

Selling, general and administrative expenses for the three months ended December 31, 2014 decreased \$160, or 1%, to \$20,354 as compared to the prior year period mainly due to the impact of costs recorded in the prior year period associated with the re-opening of the Forum and the debut of the fully transformed Madison Square Garden Arena largely offset by higher allocated corporate general and administrative costs and, to a lesser extent, other cost increases.

### *AOCF*

AOCF for the three months ended December 31, 2014 increased \$13,826, or 33%, to \$56,146 as compared to the prior year period driven by an increase in revenues partially offset by higher direct operating expenses, as discussed above.

The Company regularly evaluates the theatrical productions of the *Radio City Christmas Spectacular* presented outside of New York and has made the decision to end these productions outside of New York as the Company continues to explore new approaches to best showcase the *Radio City Christmas Spectacular* and Rockettes brands. The theatrical productions of the *Radio City Christmas Spectacular* presented outside of New York generated direct contribution of approximately \$4,400 during the 2014 holiday season.

### *MSG Sports*

The table below sets 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 December 31, |                  |            |                  | (Increase)<br>Decrease in<br>Operating<br>Loss |
|----------------------------------------------|---------------------------------|------------------|------------|------------------|------------------------------------------------|
|                                              | 2014                            |                  | 2013       |                  |                                                |
|                                              | Amount                          | % of<br>Revenues | Amount     | % of<br>Revenues |                                                |
| Revenues                                     | \$ 202,512                      | 100%             | \$ 183,389 | 100 %            | \$ 19,123                                      |
| Direct operating expenses                    | 149,775                         | 74%              | 149,601    | 82 %             | (174)                                          |
| Selling, general and administrative expenses | 38,556                          | 19%              | 34,105     | 19 %             | (4,451)                                        |
| Depreciation and amortization                | 2,767                           | 1%               | 2,594      | 1 %              | (173)                                          |
| Operating income (loss)                      | \$ 11,414                       | 6%               | \$ (2,911) | (2)%             | \$ 14,325                                      |

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The following is a reconciliation of operating income (loss) to AOCF:

|                               | Three Months Ended<br>December 31, |                 | Increase<br>(Decrease)<br>in AOCF |
|-------------------------------|------------------------------------|-----------------|-----------------------------------|
|                               | 2014                               | 2013            |                                   |
| Operating income (loss)       | \$ 11,414                          | \$ (2,911)      | \$ 14,325                         |
| Share-based compensation      | 763                                | 1,419           | (656)                             |
| Depreciation and amortization | 2,767                              | 2,594           | 173                               |
| AOCF                          | <u>\$ 14,944</u>                   | <u>\$ 1,102</u> | <u>\$ 13,842</u>                  |

### *Revenues*

Revenues for the three months ended December 31, 2014 increased \$19,123 , or 10% , to \$202,512 as compared to the prior year period. The net increase is attributable to the following:

|                                                                                                |                  |
|------------------------------------------------------------------------------------------------|------------------|
| Increase in professional sports teams' pre/regular season ticket-related revenue               | \$ 9,101         |
| Increase in suite rental fee revenue                                                           | 3,420            |
| Increase in broadcast rights fees from MSG Media                                               | 2,564            |
| Increase in professional sports teams' pre/regular season food, beverage and merchandise sales | 2,111            |
| Increase in professional sports teams' sponsorship and signage revenues                        | 1,862            |
| Increase in revenues from league distributions                                                 | 1,801            |
| Decrease in event-related revenues from other live sporting events                             | (1,738)          |
| Other net increases                                                                            | 2                |
|                                                                                                | <u>\$ 19,123</u> |

The increase in professional sports teams' pre/regular season ticket-related revenue was primarily due to the Knicks and Rangers playing three additional pre-season games at The Garden during the current year period and, to a lesser extent, higher average per-game revenue. The Garden was fully open during the current year period versus the prior year period, in which The Garden was closed until late October due to the final phase of the Transformation.

The increase in suite rental fee revenue was primarily due to the absence of the prior year period off-season shutdown associated with the Transformation, contractual rate increases, and additional sales of suite products.

The increase in broadcast rights fees from MSG Media was primarily due to the overall increase in the number of events exclusively available to MSG Networks during the current year period and, to a lesser extent, higher fees as compared to the prior year period.

The increase in professional sports teams' pre/regular season food, beverage and merchandise sales was primarily due to the additional Knicks and Rangers pre-season games at The Garden during the current year period and higher average per-game revenue as compared to the prior year period.

The increase in professional sports teams' sponsorship and signage revenues primarily reflects expanded inventory and increased sales of existing inventory.

The decrease in event-related revenues from other live sporting events was primarily due to a change in the mix of events as compared to the prior year period. Event-related revenues from other live sporting events include ticket-related revenues, venue license fees the Company charges to promoters for the use of our venues, single night suite rental fees, and food, beverage and merchandise sales.

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### *Direct operating expenses*

Direct operating expenses for the three months ended December 31, 2014 increased \$174 , less than 1%, to \$149,775 as compared to the prior year period. The net increase is attributable to the following:

|                                                                                                                                                                  |    |         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|---------|
| Increase in team personnel compensation                                                                                                                          | \$ | 1,297   |
| Increase in professional sports teams' pre/regular season expense associated with food, beverage and merchandise sales                                           |    | 1,067   |
| Increase in net provisions for certain team personnel transactions (including the impact of NBA luxury tax)                                                      |    | 743     |
| Decrease in net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs) |    | (1,800) |
| Decrease in event-related expenses associated with other live sporting events                                                                                    |    | (1,078) |
| Other net decreases                                                                                                                                              |    | (55)    |
|                                                                                                                                                                  | \$ | 174     |

The increase in team personnel compensation was primarily due to non-player team personnel increases and higher overall player salaries, inclusive of the impact of roster changes at the Company's sports teams.

Net provisions for certain team personnel transactions (including the impact of NBA luxury tax) and net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs) were as follows:

|                                                                                                                                                      | Three Months Ended December 31, |           | Increase<br>(Decrease) |
|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------|------------------------|
|                                                                                                                                                      | 2014                            | 2013      |                        |
| Net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs) | \$ 19,952                       | \$ 21,752 | \$ (1,800)             |
| Net provisions for certain team personnel transactions (including the impact of NBA luxury tax)                                                      | 4,291                           | 3,548     | 743                    |

The decrease in net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs) reflects lower NBA luxury tax of \$5,810 partially offset by higher net provisions for both NBA and NHL revenue sharing expense of \$4,010. The decrease in provisions for NBA luxury tax for the three months ended December 31, 2014 was primarily due to a higher luxury tax threshold. The actual amounts for net provisions for NBA luxury tax and NBA and NHL revenue sharing expense for the 2014-15 season may vary significantly from the recorded provisions based on actual operating results for each league and all teams within each league for the season and other factors.

Team personnel transactions for the three months ended December 31, 2014 primarily reflect provisions recorded for player waivers/contract terminations. Team personnel transactions for the three months ended December 31, 2013 reflect provisions recorded for player waivers/contract terminations.

Other net decreases include the impact on team operating expenses from lower professional fees and player insurance largely offset by other team operating expense increases.

### *Selling, general and administrative expenses*

Selling, general and administrative expenses for the three months ended December 31, 2014 increased \$4,451 , or 13% , to \$38,556 as compared to the prior year period primarily due to higher allocated corporate general and administrative costs, team-related marketing costs and employee compensation and related benefits. These increases were partially offset by the absence of marketing costs recorded in the prior year period associated with the debut of the fully transformed Madison Square Garden Arena.

### *AOCF*

AOCF for the three months ended December 31, 2014 increased \$13,842 to \$14,944 as compared to the prior year period primarily due to an increase in revenues partially offset by higher selling, general and administrative expenses and, to a lesser extent, higher direct operating expenses, as discussed above.

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During January 2015, the Knicks executed multiple player transactions. While the team's roster could still change, the current roster would result in luxury tax expense that is significantly below last season on a year-over-year basis, and is low in absolute dollars for fiscal year 2015. This decrease would be reflected in the Company's results over the next two quarters.

### *Comparison of the Six Months Ended December 31, 2014 versus the Six Months Ended December 31, 2013*

#### *Consolidated Results of Operations*

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

|                                              | Six Months Ended December 31, |                  |            |                  | Increase<br>(Decrease)<br>in Net<br>Income |
|----------------------------------------------|-------------------------------|------------------|------------|------------------|--------------------------------------------|
|                                              | 2014                          |                  | 2013       |                  |                                            |
|                                              | Amount                        | % of<br>Revenues | Amount     | % of<br>Revenues |                                            |
| Revenues                                     | \$ 784,268                    | 100 %            | \$ 724,964 | 100 %            | \$ 59,304                                  |
| Direct operating expenses                    | 401,463                       | 51 %             | 381,158    | 53 %             | (20,305)                                   |
| Selling, general and administrative expenses | 167,450                       | 21 %             | 160,201    | 22 %             | (7,249)                                    |
| Depreciation and amortization                | 65,846                        | 8 %              | 47,195     | 7 %              | (18,651)                                   |
| Gain on sale of Fuse                         | (186,178)                     | (24)%            | —          | NM               | 186,178                                    |
| Operating income                             | 335,687                       | 43 %             | 136,410    | 19 %             | 199,277                                    |
| Other income (expense):                      |                               |                  |            |                  |                                            |
| Equity in loss of nonconsolidated affiliates | (32,755)                      | (4)%             | (738)      | NM               | (32,017)                                   |
| Interest expense, net                        | (1,442)                       | NM               | (2,501)    | NM               | 1,059                                      |
| Miscellaneous income                         | 1,353                         | NM               | 23         | NM               | 1,330                                      |
| Income from operations before income taxes   | 302,843                       | 39 %             | 133,194    | 18 %             | 169,649                                    |
| Income tax expense                           | (133,540)                     | (17)%            | (48,817)   | (7)%             | (84,723)                                   |
| Net income                                   | \$ 169,303                    | 22 %             | \$ 84,377  | 12 %             | \$ 84,926                                  |

NM – Percentage is not meaningful

The comparability of the results of operations of the Company and the MSG Media segment for the six months ended December 31, 2014 to the prior year period was impacted by the Company's sale of Fuse, which was completed on July 1, 2014. Fuse generated meaningful revenues in the prior year period but did not have a material impact on MSG Media or total Company AOCF.

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.

#### *Revenues*

Revenues for the six months ended December 31, 2014 increased \$59,304 , or 8% , to \$784,268 as compared to the prior year period. The net increase is attributable to the following:

|                                                |                  |
|------------------------------------------------|------------------|
| Decrease in MSG Media segment revenues         | \$ (38,434)      |
| Increase in MSG Entertainment segment revenues | 67,635           |
| Increase in MSG Sports segment revenues        | 34,463           |
| Increase in other revenues                     | 107              |
| Inter-segment eliminations                     | (4,467)          |
|                                                | <u>\$ 59,304</u> |

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### *Direct operating expenses*

Direct operating expenses for the six months ended December 31, 2014 increased \$20,305 , or 5% , to \$401,463 as compared to the prior year period. The net increase is attributable to the following:

|                                                |                  |
|------------------------------------------------|------------------|
| Decrease in MSG Media segment expenses         | \$ (21,123)      |
| Increase in MSG Entertainment segment expenses | 41,906           |
| Increase in MSG Sports segment expenses        | 3,989            |
| Inter-segment eliminations                     | (4,467)          |
|                                                | <u>\$ 20,305</u> |

### *Selling, general and administrative expenses*

Selling, general and administrative expenses for the six months ended December 31, 2014 increased \$7,249 , or 5% , to \$167,450 as compared to the prior year period. The net increase is attributable to the following:

|                                                |                 |
|------------------------------------------------|-----------------|
| Decrease in MSG Media segment expenses         | \$ (20,634)     |
| Increase in MSG Entertainment segment expenses | 1,314           |
| Increase in MSG Sports segment expenses        | 11,463          |
| Increase in other expenses                     | 15,106          |
|                                                | <u>\$ 7,249</u> |

The increase in other expenses was primarily due to executive management transition costs recorded during the current year period and higher professional fees.

### *Depreciation and amortization*

Depreciation and amortization for the six months ended December 31, 2014 increased \$18,651 , or 40% , to \$65,846 as compared to the prior year period primarily driven by accelerated depreciation in the current year period related to a change in the planned use of the Company's professional sports teams' plane associated with a transition by the teams to a new travel program and higher depreciation expense on property and equipment placed into service associated with the Transformation and the renovation of the Forum. These increases are partially offset by the absence of depreciation expense on Fuse's property and equipment.

### *Gain on sale of Fuse*

Gain on sale of Fuse for the six months ended December 31, 2014 represents the Company's gain, net of current year transaction costs, from the sale which was completed on July 1, 2014 (see Note 4 to the consolidated financial statements included in "Part I - Item 1. Financial Statements" of this Quarterly Report on Form 10-Q).

### *Equity in loss of nonconsolidated affiliates*

Equity in loss of nonconsolidated affiliates for the six months ended December 31, 2014 increased \$32,017 to \$32,755 primarily as a result of the Company recording a pre-tax non-cash impairment charge of \$23,600 to write-off the carrying value of its equity investment in BBLV during the current year period (see Note 6 to the consolidated financial statements included in "Part I - Item 1. Financial Statements" of this Quarterly Report on Form 10-Q) and its share of the net loss of BBLV .

### *Miscellaneous income*

Miscellaneous income for the six months ended December 31, 2014 includes income related to certain space leased and/or licensed by related parties from the Company.

### *Income taxes*

Income tax expense for the six months ended December 31, 2014 was \$133,540 . The effective tax rate for the six months ended December 31, 2014 of 44.1% differs from the statutory federal rate of 35% due principally to the impact of state and local income taxes, changes in state tax rates used to value deferred taxes in connection with the filing of the Company's 2013 state income tax returns and due to the sale of Fuse (see Note 4 to the consolidated financial statements included in "Part I - Item 1. Financial Statements" of this Quarterly Report on Form 10-Q), and non-deductible expenses. These increases were partially offset by the impact of the tax benefits of the domestic production activities deduction and the tax return to book provision adjustment in connection with the filing of the Company's federal income tax return.

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Income tax expense for the six months ended December 31, 2013 was \$48,817 . The effective tax rate for the six months ended December 31, 2013 of 36.7% differs from the statutory federal rate of 35% due principally to state income taxes and, to a lesser extent, the impact of non-deductible expenses. These increases are partially offset by the benefit of the federal rehabilitation credit, the impact of the domestic production activities deduction, and the tax return to book provision adjustment in connection with the filing of the Company's 2012 federal and state income tax returns.

### *AOCF*

The following is a reconciliation of operating income to AOCF:

|                               | Six Months Ended<br>December 31, |                   | Increase<br>(Decrease) in<br>AOCF |
|-------------------------------|----------------------------------|-------------------|-----------------------------------|
|                               | 2014                             | 2013              |                                   |
| Operating income              | \$ 335,687                       | \$ 136,410        | \$ 199,277                        |
| Share-based compensation      | 10,644                           | 8,467             | 2,177                             |
| Depreciation and amortization | 65,846                           | 47,195            | 18,651                            |
| Gain on sale of Fuse          | (186,178)                        | —                 | (186,178)                         |
| AOCF                          | <u>\$ 225,999</u>                | <u>\$ 192,072</u> | <u>\$ 33,927</u>                  |

AOCF for the six months ended December 31, 2014 increased \$33,927 , or 18% , to \$225,999 as compared to the prior year period. The net increase is attributable to the following:

|                                                   |                  |
|---------------------------------------------------|------------------|
| Increase in AOCF of the MSG Media segment         | \$ 2,941         |
| Increase in AOCF of the MSG Entertainment segment | 24,416           |
| Increase in AOCF of the MSG Sports segment        | 18,543           |
| Other net decreases                               | (11,973)         |
|                                                   | <u>\$ 33,927</u> |

Other net decreases were primarily due to higher professional fees and executive management transition costs recorded during the current year period.

### *Business Segment Results*

#### *MSG Media*

The table below sets 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.

|                                              | Six Months Ended December 31, |                  |            |                  | Increase<br>(Decrease) in<br>Operating<br>Income |
|----------------------------------------------|-------------------------------|------------------|------------|------------------|--------------------------------------------------|
|                                              | 2014                          |                  | 2013       |                  |                                                  |
|                                              | Amount                        | % of<br>Revenues | Amount     | % of<br>Revenues |                                                  |
| Revenues                                     | \$ 308,890                    | 100 %            | \$ 347,324 | 100%             | \$ (38,434)                                      |
| Direct operating expenses                    | 105,228                       | 34 %             | 126,351    | 36%              | 21,123                                           |
| Selling, general and administrative expenses | 34,997                        | 11 %             | 55,631     | 16%              | 20,634                                           |
| Depreciation and amortization                | 6,472                         | 2 %              | 7,975      | 2%               | 1,503                                            |
| Gain on sale of Fuse                         | (186,178)                     | (60)%            | —          | NM               | 186,178                                          |
| Operating income                             | \$ 348,371                    | 113 %            | \$ 157,367 | 45%              | \$ 191,004                                       |



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The following is a reconciliation of operating income to AOCF:

|                               | Six Months Ended<br>December 31, |                   | Increase<br>(Decrease)<br>in AOCF |
|-------------------------------|----------------------------------|-------------------|-----------------------------------|
|                               | 2014                             | 2013              |                                   |
| Operating income              | \$ 348,371                       | \$ 157,367        | \$ 191,004                        |
| Share-based compensation      | 1,520                            | 1,902             | (382)                             |
| Depreciation and amortization | 6,472                            | 7,975             | (1,503)                           |
| Gain on sale of Fuse          | (186,178)                        | —                 | (186,178)                         |
| AOCF                          | <u>\$ 170,185</u>                | <u>\$ 167,244</u> | <u>\$ 2,941</u>                   |

### *Revenues*

Revenues for the six months ended December 31, 2014 decreased \$38,434 , or 11% , to \$308,890 as compared to the prior year period. The net decrease is attributable to the following:

|                                     |                    |
|-------------------------------------|--------------------|
| Decrease in affiliation fee revenue | \$ (24,112)        |
| Decrease in advertising revenue     | (15,436)           |
| Other net increases                 | 1,114              |
|                                     | <u>\$ (38,434)</u> |

The decrease in affiliation fee revenue was due to the absence of affiliation fee revenue for Fuse, as the Company completed its sale of the network on July 1, 2014, partially offset by a small increase in affiliation fee revenue at MSG Networks. The increase in affiliation fee revenue at MSG Networks was primarily due to higher affiliation rates largely offset by the impact of a low single digit percentage decrease in subscribers as compared to the prior year period and, to a lesser extent, the unfavorable impact of affiliate adjustments.

The decrease in advertising revenue was primarily attributable to the absence of advertising revenue for Fuse partially offset by an increase at MSG Networks. The Company expects advertising sales results to be negatively impacted in the second half of this fiscal year due to Knicks' ratings being down on a year over year basis.

Other net increases primarily reflect a retroactive royalty payment recognized in the current year period.

### *Direct operating expenses*

Direct operating expenses for the six months ended December 31, 2014 decreased \$21,123 , or 17% , to \$105,228 as compared to the prior year period primarily attributable to the absence of expenses for Fuse, which were partially offset by higher expenses at MSG Networks. The increase in direct operating expenses at MSG Networks was primarily due to higher programming acquisition costs (rights fees), including rights fees from the licensing of MSG Sports' team related programming and, to a lesser extent, other programming cost increases.

### *Selling, general and administrative expenses*

Selling, general and administrative expenses for the six months ended December 31, 2014 decreased \$20,634 , or 37% , to \$34,997 as compared to the prior year period primarily due to the absence of expenses for Fuse.

### *Depreciation and amortization*

Depreciation and amortization for the six months ended December 31, 2014 decreased \$1,503 , or 19% , to \$6,472 as compared to the prior year period primarily due to the absence of depreciation expense on Fuse's property and equipment partially offset by higher depreciation expense at MSG Networks.

### *Gain on sale of Fuse*

Gain on sale of Fuse for the six months ended December 31, 2014 represents the Company's gain, net of current year transaction costs, from the sale which was completed on July 1, 2014 (see Note 4 to the consolidated financial statements included in "Part I - Item 1. Financial Statements" of this Quarterly Report on Form 10-Q).

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### AOCF

AOCF for the six months ended December 31, 2014 increased \$2,941 , or 2% , to \$170,185 as compared to the prior year period primarily driven by lower direct operating expenses and selling, general and administrative expenses largely offset by a decrease in revenues, as discussed above.

### MSG Entertainment

The table below sets 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.

|                                              | Six Months Ended December 31, |                  |            |                  | Increase<br>(Decrease) in<br>Operating<br>Income |
|----------------------------------------------|-------------------------------|------------------|------------|------------------|--------------------------------------------------|
|                                              | 2014                          |                  | 2013       |                  |                                                  |
|                                              | Amount                        | % of<br>Revenues | Amount     | % of<br>Revenues |                                                  |
| Revenues                                     | \$ 259,360                    | 100%             | \$ 191,725 | 100%             | \$ 67,635                                        |
| Direct operating expenses                    | 171,707                       | 66%              | 129,801    | 68%              | (41,906)                                         |
| Selling, general and administrative expenses | 38,504                        | 15%              | 37,190     | 19%              | (1,314)                                          |
| Depreciation and amortization                | 5,072                         | 2%               | 4,960      | 3%               | (112)                                            |
| Operating income                             | \$ 44,077                     | 17%              | \$ 19,774  | 10%              | \$ 24,303                                        |

The following is a reconciliation of operating income to AOCF:

|                               | Six Months Ended<br>December 31, |                  | Increase<br>in AOCF |
|-------------------------------|----------------------------------|------------------|---------------------|
|                               | 2014                             | 2013             |                     |
| Operating income              | \$ 44,077                        | \$ 19,774        | \$ 24,303           |
| Share-based compensation      | 2,577                            | 2,576            | 1                   |
| Depreciation and amortization | 5,072                            | 4,960            | 112                 |
| AOCF                          | <u>\$ 51,726</u>                 | <u>\$ 27,310</u> | <u>\$ 24,416</u>    |

### Revenues

Revenues for the six months ended December 31, 2014 increased \$67,635 , or 35% , to \$259,360 as compared to the prior year period. The net increase is attributable to the following:

|                                                                                                                |                  |
|----------------------------------------------------------------------------------------------------------------|------------------|
| Increase in event-related revenues at The Garden                                                               | \$ 32,646        |
| Increase in event-related revenues at the Forum                                                                | 23,403           |
| Increase in venue-related sponsorship and signage and suite rental fee revenues                                | 5,911            |
| Increase in revenues from the presentation of the <i>Radio City Christmas Spectacular</i> franchise            | 4,235            |
| Increase in event-related revenues at The Chicago Theatre                                                      | 2,967            |
| Decrease in event-related revenues at Radio City Music Hall, excluding <i>Radio City Christmas Spectacular</i> | (5,142)          |
| Other net increases                                                                                            | 3,615            |
|                                                                                                                | <u>\$ 67,635</u> |

The increase in event-related revenues at The Garden was primarily due to additional events held at the venue, including events promoted by MSG Entertainment, as the venue was fully open during the current year period versus the prior year period in which The Garden was closed until late October due to the final phase of the Transformation.

The increase in event-related revenues at the Forum was primarily due to the venue being available for events during the current year period whereas during the prior year period the venue was closed due to the renovation.

The increase in venue-related sponsorship and signage and suite rental fee revenues was primarily due to higher suite rental fee revenue, increased sponsorship revenues as a result of the re-opening of the Forum and the impact of Transformation-related assets that came online as part of the final phase of the Transformation last year.

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The increase in revenues from the presentation of the *Radio City Christmas Spectacular* franchise was primarily driven by the Radio City Music Hall production of the show. The increase in revenues from the Radio City Music Hall production was primarily due to higher ticket-related revenue, mainly a result of higher average ticket prices and higher attendance, despite five fewer performances as compared to the prior year period. During the 2014 holiday season more than one million tickets were sold to the Radio City Music Hall production, which represents a low single digit percentage increase over the prior year period.

The increase in event-related revenues at The Chicago Theatre was primarily due to more events held at the venue during the current year period as compared to the prior year period.

The decrease in event-related revenues at Radio City Music Hall, excluding *Radio City Christmas Spectacular*, was primarily due to fewer events held at the venue during the current year period as compared to the prior year period, including the impact of a compressed schedule for NBC's *America's Got Talent* during the current year period.

### *Direct operating expenses*

Direct operating expenses for the six months ended December 31, 2014 increased \$41,906, or 32%, to \$171,707 as compared to the prior year period. The net increase is attributable to the following:

|                                                                                                                                 |    |               |
|---------------------------------------------------------------------------------------------------------------------------------|----|---------------|
| Increase in event-related direct operating expenses at The Garden                                                               | \$ | 21,651        |
| Increase in event-related direct operating expenses at the Forum                                                                |    | 14,168        |
| Increase in venue operating costs                                                                                               |    | 3,901         |
| Increase in event-related direct operating expenses at The Chicago Theatre                                                      |    | 2,117         |
| Decrease in event-related direct operating expenses at Radio City Music Hall, excluding <i>Radio City Christmas Spectacular</i> |    | (2,959)       |
| Decrease in direct operating expenses associated with the presentation of the <i>Radio City Christmas Spectacular</i> franchise |    | (137)         |
| Other net increases                                                                                                             |    | 3,165         |
|                                                                                                                                 | \$ | <u>41,906</u> |

The increase in venue operating costs was primarily due to the Forum being available for events during the current year period whereas during the prior year period the venue was closed due to the renovation.

### *Selling, general and administrative expenses*

Selling, general and administrative expenses for the six months ended December 31, 2014 increased \$1,314, or 4%, to \$38,504 as compared to the prior year period due to higher allocated corporate general and administrative costs and higher employee compensation and related benefits partially offset by the impact of costs recorded in the prior year period associated with the re-opening of the Forum and the debut of the fully transformed Madison Square Garden Arena and, to a lesser extent, other cost decreases.

### *AOCF*

AOCF for the six months ended December 31, 2014 increased \$24,416, or 89%, to \$51,726 as compared to the prior year period primarily attributable to an increase in revenues partially offset by higher direct operating expenses and, to a lesser extent, higher selling, general and administrative expenses, as discussed above.

The Company regularly evaluates the theatrical productions of the *Radio City Christmas Spectacular* presented outside of New York and has made the decision to end these productions outside of New York as the Company continues to explore new approaches to best showcase the *Radio City Christmas Spectacular* and Rockettes brands. The theatrical productions of the *Radio City Christmas Spectacular* presented outside of New York generated direct contribution of approximately \$4,400 during the 2014 holiday season.

### MSG Sports

The table below sets 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.

|                                              | Six Months Ended December 31, |                  |            |                  | Increase<br>(Decrease) in<br>Operating<br>Income |
|----------------------------------------------|-------------------------------|------------------|------------|------------------|--------------------------------------------------|
|                                              | 2014                          |                  | 2013       |                  |                                                  |
|                                              | Amount                        | % of<br>Revenues | Amount     | % of<br>Revenues |                                                  |
| Revenues                                     | \$ 256,017                    | 100%             | \$ 221,554 | 100 %            | \$ 34,463                                        |
| Direct operating expenses                    | 164,880                       | 64%              | 160,891    | 73 %             | (3,989)                                          |
| Selling, general and administrative expenses | 70,371                        | 27%              | 58,908     | 27 %             | (11,463)                                         |
| Depreciation and amortization                | 15,735                        | 6%               | 5,076      | 2 %              | (10,659)                                         |
| Operating income (loss)                      | \$ 5,031                      | 2%               | \$ (3,321) | (1)%             | \$ 8,352                                         |

The following is a reconciliation of operating income (loss) to AOCF:

|                               | Six Months Ended<br>December 31, |                 | Increase<br>(Decrease)<br>in AOCF |
|-------------------------------|----------------------------------|-----------------|-----------------------------------|
|                               | 2014                             | 2013            |                                   |
| Operating income (loss)       | \$ 5,031                         | \$ (3,321)      | \$ 8,352                          |
| Share-based compensation      | 1,802                            | 2,270           | (468)                             |
| Depreciation and amortization | 15,735                           | 5,076           | 10,659                            |
| AOCF                          | <u>\$ 22,568</u>                 | <u>\$ 4,025</u> | <u>\$ 18,543</u>                  |

### Revenues

Revenues for the six months ended December 31, 2014 increased \$34,463 , or 16% , to \$256,017 as compared to the prior year period. The net increase is attributable to the following:

|                                                                                                |                  |
|------------------------------------------------------------------------------------------------|------------------|
| Increase in professional sports teams' pre/regular season ticket-related revenue               | \$ 14,009        |
| Increase in suite rental fee revenue                                                           | 8,517            |
| Increase in broadcast rights fees from MSG Media                                               | 4,467            |
| Increase in professional sports teams' sponsorship and signage revenues                        | 4,013            |
| Increase in professional sports teams' pre/regular season food, beverage and merchandise sales | 3,597            |
| Increase in event-related revenues from other live sporting events                             | 990              |
| Decrease in revenues from league distributions                                                 | (466)            |
| Other net decreases                                                                            | (664)            |
|                                                                                                | <u>\$ 34,463</u> |

The increase in professional sports teams' pre/regular season ticket related revenue was primarily due to the Knicks and Rangers playing five additional pre-season games at The Garden during the current year period and, to a lesser extent, higher average per-game revenue. The Garden was fully open during the current year period versus the prior year period, in which The Garden was closed until late October due to the final phase of the Transformation.

The increase in suite rental fee revenue was primarily due to the absence of the prior year period off-season shutdown associated with the Transformation, contractual rate increases, and additional sales of suite products.

The increase in broadcast rights fees from MSG Media was primarily due to the overall increase in the number of events exclusively available to MSG Networks during the current year period and, to a lesser extent, higher fees as compared to the prior year period.

The increase in professional sports teams' sponsorship and signage revenues primarily reflects the impact of Transformation-related assets, expanded inventory and increased sales of existing inventory. The primary driver of the Transformation-related increase is the impact of assets that came online as part of the final phase of the Transformation last year.

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The increase in professional sports teams' pre/regular season food, beverage and merchandise sales was primarily due to the additional Knicks and Rangers pre-season games and the Liberty playing regular season games at The Garden during the current year period and higher average per-game revenue as compared to the prior year period.

The increase in event-related revenues from other live sporting events was primarily due to more events held at The Garden during the current year period, partially offset by the impact of a change in the mix of events. Event-related revenues from other live sporting events include ticket-related revenues, venue license fees the Company charges to promoters for the use of our venues, single night suite rental fees, and food, beverage and merchandise sales.

### *Direct operating expenses*

Direct operating expenses for the six months ended December 31, 2014 increased \$3,989 , or 2% , to \$164,880 as compared to the prior year period. The net increase is attributable to the following:

|                                                                                                                                                                  |    |              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--------------|
| Increase in professional sports teams' pre/regular season expense associated with food, beverage and merchandise sales                                           | \$ | 2,099        |
| Increase in team personnel compensation                                                                                                                          |    | 1,173        |
| Increase in other team operating expenses                                                                                                                        |    | 1,095        |
| Increase in event-related expenses associated with other live sporting events                                                                                    |    | 560          |
| Decrease in net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs) |    | (2,695)      |
| Decrease in net provisions for certain team personnel transactions (including the impact of NBA luxury tax)                                                      |    | (301)        |
| Other net increases                                                                                                                                              |    | 2,058        |
|                                                                                                                                                                  | \$ | <u>3,989</u> |

The increase in team personnel compensation was primarily due to non-player team personnel increases and higher overall player salaries, inclusive of the impact of roster changes at the Company's sports teams.

The increase in other team operating expenses was primarily due to the acceleration of certain costs in the current year period associated with team travel, higher day-of-event costs, mainly the result of the additional pre-season games at The Garden during the current year period, and other team operating expense increases partially offset by lower professional fees and player insurance.

Net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs) and net provisions for certain team personnel transactions (including the impact of NBA luxury tax) were as follows:

|                                                                                                                                                      | Six Months Ended<br>December 31, |           |            |
|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------|------------|
|                                                                                                                                                      | 2014                             | 2013      | Decrease   |
| Net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs) | \$ 18,939                        | \$ 21,634 | \$ (2,695) |
| Net provisions for certain team personnel transactions (including the impact of NBA luxury tax)                                                      | 4,675                            | 4,976     | (301)      |

The decrease in net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs) reflects lower NBA luxury tax of \$5,810 partially offset by higher net provisions for both NBA and NHL revenue sharing expense of \$3,115. The decrease in provisions for NBA luxury tax for the six months ended December 31, 2014 was primarily due to a higher luxury tax threshold. Higher NBA and NHL revenue sharing expense reflects higher estimated expenses for the 2014-15 season partially offset by adjustments to prior seasons' revenue sharing expense. The actual amounts for net provisions for NBA luxury tax and NBA and NHL revenue sharing expense for the 2014-15 season may vary significantly from the recorded provisions based on actual operating results for each league and all teams within each league for the season and other factors.

Team personnel transactions for the six months ended December 31, 2014 primarily reflect provisions recorded for player waivers/contract terminations. Team personnel transactions for the six months ended December 31, 2013 reflect provisions recorded for player waivers/contract terminations and player trades of \$3,548 and \$1,428, respectively.

*Selling, general and administrative expenses*

Selling, general and administrative expenses for the six months ended December 31, 2014 increased \$11,463 , or 19% , to \$70,371 as compared to the prior year period primarily due to higher employee compensation and related benefits, allocated corporate general and administrative costs and team-related marketing costs. These increases were partially offset by the absence of marketing costs recorded in the prior year period associated with the debut of the fully transformed Madison Square Garden Arena.

*Depreciation and amortization*

Depreciation and amortization for the six months ended December 31, 2014 increased \$10,659 , or 210% , to \$15,735 , as compared to the prior year period primarily driven by accelerated depreciation in the current year period related to a change in the planned use of the Company's professional sports teams' plane associated with a transition by the teams to a new travel program .

*AOCF*

AOCF for the six months ended December 31, 2014 increased \$18,543 , or 461% , to \$22,568 , as compared to the prior year period primarily due to an increase in revenues partially offset by higher selling, general and administrative expenses and, to a lesser extent, higher direct operating expenses, as discussed above.

During January 2015, the Knicks executed multiple player transactions. While the team's roster could still change, the current roster would result in luxury tax expense that is significantly below last season on a year-over-year basis, and is low in absolute dollars for fiscal year 2015. This decrease would be reflected in the Company's results over the next two quarters.

**Liquidity and Capital Resources**

***Overview***

Our primary sources of liquidity are cash and cash equivalents on hand, cash flows from the operations of our businesses and available borrowing capacity under our \$500,000 credit agreement with a syndicate of lenders, providing for a senior secured revolving credit facility (see "Financing Agreements — Revolving Credit Facility" below). Our principal uses of cash include working capital-related items, capital spending, taxes, investments and related loans that we may fund from time to time, and repurchase of shares of Class A Common Stock. The decisions of the Company as to the use of its available liquidity will be based upon the ongoing review of the funding needs of the business, the optimal allocation of cash resources, and the timing of cash flow generation.

We believe we have sufficient liquidity, including approximately \$379,000 in cash and cash equivalents as of December 31, 2014 , along with available borrowing capacity under our revolving credit facility and combined with operating cash flows to fund our business operations, pursue new opportunities, and repurchase shares of our Class A Common Stock.

We constantly assess capital and credit markets activity and conditions against our ability to meet our net funding and investing requirements over the next twelve months and we believe that the combination of cash and cash equivalents on hand, cash generated from operating activities and borrowing availability under the Company's revolving credit facility should provide us with sufficient liquidity to fund such requirements. However, U.S. and global economic conditions may lead to lower demand for our offerings, such as lower levels of attendance at events we host or for advertising. The consequences of such conditions could adversely impact our business and results of operations, which might require that we seek alternative sources of funding through the capital and credit markets that may or may not be available to us.

On October 27, 2014, the Company's board of directors authorized the repurchase of up to \$500,000 of the Company's Class A Common Stock. Under the authorization, shares of Class A Common Stock may be purchased from time to time in open market or private transactions, in accordance with applicable insider trading and other securities laws and regulations. The timing and amount of purchases will depend on market conditions and other factors. During the three months ended December 31, 2014 , the Company repurchased 19 shares, which are determined based on the settlement date of such trades, for a total cost of \$1,398 . These acquired shares have been classified as treasury stock in the Company's consolidated balance sheet. As of December 31, 2014 , the Company had \$498,602 of availability remaining under its stock repurchase authorization.

## **Financing Agreements**

### **Revolving Credit Facility**

On May 6, 2014, MSG Holdings L.P. ("MSG L.P.") and certain of its subsidiaries entered into a credit agreement with a syndicate of lenders providing for a senior secured revolving credit facility of up to \$500,000 with a term of five years (the "Revolving Credit Facility"). Subject to the satisfaction of certain conditions and limitations, the Revolving Credit Facility allows for the addition of incremental term and/or revolving loan commitments and incremental term and/or revolving loans. Borrowings under the Revolving Credit Facility, which proceeds are available for working capital, capital expenditures and for general corporate purposes, bear interest at a floating rate which, at the option of MSG L.P., may be either 2.25% over the applicable period LIBOR rate, or 1.25% plus the higher of: (i) the U.S. Federal Funds Rate plus 0.50%; (ii) the U.S. Prime Rate; or (iii) the one-month LIBOR rate plus 1.00%. Accordingly, we will be subject to interest rate risk with respect to any borrowings we may make under that facility. In appropriate circumstances, we may seek to reduce this exposure through the use of interest rate swaps or similar instruments. Upon a payment default in respect of principal, interest or other amounts due and payable under the Revolving Credit Facility or related loan documents, default interest will accrue on all overdue amounts at an additional rate of 2.00% per annum. MSG L.P. is also required to pay a commitment fee of 0.40% in respect of the average daily unused commitments thereunder and pay customary letter of credit fees, as well as fronting fees, to banks that issue letters of credit pursuant to the Revolving Credit Facility.

The Revolving Credit Facility contains certain customary representations and warranties, affirmative covenants and events of default. It also 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 subject to upward adjustment during the continuance of certain events. In addition, there is a minimum interest coverage ratio of 2.00:1.00 for the Company. As of December 31, 2014, MSG L.P. was in compliance with the financial covenants in the Revolving Credit Facility. 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 December 31, 2014, there was \$7,460 in letters of credit issued and outstanding under the Revolving Credit Facility with available borrowing capacity of \$492,540.

All obligations under the Revolving Credit Facility are guaranteed by MSG L.P.'s existing and future direct and indirect domestic subsidiaries that are not designated as excluded subsidiaries or unrestricted subsidiaries in accordance with the facility (the "Guarantors"). All obligations under the Revolving Credit Facility, including the guarantees of those obligations, are secured by certain of the assets of MSG L.P. and each Guarantor, (collectively, "Collateral") including, but not limited to, a pledge of the equity interests held directly or indirectly by MSG L.P. in each Guarantor. The Collateral, however, does not include, among other things, our sports franchises or other assets of any of MSG L.P.'s teams, including of the Knicks and Rangers, or any interests in real property of MSG L.P. or the Guarantors, including the Madison Square Garden Complex (which includes both The Garden and The Theater at Madison Square Garden), the Forum, the leasehold interest in Radio City Music Hall and MSG L.P.'s real property interest in other venues. Subject to customary notice and minimum amount conditions, MSG L.P. may voluntarily prepay outstanding loans under the Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to LIBOR loans). With certain exceptions, MSG L.P. is required to make mandatory prepayments on loans outstanding, in certain circumstances, including without limitation from the net cash proceeds of certain sales of assets (including Collateral) or casualty insurance and/or condemnation recoveries (subject to certain reinvestment, repair or replacement rights), and the incurrence of certain indebtedness.

In addition to the financial covenants previously discussed, the Revolving Credit Facility and the related security agreement contain certain customary representations and warranties, affirmative covenants and events of default. The Revolving Credit Facility contains certain restrictions on the ability of MSG L.P. and its restricted subsidiaries to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the Revolving Credit Facility, including the following: (i) incur additional indebtedness and contingent liabilities; (ii) create liens on certain assets; (iii) make investments, loans or advances in or to other persons; (iv) pay dividends and distributions or repurchase capital stock; (v) repay, redeem or repurchase certain indebtedness; (vi) change its lines of business; (vii) engage in certain transactions with affiliates; (viii) amend specified material agreements; (ix) merge or consolidate; and (x) make certain dispositions. Additionally there is a limitation on the ability of the Company to incur indebtedness if (a) the Company, MSG L.P. and any of its restricted subsidiaries collectively would not comply with a total leverage ratio of 4.00:1.00 and (b) the Company on a consolidated basis would not comply with the minimum interest coverage ratio of 2.00:1.00.

## **Table of Contents**

### *Revolving Credit Facilities with Nonconsolidated Affiliates*

In connection with the Company's investment in Azoff MSG Entertainment LLC ("Azoff-MSG"), the Company provides a revolving credit facility to the entity, which amount was increased to \$100,000 in September 2014, with \$56,000 of borrowings outstanding as of December 31, 2014 .

In addition, during the quarter ended December 31, 2014, the Company agreed to provide up to \$1,000 of revolving credit loans to Tribeca Enterprises LLC ("Tribeca Enterprises"), of which no amount had been drawn down as of December 31, 2014 .

### **Cash Flow Discussion**

#### *Operating Activities*

Net cash provided by operating activities for the six months ended December 31, 2014 decreased by \$108,822 to \$115,045 as compared to the prior year period primarily due to income taxes paid related to the sale of Fuse (the cash proceeds benefit of the sale is included in investing activities), higher NBA luxury tax payments, a change in deferred revenue, and payments for certain other accrued items. While net income increased by \$84,926 as compared to the prior year period, this change includes the current period gain on the sale of Fuse and the impact of other non-cash items, including an increase in the equity loss in nonconsolidated affiliates of \$32,017 and higher depreciation and amortization of \$18,651.

#### *Investing Activities*

Net cash provided by investing activities for the six months ended December 31, 2014 increased by \$524,949 to \$178,955 as compared to the prior year period. This change is primarily due to (i) proceeds received during the six months ended December 31, 2014 from the sale of Fuse, (ii) the Company's prior year period acquisitions of a 50% interest in Azoff-MSG and an investment in Brooklyn Bowl Las Vegas, LLC ("BBLV") and (iii) lower capital expenditures for the six months ended December 31, 2014 as compared to the prior year period primarily due to the completion of the Transformation and the renovation of the Forum.

#### *Financing Activities*

Net cash used in financing activities for the six months ended December 31, 2014 increased by \$6,074 to \$7,331 as compared to the prior year period primarily driven by higher taxes paid in lieu of shares issued as compared to the prior year period and, to a lesser extent, the current year period repurchases of the Company's Class A Common Stock partially offset by the impact of the excess tax benefit recognized in connection with the September 2014 vesting and distribution of equity-based compensation.

### **Contractual Obligations and Off Balance Sheet Arrangements**

In addition to the contractual obligations and off balance sheet arrangements described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Contractual Obligations and Off Balance Sheet Arrangements" included in the Company's Annual Report on Form 10-K for the year ended June 30, 2014 , see "Financing Agreements — Revolving Credit Facilities with Nonconsolidated Affiliates" above for discussion of the revolving credit facilities provided by the Company to Azoff-MSG and Tribeca Enterprises.

### **Seasonality of Our Business**

The dependence of the MSG Sports segment on revenues from its NBA and NHL sports teams generally means it earns a disproportionate share of its revenues in the second and third quarters of the Company's fiscal year. The dependence of the MSG Entertainment segment on revenues from the *Radio City Christmas Spectacular* generally means it earns a disproportionate share of its revenues and operating income in the second quarter of the Company's fiscal year.

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

#### ***Recently Issued Accounting Pronouncements Not Yet Adopted***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* , which supersedes the revenue recognition requirements in FASB Accounting Standards Codification Topic 605, *Revenue Recognition* . This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This standard will be effective for the Company beginning in the first quarter of fiscal year 2018 using one of two retrospective application methods. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

**Critical Accounting Policies**

The following discussion has been included only to provide the results of our annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the quarter ended December 31, 2014 . Accordingly, we have not repeated herein a discussion of the Company's critical accounting policies as set forth in our Annual Report on Form 10-K for the year ended June 30, 2014 .

**Goodwill**

Goodwill is tested annually for impairment as of August 31<sup>st</sup> and at any time upon the occurrence of certain events or substantive changes in circumstances. The Company's three reporting units for evaluating goodwill impairment are the same as its reportable segments, and all of them have goodwill. The goodwill balance reported on the Company's balance sheet as of December 31, 2014 by reportable segment is as follows:

|                   |    |                |
|-------------------|----|----------------|
| MSG Media         | \$ | 424,508        |
| MSG Entertainment |    | 58,979         |
| MSG Sports        |    | 218,187        |
|                   | \$ | <u>701,674</u> |

During the first quarter of fiscal year 2015, the Company performed its annual impairment test of goodwill, and there was no impairment of goodwill identified for any of its reportable segments. Based on this impairment test, the Company's reporting units had sufficient 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).

The Company elected to perform the qualitative assessment of impairment for the MSG Sports and MSG Media reporting units. These assessments considered factors such as:

- Macroeconomic conditions;
- Industry and market considerations;
- Cost factors;
- Overall financial performance of the reporting unit;
- Other relevant company-specific factors such as changes in management, strategy or customers; and
- Relevant reporting unit specific events such as changes in the carrying amount of net assets.

The Company performed the quantitative assessment of impairment for the MSG Entertainment reporting unit. The estimate of the fair value of the MSG Entertainment reporting unit was primarily determined using discounted projected future cash flows. For MSG Entertainment, this valuation includes assumptions for the number and expected financial performance of live entertainment events and productions, which includes, but is not limited to, the level of ticket sales, concessions and sponsorships. 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.

**Identifiable Indefinite-Lived Intangible Assets**

Identifiable indefinite-lived intangible assets are tested annually for impairment as of August 31<sup>st</sup> and at any time upon the occurrence of certain events or substantive changes in circumstances. The following table sets forth the amount of identifiable indefinite-lived intangible assets reported in the Company's consolidated balance sheet as of December 31, 2014 by reportable segment:

|                                        |    |                |
|----------------------------------------|----|----------------|
| Sports franchises (MSG Sports segment) | \$ | 101,429        |
| Trademarks (MSG Entertainment segment) |    | 62,421         |
|                                        | \$ | <u>163,850</u> |

During the first quarter of fiscal year 2015, the Company performed its annual impairment test of identifiable indefinite-lived intangible assets, and there was no impairment identified. Based on this impairment test, the Company's indefinite-lived intangible assets had sufficient safety margins, representing the excess of each identifiable indefinite-lived intangible asset's estimated fair value over its respective carrying value.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There were no material changes to the disclosures on this matter made in the Company's Annual Report on Form 10-K for the year ended June 30, 2014 .

**Item 4. Controls and Procedures**

The Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")) were effective as of December 31, 2014 , based on the evaluation of these controls and procedures required by Rule 13a-15(b) or 15d-15(b) of the Exchange Act.

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II—OTHER INFORMATION****Item 1. Legal Proceedings**

In March 2012, the Company was named as a defendant in two purported class action antitrust lawsuits brought in the United States District Court for the Southern District of New York against the NHL and certain NHL member clubs, regional sports networks and cable and satellite distributors. The complaints, which are substantially identical, primarily assert that certain of the NHL's current rules and agreements entered into by defendants, which are alleged by the plaintiffs to provide certain territorial and other exclusivities with respect to the television and online distribution of live hockey games, violate Sections 1 and 2 of the Sherman Antitrust Act. The complaints seek injunctive relief against the defendants' continued violation of the antitrust laws, treble damages, attorneys' fees and pre- and post-judgment interest. On July 27, 2012, the Company and the other defendants filed a motion to dismiss the complaints (which have been consolidated for procedural purposes). On December 5, 2012, the Court issued an Opinion and Order largely denying the motion to dismiss. On April 8, 2014, following the conclusion of fact discovery, all defendants filed motions for summary judgment seeking dismissal of the complaints in their entirety. On August 8, 2014, the Court denied the motions for summary judgment. The defendants, including the Company, are vigorously defending the claims.

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

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

The following table presents information about the Company's repurchases of stock that were made during the three months ended December 31, 2014 (amounts are presented in thousands except per share data):

| Period                               | Total Number of<br>Shares Purchased<br>(a) | Average Price<br>Paid per Share<br>(b) | Total Number of<br>Shares Purchased<br>as Part of<br>Publicly<br>Announced Plans<br>or Programs | Approximate<br>Dollar Value of<br>Shares That May<br>Yet Be Purchased<br>Under the Plans<br>or Programs |
|--------------------------------------|--------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| October 1, 2014 - October 31, 2014   | —                                          | \$ —                                   | —                                                                                               | \$ 500,000                                                                                              |
| November 1, 2014 - November 30, 2014 | —                                          | \$ —                                   | —                                                                                               | \$ 500,000                                                                                              |
| December 1, 2014 - December 31, 2014 | 19                                         | \$ 75.45                               | 19                                                                                              | \$ 498,602                                                                                              |
| Total                                | <u>19</u>                                  | <u>\$ 75.45</u>                        | <u>19</u>                                                                                       |                                                                                                         |

<sup>(a)</sup> As of December 31, 2014, the total amount authorized by the Company's board of directors for Class A Common Stock repurchases was \$500,000, and the Company had remaining authorization of \$498,602 for future repurchases. Under the authorization, shares of Class A Common Stock may be purchased from time to time in open market or private transactions, in accordance with applicable insider trading and other securities laws and regulations, with the timing and amount of purchases depending on market conditions and other factors. The Company has been funding and expects to continue to fund stock repurchases through a combination of cash on hand and cash generated by operations. The Company may also choose to fund our stock repurchase program through other funding sources including under our revolving credit facility. The Company first announced its stock repurchase program on October 27, 2014. Total number of shares purchased are determined based on the settlement date of such trades.

<sup>(b)</sup> The amounts do not give effect to any fees, commissions or other costs associated with repurchases of shares.

**Item 6. Exhibits**

(a) Index to Exhibits

| EXHIBIT<br>NO. | DESCRIPTION                                                                                             |
|----------------|---------------------------------------------------------------------------------------------------------|
| 31.1           | Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2           | Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1           | Certification by the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2           | Certification by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS        | XBRL Instance Document.                                                                                 |
| 101.SCH        | XBRL Taxonomy Extension Schema.                                                                         |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase.                                                           |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase.                                                            |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase.                                                                 |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase.                                                          |

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 6th day of February, 2015.

The Madison Square Garden Company

By: / s / S E A N R. C R E A M E R

Name: Sean R. Creamer

Title: Executive Vice President and Chief  
Financial Officer

**Certification**

I, Thomas S. Smith, Jr., certify that:

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

Date: February 6, 2015

/s/ Thomas S. Smith, Jr.

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Thomas S. Smith, Jr.

President and Chief Executive Officer

**Certification**

I, Sean R. Creamer, certify that:

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

Date: February 6, 2015

/s/ Sean R. Creamer

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Sean R. Creamer

Executive Vice President and Chief Financial Officer

**Certification**

Pursuant to 18 U.S.C. §1350, the undersigned officer of The Madison Square Garden Company (the “Company”), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2014 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 6, 2015

/s/ Thomas S. Smith, Jr.

Thomas S. Smith, Jr.

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 The Madison Square Garden Company (the “Company”), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2014 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 6, 2015

/s/ Sean R. Creamer

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Sean R. Creamer

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.