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Madison Square Garden Co  
Form 10-Q  
May 01, 2015  
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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 March 31, 2015

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 April 30, 2015:

Class A Common Stock par value \$0.01 per share — 62,195,815

Class B Common Stock par value \$0.01 per share — 13,588,555

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## THE MADISON SQUARE GARDEN COMPANY

## CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

	March 31, 2015 (Unaudited)	June 30, 2014
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$241,069	\$92,251
Restricted cash	29,533	9,823
Accounts receivable, net	179,597	135,369
Net related party receivables	27,801	25,156
Prepaid expenses	39,932	37,108
Other current assets	28,630	23,216
Assets held for sale	—	77,056
Total current assets	546,562	399,979
Investments in and loans to nonconsolidated affiliates	244,339	225,632
Property and equipment, net	1,220,456	1,252,467
Amortizable intangible assets, net	72,507	80,306
Indefinite-lived intangible assets	166,850	163,850
Goodwill	701,674	701,674
Other assets	130,783	102,053
Total assets	\$3,083,171	\$2,925,961
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$21,724	\$16,710
Net related party payables	390	283
Income taxes payable	49,431	13,418
Accrued liabilities:		
Employee related costs	100,684	102,097
Other accrued liabilities	136,473	159,585
Deferred revenue	366,707	300,937
Liabilities held for sale	—	11,171
Total current liabilities	675,409	604,201
Defined benefit and other postretirement obligations	75,649	75,728
Other employee related costs	55,429	61,284
Other liabilities	57,136	59,970
Deferred tax liability	514,219	520,334
Total liabilities	1,377,842	1,321,517
Commitments and contingencies (see Note 10)		
Stockholders' Equity:		
Class A Common stock, par value \$0.01, 360,000 shares authorized; 62,509 and 63,606 shares outstanding as of March 31, 2015 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 March 31, 2015 and June 30, 2014	136	136

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Preferred stock, par value \$0.01, 45,000 shares authorized; none outstanding	—	—
Additional paid-in capital	1,082,546	1,081,055
Treasury stock, at cost, 1,750 and 317 shares as of March 31, 2015 and June 30, 2014, respectively	(118,080 )	(7,537 )
Retained earnings	761,877	552,862
Accumulated other comprehensive loss	(21,793 )	(22,711 )
Total stockholders' equity	1,705,329	1,604,444
Total liabilities and stockholders' equity	\$3,083,171	\$2,925,961
See accompanying notes to consolidated financial statements.		

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CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Revenues (including related party revenues of \$46,519 and \$47,531 for the three months ended March 31, 2015 and 2014, respectively, and \$130,956 and \$138,872 for the nine months ended March 31, 2015 and 2014, respectively)	\$449,417	\$458,956	\$1,233,685	\$1,183,920
Direct operating expenses (including related party expenses of \$2,966 and \$4,344 for the three months ended March 31, 2015 and 2014, respectively, and \$8,169 and \$10,845 for the nine months ended March 31, 2015 and 2014, respectively)	271,400	300,888	672,863	682,046
Selling, general and administrative expenses (including related party expenses of \$3,505 and \$4,465 for the three months ended March 31, 2015 and 2014, respectively, and \$8,458 and \$12,019 for the nine months ended March 31, 2015 and 2014, respectively)	79,299	100,945	246,749	261,146
Depreciation and amortization	28,594	29,674	94,440	76,869
Gain on sale of Fuse (see Note 4)	—	—	(186,178)	) —
Operating income	70,124	27,449	405,811	163,859
Other income (expense):				
Equity in earnings (loss) of nonconsolidated affiliates	(2,294	) 663	(35,049	) (75 )
Interest income (including interest income from nonconsolidated affiliates of \$471 and \$154 for the three months ended March 31, 2015 and 2014, respectively, and \$1,346 and \$276 for the nine months ended March 31, 2015 and 2014, respectively)	1,003	628	2,885	1,742
Interest expense	(1,600	) (1,763	) (4,924	) (5,378 )
Miscellaneous income (including related party income of \$667 and \$1,945 for the three and nine months ended March 31, 2015, respectively)	783	72	2,136	95
	(2,108	) (400	) (34,952	) (3,616 )
Income from operations before income taxes	68,016	27,049	370,859	160,243
Income tax expense	(28,304	) (7,995	) (161,844	) (56,812 )
Net income	\$39,712	\$19,054	\$209,015	\$103,431
Basic earnings per common share	\$0.51	\$0.25	\$2.70	\$1.34
Diluted earnings per common share	\$0.51	\$0.24	\$2.68	\$1.32
Weighted-average number of common shares outstanding:				
Basic	77,134	77,162	77,454	77,069
Diluted	77,575	78,211	78,042	78,142

See accompanying notes to consolidated financial statements.



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THE MADISON SQUARE GARDEN COMPANY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands)

	Three Months Ended March 31, 2015		2014		Nine Months Ended March 31, 2015		2014	
Net income		\$39,712		\$19,054		\$209,015		\$103,431
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	\$552		\$347		\$1,694		\$1,069	
Amortization of net prior service credit included in net periodic benefit cost	(27 )	\$525	(32 )	\$315	(85 )	\$1,609	(95 )	\$974
Other comprehensive income, before income taxes		525		315		1,609		974
Income tax expense related to items of other comprehensive income	(226 )		(132 )		(691 )		(413 )	
Other comprehensive income		299		183		918		561
Comprehensive income		\$40,011		\$19,237		\$209,933		\$103,992

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Nine Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$209,015	\$103,431
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	94,440	76,869
Amortization of deferred financing costs	1,203	1,635
Share-based compensation expense	12,310	17,057
Excess tax benefit on share-based awards	(10,571)	) (6,559)
Gain on sale of Fuse, before income taxes	(186,178)	) —
Change in deferred income taxes related to the sale of Fuse	6,799	—
Equity in loss of nonconsolidated affiliates	35,049	75
Provision for doubtful accounts	299	64
Change in assets and liabilities:		
Accounts receivable, net	(44,527)	) (54,443)
Net related party receivables	(2,667)	) (7,385)
Prepaid expenses and other assets	(57,616)	) (25,215)
Accounts payable	4,198	243
Net related party payables	107	579
Income taxes payable	46,584	(5,675)
Accrued and other liabilities	(25,653)	) 72,953
Deferred revenue	65,770	36,738
Deferred income taxes, excluding the impact of the change in deferred income taxes related to the sale of Fuse	(13,605)	) 6,681
Net cash provided by operating activities	134,957	217,048
Cash flows from investing activities:		
Capital expenditures	(59,905)	) (242,745)
Proceeds from sale of Fuse, net of transaction costs (see Note 4)	228,063	—
Proceeds from renovation loan (see Note 8)	—	18,000
Payments for acquisition of assets	(3,000)	) (1,488)
Investments in and loans to nonconsolidated affiliates	(29,669)	) (186,893)
Net cash provided by (used in) investing activities	135,489	(413,126)
Cash flows from financing activities:		
Principal payments on capital lease obligations	—	(190)
Payments for financing costs	(84)	) —
Proceeds from stock option exercises	446	707
Repurchases of common stock	(114,770)	) —
Taxes paid in lieu of shares issued for equity-based compensation	(17,791)	) (12,366)
Excess tax benefit on share-based awards	10,571	6,559
Net cash used in financing activities	(121,628)	) (5,290)
Net increase (decrease) in cash and cash equivalents	148,818	(201,368)
Cash and cash equivalents at beginning of period	92,251	277,913
Cash and cash equivalents at end of period	\$241,069	\$76,545



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Supplemental Data:

Income taxes paid, net	\$117,793	\$57,936	
Non-cash investing activities:			
Capital expenditures incurred but not yet paid	\$3,326	\$44,448	
Interest in Fuse Media, LLC received from sale of Fuse (see Note 4)	24,000	—	
Asset retirement obligations	—	(4,370	)
Acquisition of assets not yet paid	—	3,715	
See accompanying notes to consolidated financial statements.			

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

	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of June 30, 2014	\$ 775	\$1,081,055	\$(7,537 )	\$552,862	\$ (22,711 )	\$1,604,444
Net income	—	—	—	209,015	—	209,015
Other comprehensive income	—	—	—	—	918	918
Comprehensive income						209,933
Exercise of stock options	1	(279 )	702	—	—	424
Share-based compensation expense	—	12,518	—	—	—	12,518
Tax withholding associated with shares issued for equity-based compensation	—	(17,791 )	—	—	—	(17,791 )
Excess tax benefit on share-based awards	—	10,571	—	—	—	10,571
Repurchases of common stock	—	—	(114,770 )	—	—	(114,770 )
Shares issued upon distribution of Restricted Stock Units	3	(3,528 )	3,525	—	—	—
Balance as of March 31, 2015	\$ 779	\$1,082,546	\$(118,080 )	\$761,877	\$ (21,793 )	\$1,705,329

	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of June 30, 2013	\$ 775	\$1,070,764	\$(14,179 )	\$437,794	\$ (16,219 )	\$1,478,935
Net income	—	—	—	103,431	—	103,431
Other comprehensive income	—	—	—	—	561	561
Comprehensive income						103,992
Exercise of stock options	—	(254 )	979	—	—	725
Share-based compensation expense	—	17,057	—	—	—	17,057
Tax withholding associated with shares issued for equity-based compensation	—	(12,366 )	—	—	—	(12,366 )
Excess tax benefit on share-based awards	—	6,559	—	—	—	6,559
Shares issued upon distribution of Restricted Stock Units	—	(5,663 )	5,663	—	—	—
Balance as of March 31, 2014	\$ 775	\$1,076,097	\$(7,537 )	\$541,225	\$ (15,658 )	\$1,594,902

See accompanying notes to consolidated financial statements.



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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 and New York Spring Spectacular, both 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 March 31, 2015 and for the three and nine months ended March 31, 2015 and 2014 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 in order to conform to the current period's presentation. The reclassifications consisted of the separation of income taxes payable, which was previously reported in other accrued liabilities in the consolidated balance sheet and consolidated statement of cash flows.

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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.

Summary of Significant Accounting Policies

The following is an update to the Company's Summary of Significant Accounting Policies disclosed in its Annual Report on Form 10-K for the year ended June 30, 2014:

Production Costs for the MSG Entertainment Segment

The Company defers certain costs of productions such as creative design costs, scenery, wardrobes, rehearsal and other related costs for the Company's proprietary shows. Deferred production costs are amortized on a straight-line basis over the course of a production's performance period using the expected life of a show's assets, which generally ranges from 5 to 15 years. Deferred production costs are subject to recoverability assessments whenever there is an indication of potential impairment. The Company has approximately \$88,297 and \$58,279 of net deferred production costs recorded within other current assets and other assets in the accompanying consolidated balance sheets as of March 31, 2015 and June 30, 2014, respectively. Of those amounts, approximately \$75,500 and \$46,700 are the net deferred production costs associated with New York Spring Spectacular as of March 31, 2015 and June 30, 2014, respectively.

Restricted Cash

The Company's restricted cash primarily consists of cash required to be withheld from player salaries and deposited in an escrow account which is in the name of the Company pursuant to the NHL collective bargaining agreements ("CBAs"). The Company's restricted cash balance as of March 31, 2015 also reflects the Company's \$9,003 contribution to fund certain obligations in connection with an executive separation agreement.

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 ("ASC") 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.

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## THE MADISON SQUARE GARDEN COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which changes the analysis to be performed in determining whether certain types of legal entities should be consolidated. Specifically, it (1) modifies the assessment of whether limited partnerships are variable interest entities (VIEs) or voting interest entities, (2) eliminates the presumption that a limited partnership should be consolidated by its general partner, (3) removes certain conditions for the evaluation of whether a fee paid to a decision maker constitutes a variable interest, and (4) modifies the evaluation concerning the impact of related parties in the determination of the primary beneficiary of a VIE. This standard will be effective for the Company beginning in the first quarter of fiscal year 2017 using one of two retrospective application methods. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which amends the FASB ASC to require that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related liability. This standard will be effective for the Company beginning in the first quarter of fiscal year 2017 and the amended guidance must be applied on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract and expense the cost as the services are received. This standard will be effective for the Company beginning in the first quarter of fiscal year 2017. Early adoption is permitted. This standard may be adopted retrospectively or prospectively to arrangements entered into, or materially modified, after the effective date. 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.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Weighted-average shares for basic EPS	77,134	77,162	77,454	77,069
Dilutive effect of shares issuable under share-based compensation plans	441	1,049	588	1,073
Weighted-average shares for diluted EPS	77,575	78,211	78,042	78,142
Anti-dilutive shares	—	—	5	—

## Note 4. Disposition

On July 1, 2014, the Company completed the previously announced sale of Fuse to Fuse Media, Inc., formerly named 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 Fuse Media, LLC ("Fuse Media"), formerly named SiTV Media, LLC (see Note 6). The Company's interest in Fuse Media was subject to certain performance goals, which were satisfied



during the second quarter of fiscal year 2015. As such, the Company recognized its interest in Fuse Media, and finalized a working capital adjustment during the second quarter of fiscal year 2015. The Company's Media segment recorded a pre-tax gain on the sale of Fuse, which is reflected in operating income in the accompanying consolidated statement of operations for the nine months ended March 31, 2015, of \$186,178 (net of transaction costs of \$3,932).

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## THE MADISON SQUARE GARDEN COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

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

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

#### 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/contract termination costs, (ii) trades and (iii) season-ending injuries ("Team Personnel Transactions"). Team Personnel Transactions amounted to \$20,642 and \$10,814 for the three months ended March 31, 2015 and 2014, respectively, and \$25,317 and \$16,622 for the nine months ended March 31, 2015 and 2014, respectively.

#### Note 6. Investments in Nonconsolidated Affiliates

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

	Ownership Percentage	Investment	Loan <sup>(b)</sup>	Total
March 31, 2015				
Azoff MSG Entertainment LLC ("Azoff-MSG")	50	% \$120,640	\$66,000	\$186,640
Brooklyn Bowl Las Vegas, LLC ("BBLV")	(a)	—	2,662	2,662
Tribeca Enterprises LLC ("Tribeca Enterprises")	50	% 19,297	2,393	21,690
Fuse Media	15	% 24,000	—	24,000
Other		9,347	—	9,347
Total investments in and loans to nonconsolidated affiliates		\$173,284	\$71,055	\$244,339
June 30, 2014				
Azoff-MSG	50	% \$125,677	\$50,300	\$175,977
BBLV	(a)	25,725	1,348	27,073
Tribeca Enterprises	50	% 22,582	—	22,582
Total investments in and loans to nonconsolidated affiliates		\$173,984	\$51,648	\$225,632

The Company is entitled to receive back its capital, which was 74% and 78% of BBLV's total capital as of (a) March 31, 2015 and June 30, 2014, respectively, plus a preferred return, after which the Company would own a 20% interest in BBLV.

(b) Represents outstanding loan balance, inclusive of amounts due to the Company for interest of \$80 and \$313 as of March 31, 2015 and June 30, 2014, respectively.



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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

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

During the second quarter of fiscal year 2015, as a result of BBLV's current liquidity position, the Company evaluated whether or not an impairment of its investment had occurred. 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 earnings (loss) of nonconsolidated affiliates in the accompanying consolidated statement of operations for the nine months ended March 31, 2015. 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.

In connection with the Company's investment in Tribeca Enterprises, during the second quarter of fiscal year 2015, the Company agreed to provide a revolving credit facility to this entity. This loan facility was increased to \$6,000 during the third quarter of fiscal year 2015.

On July 1, 2014, the Company received a 15% equity interest in Fuse Media that was subject to certain performance goals, which were satisfied during the second quarter of fiscal year 2015 (see Note 4). Given that Fuse Media is a limited liability company and the Company has an ownership interest in Fuse Media that exceeds 3-5%, 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 March 31, 2015 and June 30, 2014 are as follows:

MSG Media	\$424,508
MSG Entertainment	58,979
MSG Sports	218,187
	\$701,674

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 March 31, 2015 and June 30, 2014 are as follows:

	March 31, 2015	June 30, 2014
Sports franchises (MSG Sports segment)	\$101,429	\$101,429
Trademarks (MSG Entertainment segment)	62,421	62,421
Photographic related rights (MSG Sports segment)	3,000	—
	\$166,850	\$163,850

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:

March 31, 2015	Gross	Accumulated Amortization	Net
Affiliate relationships	\$83,044	\$(34,596)	) \$48,448
Season ticket holder relationships	73,124	(52,605)	) 20,519
Suite holder relationships	15,394	(13,988)	) 1,406
Other intangibles	4,217	(2,083)	) 2,134
	\$175,779	\$(103,272)	) \$72,507

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June 30, 2014	Gross	Accumulated Amortization	Net
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
	\$175,779	\$(95,473	) \$80,306

Amortization expense for intangible assets amounted to \$2,600 and \$2,600 for the three months ended March 31, 2015 and 2014, respectively. For the nine months ended March 31, 2015 and 2014, amortization expense was \$7,799 and \$7,799, respectively.

## Note 8. Property and Equipment

As of March 31, 2015 and June 30, 2014, property and equipment consisted of the following assets:

	March 31, 2015	June 30, 2014
Land	\$91,678	\$91,678
Buildings	1,098,121	1,077,823
Equipment	323,669	313,057
Aircraft	43,598	43,598
Furniture and fixtures	50,661	52,236
Leasehold improvements	149,248	151,536
Construction in progress	8,170	6,115
	1,765,145	1,736,043
Less accumulated depreciation and amortization	(544,689	) (483,576
	\$1,220,456	\$1,252,467

Depreciation and amortization expense on property and equipment amounted to \$25,994 and \$27,074 for the three months ended March 31, 2015 and 2014, respectively. Depreciation and amortization expense on property and equipment amounted to \$86,641 and \$69,070 for the nine months ended March 31, 2015 and 2014, 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.

During the nine months ended March 31, 2014, the City of Inglewood provided the Company with an \$18,000 loan in connection with the Company's renovation of the Forum. The loan will be forgiven once certain operating conditions, that the Company expects to satisfy, are met. Property and equipment balances related to the Forum are recorded net of the expected loan forgiveness.

## 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 March 31, 2015, 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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accuracy of representations and warranties. As of March 31, 2015, 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 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.



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## 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, which include cash equivalents and restricted cash:

	Level I	Level II	Level III	Total
March 31, 2015				
Assets:				
Money market accounts	\$ 134,542	\$—	\$—	\$ 134,542
Time deposits	110,839	—	—	110,839
Total assets measured at fair value	\$245,381	\$—	\$—	\$245,381
June 30, 2014				
Assets:				
Money market accounts	\$61,941	\$—	\$—	\$61,941
Time deposits	24,120	—	—	24,120
Total assets measured at fair value	\$86,061	\$—	\$—	\$86,061

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.

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."

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The Company also sponsors a contributory welfare plan which provides certain postretirement healthcare benefits to certain employees hired prior to January 1, 2001 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 nine months ended March 31, 2015 and 2014 are as follows:

	Pension Plans		Postretirement Plan	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2015	2014	2015	2014
Service cost	\$1,733	\$1,570	\$27	\$65
Interest cost	1,978	1,877	63	110
Expected return on plan assets	(916)	(913)	—	—
Recognized actuarial loss (gain) <sup>(a)</sup>	564	359	(12)	(12)
Amortization of unrecognized prior service cost (credit) <sup>(a)</sup>	7	6	(34)	(38)
Net periodic benefit cost	\$3,366	\$2,899	\$44	\$125

	Pension Plans		Postretirement Plan	
	Nine Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2015	2014	2015	2014
Service cost	\$5,209	\$4,711	\$149	\$170
Interest cost	5,936	5,632	249	287
Expected return on plan assets	(2,748)	(2,830)	—	—
Recognized actuarial loss (gain) <sup>(a)</sup>	1,694	1,084	—	(15)
Amortization of unrecognized prior service cost (credit) <sup>(a)</sup>	19	19	(104)	(114)
Net periodic benefit cost	\$10,110	\$8,616	\$294	\$328

<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 \$882 and \$1,108 for the three months ended March 31, 2015 and 2014, respectively. For the nine months ended March 31, 2015 and 2014, expenses related to the MSG Savings Plans were \$2,649 and \$2,868, respectively.

In addition, the Company sponsors the MSG Holdings, L.P. 401(k) Union Plan (the "MSG Union Plan"). Expenses related to the MSG Union Plan included in the accompanying consolidated statements of operations were \$582 and \$441 for the three months ended March 31, 2015 and 2014, respectively. For the nine months ended March 31, 2015 and 2014, expenses related to the MSG Union Plan were \$709 and \$544, respectively.

#### 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 \$1,666 and \$8,590 for the three months ended March 31, 2015 and 2014, respectively. Share-based compensation expense reduced for estimated forfeitures was \$12,310 and \$17,057 for the nine months ended March 31, 2015 and 2014, respectively. Share-based compensation expense for the three

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and nine months ended March 31, 2015 is presented within selling, general and administrative expenses and direct operating expenses. Share-based compensation expense for the three and nine months ended March 31, 2014 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 nine months ended March 31, 2015:

	Number of Nonperformance Based Vesting Options	Performance Based Vesting Options <sup>(a)</sup>	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Balance as of June 30, 2014	178	20	\$11.74	1.40	\$10,025
Exercised <sup>(b)</sup>	(44	) (3	) \$9.66		
Balance as of March 31, 2015	134	17	\$12.38	0.88	\$10,923
Exercisable as of March 31, 2015	134	17	\$12.38	0.88	\$10,923

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

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

<sup>(b)</sup> 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 nine months ended March 31, 2015 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 March 31, 2015 and June 30, 2014, as applicable. For the nine months ended March 31, 2015 the aggregate intrinsic value of the Company's stock options exercised was \$2,744, determined as of the date of option exercise.

## Restricted Share Units Award Activity

The following table summarizes activity relating to the Company's RSUs for the nine months ended March 31, 2015:

	Number of Nonperformance Based Vesting RSUs	Performance Based Vesting RSUs	Weighted-Average Fair Value Per Share At Date of Grant
Unvested award balance, June 30, 2014	776	476	\$38.10
Granted	258	58	\$67.56
Vested	(427	) (363	) \$34.90
Forfeited	(128	) (65	) \$55.78
Unvested award balance, March 31, 2015	479	106	\$55.11

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,

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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.

The fair value of RSUs that vested during the nine months ended March 31, 2015 was \$53,837. 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 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, 267 of these RSUs, with an aggregate value of \$17,700, were retained by the Company and reflected as financing activity in the accompanying consolidated statement of cash flows for the nine months ended March 31, 2015.

## 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.

Since the authorization of the repurchase program through March 31, 2015, the Company has repurchased 1,510 shares, which are determined based on the settlement date of such trades, for a total cost of \$114,770, including commissions and fees. These acquired shares have been classified as treasury stock in the accompanying consolidated balance sheet as of March 31, 2015. As of March 31, 2015, the Company had \$385,260 of availability remaining under its stock repurchase authorization.

## Note 15. Related Party Transactions

As of March 31, 2015, 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 its nonconsolidated affiliates.

## 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 nine months ended March 31, 2015 and 2014:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Revenues	\$46,519	\$47,531	\$130,956	\$138,872
Operating expenses:				
Origination, master control and technical services	\$1,462	\$2,351	\$4,221	\$6,811
Advertising	3,492	4,130	8,127	10,822
Corporate general and administrative	374	1,040	1,528	2,029
Telephone and other fiber optic transmission services	636	662	1,829	1,652
Other	507	626	922	1,550





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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 statements of operations for the three and nine months ended March 31, 2015 includes \$667 and \$1,945, respectively, of income related to certain space leased and/or licensed by related parties from the Company.

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 nine months ended March 31, 2015 was \$28,304 and \$161,844, respectively.

The effective tax rate for the three months ended March 31, 2015 of 41.6% differs from the statutory federal rate of 35% due principally to the impact of state and local income taxes 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 nine months ended March 31, 2015 of 43.6% 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 nine months ended March 31, 2014 was \$7,995 and \$56,812, respectively. The effective tax rate for the three months ended March 31, 2014 of 29.6% differs from the statutory federal rate of 35% due principally to



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the benefit of the federal rehabilitation credit related to the Forum, decreases in state tax rates enacted during the quarter, and the impact of the domestic production activities deduction partially offset by state and local income taxes and, to a lesser extent, the impact of non-deductible expenses. The effective tax rate for the nine months ended March 31, 2014 of 35.5% differs from the statutory federal rate of 35% due principally to state and local income taxes and, to a lesser extent, the impact of non-deductible expenses. These increases were mostly offset by the benefit of the federal rehabilitation credit related to the Forum, the impact of the domestic production activities deduction, state rate changes, 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 nine months ended March 31, 2014, the amount of the rehabilitation tax credit benefit recognized in income tax expense was approximately \$2,270 and \$7,270, respectively. This federal rehabilitation credit is based on eligible expenditures incurred as a result of the renovation of the Forum.

During the third quarter of fiscal year 2015, the Internal Revenue Service notified the Company of its intent to review the federal income tax returns as filed for the tax year ended December 31, 2013. Fieldwork has not yet begun. The Company does not expect the examination, when finalized, to result in material changes to the tax returns as filed. 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 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 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 March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Revenues				
MSG Media	\$ 168,958	\$ 190,825	\$ 477,848	\$ 538,149
MSG Entertainment	61,566	52,785	320,926	244,510
MSG Sports	239,114	233,739	495,131	455,293

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All other	176	123	529	369
Inter-segment eliminations <sup>(a)</sup>	(20,397	) (18,516	) (60,749	) (54,401
	\$449,417	\$458,956	\$1,233,685	\$1,183,920

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## THE MADISON SQUARE GARDEN COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
AOCF				
MSG Media	\$91,922	\$91,950	\$262,107	\$259,194
MSG Entertainment	(13,386)	(20,200)	38,340	7,110
MSG Sports	29,358	9,846	51,926	13,871
All other <sup>(b) (c)</sup>	(7,510)	(15,883)	(25,990)	(22,390)
	\$100,384	\$65,713	\$326,383	\$257,785
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Depreciation and amortization				
MSG Media	\$3,186	\$3,796	\$9,658	\$11,771
MSG Entertainment	2,590	2,469	7,662	7,429
MSG Sports	2,619	2,663	18,354	7,739
All other <sup>(d)</sup>	20,199	20,746	58,766	49,930
	\$28,594	\$29,674	\$94,440	\$76,869
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Share-based compensation expense				
MSG Media	\$417	\$1,083	\$1,937	\$2,985
MSG Entertainment	793	1,517	3,370	4,093
MSG Sports	559	1,311	2,361	3,581
All other <sup>(c)</sup>	(103)	4,679	4,642	6,398
	\$1,666	\$8,590	\$12,310	\$17,057
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Gain on sale of Fuse (see Note 4)				
MSG Media	\$—	\$—	\$186,178	\$—
	\$—	\$—	\$186,178	\$—

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## THE MADISON SQUARE GARDEN COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Operating income (loss)				
MSG Media	\$88,319	\$87,071	\$436,690	\$244,438
MSG Entertainment	(16,769)	) (24,186	) 27,308	(4,412
MSG Sports	26,180	5,872	31,211	2,551
All other	(27,606	) (41,308	) (89,398	) (78,718
	\$70,124	\$27,449	\$405,811	\$163,859

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Total operating income for reportable segments	\$97,730	\$68,757	\$495,209	\$242,577
Other operating loss	(27,606	) (41,308	) (89,398	) (78,718
Operating income	70,124	27,449	405,811	163,859
Items excluded from operating income:				
Equity in earnings (loss) of nonconsolidated affiliates	(2,294	) 663	(35,049	) (75
Interest income	1,003	628	2,885	1,742
Interest expense	(1,600	) (1,763	) (4,924	) (5,378
Miscellaneous income <sup>(e)</sup>	783	72	2,136	95
Income from operations before income taxes	\$68,016	\$27,049	\$370,859	\$160,243

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Capital expenditures				
MSG Media	\$1,593	\$443	\$5,276	\$1,711
MSG Entertainment	2,112	1,023	4,018	4,856
MSG Sports	795	865	3,877	3,792
All other <sup>(f)</sup>	14,244	45,555	46,734	232,386
	\$18,744	\$47,886	\$59,905	\$242,745

Represents local media rights recognized as revenues by the Company's MSG Sports segment from the licensing of  
<sup>(a)</sup> 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 nine months ended March 31, 2015 and the three and nine months ended March 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.

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THE MADISON SQUARE GARDEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

- (e) Miscellaneous income for the three and nine months ended March 31, 2015 primarily includes income related to certain space leased and/or licensed by related parties from the Company.
- (f) 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 March 31, 2015 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	March 31, 2015	June 30, 2014
Prepaid expenses	\$1,000	\$1,000
Other current assets	2,000	2,000
Other assets	42,000	42,000
	\$45,000	\$45,000

Note 19. Other Matters

On March 27, 2015, the Company filed an initial Registration Statement on Form 10 with the U.S. Securities and Exchange Commission in connection with the Company's previous announcement that it was exploring a possible separation of its businesses into two publicly traded companies. The planned separation would be structured as a tax-free spin-off of the sports and entertainment business to the Company's shareholders on a pro rata basis. There can be no assurance that a spin-off transaction will be completed. Completion of a spin-off is subject to various conditions, including final board approval.



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

This Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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, New York Spring 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 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 and New York Spring Spectacular, both 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 March 27, 2015, the Company filed an initial Registration Statement on Form 10 with the U.S. Securities and Exchange Commission in connection with the Company's previous announcement that it was exploring a possible separation of its businesses into two publicly traded companies. The planned separation would be structured as a tax-free spin-off of the sports and entertainment business to the Company's shareholders on a pro rata basis. There can be no assurance that a spin-off transaction will be completed. Completion of a spin-off is subject to various conditions, including 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 nine months ended March 31, 2015 compared to the three and nine months ended March 31, 2014 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 nine months ended March 31, 2015 compared to the nine months ended March 31, 2014, 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.

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

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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 March 31, 2015 versus the Three Months Ended March 31, 2014

## 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 March 31, 2015		2014		Increase (Decrease) in Net Income	
	Amount	% of Revenues	Amount	% of Revenues		
Revenues	\$449,417	100	% \$458,956	100	% \$(9,539	)
Direct operating expenses	271,400	60	% 300,888	66	% 29,488	
Selling, general and administrative expenses	79,299	18	% 100,945	22	% 21,646	
Depreciation and amortization	28,594	6	% 29,674	6	% 1,080	
Operating income	70,124	16	% 27,449	6	% 42,675	
Other income (expense):						
Equity in earnings (loss) of nonconsolidated affiliates	(2,294	) (1	)% 663	NM	(2,957	)
Interest expense, net	(597	) NM	(1,135	) NM	538	
Miscellaneous income	783	NM	72	NM	711	
Income from operations before income taxes	68,016	15	% 27,049	6	% 40,967	
Income tax expense	(28,304	) (6	)% (7,995	) (2	)% (20,309	)
Net income	\$39,712	9	% \$19,054	4	% \$20,658	

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 March 31, 2015 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 March 31, 2015 decreased \$9,539, or 2%, to \$449,417 as compared to the prior year period. The net decrease is attributable to the following:

Decrease in MSG Media segment revenues	\$(21,867	)
Increase in MSG Entertainment segment revenues	8,781	
Increase in MSG Sports segment revenues	5,375	
Increase in other revenues	53	
Change in inter-segment eliminations	(1,881	)
	\$(9,539	)

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## Direct operating expenses

Direct operating expenses for the three months ended March 31, 2015 decreased \$29,488, or 10%, to \$271,400 as compared to the prior year period. The net decrease is attributable to the following:

Decrease in MSG Media segment expenses	\$(10,193 )
Increase in MSG Entertainment segment expenses	1,023
Decrease in MSG Sports segment expenses	(18,440 )
Increase in other expenses	3
Change in inter-segment eliminations	(1,881 )
	\$(29,488 )

## Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended March 31, 2015 decreased \$21,646, or 21%, to \$79,299 as compared to the prior year period. The net decrease is attributable to the following:

Decrease in MSG Media segment expenses	\$(12,312 )
Increase in MSG Entertainment segment expenses	220
Increase in MSG Sports segment expenses	3,551
Decrease in other expenses	(13,105 )
	\$(21,646 )

The decrease in other expenses was primarily due to the absence of the executive management transition costs recorded during the prior year period partially offset by higher professional fees.

## Depreciation and amortization

Depreciation and amortization for the three months ended March 31, 2015 decreased \$1,080, or 4%, to \$28,594 as compared to the prior year period primarily driven by the absence of accelerated depreciation expense recorded in the prior year period of capitalized costs associated with asset retirement obligations that were removed as a result of the renovation of the Forum and, to a lesser extent, the absence of depreciation expense on Fuse's property and equipment. These decreases were partially offset by higher depreciation expense on property and equipment placed into service.

## Equity in earnings (loss) of nonconsolidated affiliates

Equity in earnings (loss) of nonconsolidated affiliates reflects the Company's share of the net earnings (loss) of nonconsolidated affiliates, inclusive of amortization expense for intangible assets associated with these investments.

The Company's share of the earnings (loss) of its equity investments are recorded on a three-month lag basis.

## Income taxes

Income tax expense for the three months ended March 31, 2015 was \$28,304. The effective tax rate for the three months ended March 31, 2015 of 41.6% differs from the statutory federal rate of 35% due principally to the impact of state and local income taxes 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 March 31, 2014 was \$7,995. The effective tax rate for the three months ended March 31, 2014 of 29.6% differs from the statutory federal rate of 35% due principally to the benefit of the federal rehabilitation credit related to the Forum, decreases in state tax rates enacted during the quarter, and the impact of the domestic production activities deduction partially offset by state and local income taxes and, to a lesser extent, the impact of non-deductible expenses.

## 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 (loss), an accepted GAAP measure.

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The following is a reconciliation of operating income to AOCF:

	Three Months Ended March 31,		Increase (Decrease) in AOCF
	2015	2014	
Operating income	\$70,124	\$27,449	\$42,675
Share-based compensation	1,666	8,590	(6,924 )
Depreciation and amortization	28,594	29,674	(1,080 )
AOCF	\$100,384	\$65,713	\$34,671
AOCF for the three months ended March 31, 2015 increased \$34,671, or 53%, to \$100,384 as compared to the prior year period. The net increase is attributable to the following:			
Decrease in AOCF of the MSG Media segment			\$(28 )
Increase in AOCF of the MSG Entertainment segment			6,814
Increase in AOCF of the MSG Sports segment			19,512
Other net increases			8,373
			\$34,671

Other net increases were primarily due to the absence of the executive management transition costs recorded during the prior year period partially offset by higher professional fees.

## 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 March 31,			Increase (Decrease) in Operating Income	
	2015	2014			
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	\$168,958	100	% \$190,825	100	% \$(21,867 )
Direct operating expenses	60,856	36	% 71,049	37	% 10,193
Selling, general and administrative expenses	16,597	10	% 28,909	15	% 12,312
Depreciation and amortization	3,186	2	% 3,796	2	% 610
Operating income	\$88,319	52	% \$87,071	46	% \$1,248

The following is a reconciliation of operating income to AOCF:

	Three Months Ended March 31,		Increase (Decrease) in AOCF
	2015	2014	
Operating income	\$88,319	\$87,071	\$1,248
Share-based compensation	417	1,083	(666 )
Depreciation and amortization	3,186	3,796	(610 )
AOCF	\$91,922	\$91,950	\$(28 )

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### Revenues

Revenues for the three months ended March 31, 2015 decreased \$21,867, or 11%, to \$168,958 as compared to the prior year period. The net decrease is attributable to the following:

Decrease in affiliation fee revenue	\$(13,380)	)
Decrease in advertising revenue	(9,379)	)
Other net increases	892	
	\$(21,867)	)

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 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 due to the absence of advertising revenue for Fuse and, to a lesser extent, lower advertising revenue at MSG Networks. The decrease in advertising revenue at MSG Networks was primarily due to lower Knicks-related advertising revenue partially offset by higher revenues generated from the telecast of NHL games.

### Direct operating expenses

Direct operating expenses for the three months ended March 31, 2015 decreased \$10,193, or 14%, to \$60,856 as compared to the prior year period due to the absence of expenses for Fuse 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-related cost increases.

### Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended March 31, 2015 decreased \$12,312, or 43%, to \$16,597 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 March 31, 2015 decreased \$610, or 16%, to \$3,186 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.

### AOCF

AOCF for the three months ended March 31, 2015 decreased \$28, or less than 1%, to \$91,922 as compared to the prior year period primarily driven by the decrease in revenues largely offset by lower selling, general and administrative expenses and direct operating expenses, 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 March 31, 2015		2014		(Increase) Decrease in Operating Loss
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	\$61,566	100	% \$52,785	100	% \$8,781
Direct operating expenses	56,337	92	% 55,314	105	% (1,023 )
Selling, general and administrative expenses	19,408	32	% 19,188	36	% (220 )
Depreciation and amortization	2,590	4	% 2,469	5	% (121 )
Operating loss	\$(16,769 )	(27 )	)% \$(24,186 )	(46 )	)% \$7,417



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The following is a reconciliation of operating loss to AOCF:

	Three Months Ended March 31,		Increase (Decrease) in AOCF
	2015	2014	
Operating loss	\$(16,769	) \$(24,186	) \$7,417
Share-based compensation	793	1,517	(724 )
Depreciation and amortization	2,590	2,469	121
AOCF	\$(13,386	) \$(20,200	) \$6,814

## Revenues

Revenues for the three months ended March 31, 2015 increased \$8,781, or 17%, to \$61,566 as compared to the prior year period. The net increase is attributable to the following:

Increase in revenues from New York Spring Spectacular	\$6,399
Increase in event-related revenues at The Garden	3,208
Increase in venue-related sponsorship and signage and suite rental fee revenues	947
Increase in event-related revenues at the Beacon Theatre	569
Decrease in event-related revenues at The Theater at Madison Square Garden	(2,793 )
Other net increases	451
	\$8,781

The increase in revenues from New York Spring Spectacular was due to the production's initial performances, including preview shows, that began on March 12, 2015.

The increase in event-related revenues at The Garden was primarily due to additional events partially offset by a change in the mix of 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 and signage revenue as a result of expanded inventory and higher suite rental fee revenue.

The increase in event-related revenues at the Beacon Theatre was primarily due to additional events partially offset by a change in the mix of events held at the venue during the current year period as compared to the prior year period.

The decrease in event-related revenues at The Theater at Madison Square Garden 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 March 31, 2015 increased \$1,023, or 2%, to \$56,337 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	\$2,079
Increase in event-related direct operating expenses at the Beacon Theatre	41
Decrease in event-related direct operating expenses at The Theater at Madison Square Garden	(1,202 )
Decrease in direct operating expenses associated with New York Spring Spectacular	(324 )
Other net increases	429
	\$1,023

The decrease in direct operating expenses associated with New York Spring Spectacular reflects approximately \$9,500 of expenses recorded in the prior year period, primarily related to the acceleration of marketing costs due to the postponement of last year's planned run until the current fiscal year. This decrease was largely offset by the costs in the current period associated with the production's initial performances.

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## Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended March 31, 2015 increased \$220, or 1%, to \$19,408 as compared to the prior year period mainly due to higher allocated corporate general and administrative costs and, to a lesser extent, other net cost increases largely offset by lower employee compensation and related benefits.

## AOCF

AOCF loss improved for the three months ended March 31, 2015 by \$6,814, or 34%, to a loss of \$13,386 as compared to the prior year period driven by an increase in revenues partially offset by higher selling, general and administrative expenses and direct operating expenses, as discussed above.

## 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 March 31,				Increase (Decrease) in Operating Income
	2015	% of Revenues	2014	% of Revenues	
	Amount		Amount		
Revenues	\$239,114	100	% \$233,739	100	% \$5,375
Direct operating expenses	174,604	73	% 193,044	83	% 18,440
Selling, general and administrative expenses	35,711	15	% 32,160	14	% (3,551 )
Depreciation and amortization	2,619	1	% 2,663	1	% 44
Operating income	\$26,180	11	% \$5,872	3	% \$20,308

The following is a reconciliation of operating income to AOCF:

	Three Months Ended March 31,		Increase (Decrease) in AOCF
	2015	2014	
Operating income	\$26,180	\$5,872	\$20,308
Share-based compensation	559	1,311	(752 )
Depreciation and amortization	2,619	2,663	(44 )
AOCF	\$29,358	\$9,846	\$19,512

## Revenues

Revenues for the three months ended March 31, 2015 increased \$5,375, or 2%, to \$239,114 as compared to the prior year period. The net increase is attributable to the following:

Increase in revenues from league distributions	\$2,642
Increase in broadcast rights fees from MSG Media	1,881
Increase in professional sports teams' sponsorship and signage revenues	975
Increase in suite rental fee revenue	587
Increase in event-related revenues from other live sporting events	463
Decrease in professional sports teams' pre/regular season food, beverage and merchandise sales	(691 )
Other net decreases	(482 )
	\$5,375

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 higher fees as compared to the prior year period.

The increase in professional sports teams' sponsorship and signage revenues primarily reflects expanded inventory at The Garden.

The increase in suite rental fee revenue was primarily due to contractual rate increases and additional sales of suite products partially offset by other net decreases.



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The increase 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.

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

#### Direct operating expenses

Direct operating expenses for the three months ended March 31, 2015 decreased \$18,440, or 9.6%, to \$174,604 as compared to the prior year period. The net decrease is attributable to the following:

Decrease in net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs)	\$(15,872)	)
Decrease in team personnel compensation	(13,494)	)
Decrease in other team operating expenses	(1,712)	)
Decrease in professional sports teams' pre/regular season expense associated with food, beverage and merchandise sales	(766)	)
Increase in net provisions for certain team personnel transactions (including the impact of NBA luxury tax)	9,828	
Increase in event-related expenses associated with other live sporting events	3,901	
Other net decreases	(325)	)
	\$(18,440)	)

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:

	Three Months Ended March 31,		Increase (Decrease)
	2015	2014	
Net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs)	\$ 10,348	\$ 26,220	\$(15,872)
Net provisions for certain team personnel transactions (including the impact of NBA luxury tax)	20,642	10,814	9,828

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 \$19,747 partially offset by higher net provisions for both NBA and NHL revenue sharing expense of \$3,875. The decrease in provisions for NBA luxury tax for the three months ended March 31, 2015 was primarily due to lower aggregate player salaries and 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. Provisions for NBA luxury tax for the three months ended March 31, 2015 for both the active roster and for team personnel transactions was lower by \$25,650 as compared to the prior year period.

Team personnel transactions for the three months ended March 31, 2015 reflect provisions recorded for season-ending player injuries and player waivers/contract terminations of \$11,121 and \$8,060, respectively, and player trades of \$1,461. Team personnel transactions for the three months ended March 31, 2014 primarily reflect provisions recorded for season-ending player injuries and player waivers/contract terminations of \$6,933 and \$3,728, respectively.

The decrease in team personnel compensation was primarily due to lower overall player salaries, inclusive of the impact of roster changes at the Company's sports teams, slightly offset by non-player team personnel increases.

The decrease in other team operating expenses was primarily due to lower professional fees and player insurance partially offset by other team operating expense increases.

The increase in event-related expenses associated with other live sporting events was primarily due to a change in the mix of events as compared to the prior year period.

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Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended March 31, 2015 increased \$3,551, or 11%, to \$35,711 as compared to the prior year period primarily due to higher employee compensation and related benefits and allocated corporate general and administrative costs.

AOCF

AOCF for the three months ended March 31, 2015 increased \$19,512, or 198%, to \$29,358 as compared to the prior year period primarily due to lower direct operating expenses and, to a lesser extent, an increase in revenues partially offset by higher selling, general and administrative expenses, as discussed above.

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Comparison of the Nine Months Ended March 31, 2015 versus the Nine Months Ended March 31, 2014

## 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.

	Nine Months Ended March 31, 2015		2014		Increase (Decrease) in Net Income
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	\$1,233,685	100	% \$1,183,920	100	% \$49,765
Direct operating expenses	672,863	55	% 682,046	58	% 9,183
Selling, general and administrative expenses	246,749	20	% 261,146	22	% 14,397
Depreciation and amortization	94,440	8	% 76,869	6	% (17,571 )
Gain on sale of Fuse	(186,178 )	(15 )	% —	NM	186,178
Operating income	405,811	33	% 163,859	14	% 241,952
Other income (expense):					
Equity in loss of nonconsolidated affiliates	(35,049 )	(3 )	% (75 )	NM	(34,974 )
Interest expense, net	(2,039 )	NM	(3,636 )	NM	1,597
Miscellaneous income	2,136	NM	95	NM	2,041
Income from operations before income taxes	370,859	30	% 160,243	14	% 210,616
Income tax expense	(161,844 )	(13 )	% (56,812 )	(5 )	% (105,032 )
Net income	\$209,015	17	% \$103,431	9	% \$105,584

NM – Percentage is not meaningful

The comparability of the results of operations of the Company and the MSG Media segment for the nine months ended March 31, 2015 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 nine months ended March 31, 2015 increased \$49,765, or 4%, to \$1,233,685 as compared to the prior year period. The net increase is attributable to the following:

Decrease in MSG Media segment revenues	\$(60,301 )
Increase in MSG Entertainment segment revenues	76,416
Increase in MSG Sports segment revenues	39,838
Increase in other revenues	160
Change in inter-segment eliminations	(6,348 )
	\$49,765





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## Direct operating expenses

Direct operating expenses for the nine months ended March 31, 2015 decreased \$9,183, or 1%, to \$672,863 as compared to the prior year period. The net decrease is attributable to the following:

Decrease in MSG Media segment expenses	\$(31,316 )
Increase in MSG Entertainment segment expenses	42,929
Decrease in MSG Sports segment expenses	(14,451 )
Increase in other expenses	3
Change in inter-segment eliminations	(6,348 )
	\$(9,183 )

## Selling, general and administrative expenses

Selling, general and administrative expenses for the nine months ended March 31, 2015 decreased \$14,397, or 6%, to \$246,749 as compared to the prior year period. The net decrease is attributable to the following:

Decrease in MSG Media segment expenses	\$(32,946 )
Increase in MSG Entertainment segment expenses	1,534
Increase in MSG Sports segment expenses	15,014
Increase in other expenses	2,001
	\$(14,397 )

The increase in other expenses was primarily due to higher professional fees, with the overall increase being partially offset by lower executive management transition costs.

## Depreciation and amortization

Depreciation and amortization for the nine months ended March 31, 2015 increased \$17,571, or 23%, to \$94,440 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 comprehensive transformation of The Garden into a state-of-the-art arena ("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 nine months ended March 31, 2015 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 nine months ended March 31, 2015 increased \$34,974 to \$35,049 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 Brooklyn Bowl Las Vegas, LLC ("BBLV") during the second quarter of fiscal year 2015 (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.

## Income taxes

Income tax expense for the nine months ended March 31, 2015 was \$161,844. The effective tax rate for the nine months ended March 31, 2015 of 43.6% 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.

Income tax expense for the nine months ended March 31, 2014 was \$56,812. The effective tax rate for the nine months ended March 31, 2014 of 35.5% differs from the statutory federal rate of 35% due principally to state and

local income taxes and, to a

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lesser extent, the impact of non-deductible expenses. These increases were mostly offset by the benefit of the federal rehabilitation credit related to the Forum, the impact of the domestic production activities deduction, state rate changes, 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:

	Nine Months Ended March 31,		Increase (Decrease) in AOCF
	2015	2014	
Operating income	\$405,811	\$163,859	\$241,952
Share-based compensation	12,310	17,057	(4,747 )
Depreciation and amortization	94,440	76,869	17,571
Gain on sale of Fuse	(186,178 )	—	(186,178 )
AOCF	\$326,383	\$257,785	\$68,598

AOCF for the nine months ended March 31, 2015 increased \$68,598, or 27%, to \$326,383 as compared to the prior year period. The net increase is attributable to the following:

Increase in AOCF of the MSG Media segment	\$2,913
Increase in AOCF of the MSG Entertainment segment	31,230
Increase in AOCF of the MSG Sports segment	38,055
Other net decreases	(3,600 )
	\$68,598

Other net decreases were primarily due to higher professional fees, with the overall increase being partially offset by lower executive management transition costs.

**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.

	Nine Months Ended March 31,				Increase (Decrease) in Operating Income
	2015		2014		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	\$477,848	100	% \$538,149	100	% \$(60,301 )
Direct operating expenses	166,084	35	% 197,400	37	% 31,316
Selling, general and administrative expenses	51,594	11	% 84,540	16	% 32,946
Depreciation and amortization	9,658	2	% 11,771	2	% 2,113
Gain on sale of Fuse	(186,178 )	(39 )	% —	NM	186,178
Operating income	\$436,690	91	% \$244,438	45	% \$192,252

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The following is a reconciliation of operating income to AOCF:

	Nine Months Ended March 31,		Increase (Decrease) in AOCF
	2015	2014	
Operating income	\$436,690	\$244,438	\$192,252
Share-based compensation	1,937	2,985	(1,048 )
Depreciation and amortization	9,658	11,771	(2,113 )
Gain on sale of Fuse	(186,178 )	—	(186,178 )
AOCF	\$262,107	\$259,194	\$2,913

#### Revenues

Revenues for the nine months ended March 31, 2015 decreased \$60,301, or 11%, to \$477,848 as compared to the prior year period. The net decrease is attributable to the following:

Decrease in affiliation fee revenue	\$(37,492 )
Decrease in advertising revenue	(24,815 )
Other net increases	2,006
	\$(60,301 )

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 impact of lower affiliate adjustments in the current year period as compared to the prior year period.

The decrease in advertising revenue was due to the absence of advertising revenue for Fuse partially offset by a small increase in advertising revenue at MSG Networks.

Other net increases were primarily attributable to a retroactive royalty payment and the recognition of revenue associated with certain services provided to Fuse Media, Inc. in the current year period.

#### Direct operating expenses

Direct operating expenses for the nine months ended March 31, 2015 decreased \$31,316, or 16%, to \$166,084 as compared to the prior year period 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-related cost increases.

#### Selling, general and administrative expenses

Selling, general and administrative expenses for the nine months ended March 31, 2015 decreased \$32,946, or 39%, to \$51,594 as compared to the prior year period primarily due to the absence of expenses for Fuse.

#### Depreciation and amortization

Depreciation and amortization for the nine months ended March 31, 2015 decreased \$2,113, or 18%, to \$9,658 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 nine months ended March 31, 2015 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 nine months ended March 31, 2015 increased \$2,913, or 1%, to \$262,107 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.

	Nine Months Ended March 31, 2015		2014		Increase (Decrease) in Operating Income	
	Amount	% of Revenues	Amount	% of Revenues		
Revenues	\$320,926	100	% \$244,510	100	%	\$76,416
Direct operating expenses	228,044	71	% 185,115	76	%	(42,929 )
Selling, general and administrative expenses	57,912	18	% 56,378	23	%	(1,534 )
Depreciation and amortization	7,662	2	% 7,429	3	%	(233 )
Operating income (loss)	\$27,308	9	% \$(4,412 )	(2	)%	\$31,720

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

	Nine Months Ended March 31, 2015		2014	Increase (Decrease) in AOCF	
Operating income (loss)	\$27,308		\$(4,412 )		\$31,720
Share-based compensation	3,370		4,093		(723 )
Depreciation and amortization	7,662		7,429		233
AOCF	\$38,340		\$7,110		\$31,230

## Revenues

Revenues for the nine months ended March 31, 2015 increased \$76,416, or 31%, to \$320,926 as compared to the prior year period. The net increase is attributable to the following:

Increase in event-related revenues at The Garden	\$35,854
Increase in event-related revenues at the Forum	23,673
Increase in venue-related sponsorship and signage and suite rental fee revenues	6,858
Increase in revenues from New York Spring Spectacular	6,387
Increase in revenues from the presentation of the Radio City Christmas Spectacular franchise	4,360
Increase in event-related revenues at The Chicago Theatre	3,053
Decrease in event-related revenues at Radio City Music Hall, excluding Radio City Christmas Spectacular and New York Spring Spectacular	(4,930 )
Decrease in event-related revenues at The Theater at Madison Square Garden	(2,099 )
Other net increases	3,260
	\$76,416

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 until mid-January 2014 due to the renovation.

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



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The increase in revenues from New York Spring Spectacular was due to the production's initial performances, including preview shows, that began on March 12, 2015.

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 and New York Spring 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.

The decrease in event-related revenues at The Theater at Madison Square Garden was primarily due to a change in the mix of events partially offset by additional 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 nine months ended March 31, 2015 increased \$42,929, or 23%, to \$228,044 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	\$23,730	
Increase in event-related direct operating expenses at the Forum	14,212	
Increase in venue operating costs	3,808	
Increase in event-related direct operating expenses at The Chicago Theatre	2,036	
Increase in direct operating expenses associated with the presentation of the Radio City Christmas Spectacular franchise	376	
Decrease in event-related direct operating expenses at Radio City Music Hall, excluding Radio City Christmas Spectacular and New York Spring Spectacular	(2,886)	)
Decrease in event-related direct operating expenses at The Theater at Madison Square Garden	(480)	)
Decrease in direct operating expenses associated with New York Spring Spectacular	(113)	)
Other net increases	2,246	
	\$42,929	

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 until mid-January 2014 due to the renovation. The decrease in direct operating expenses associated with New York Spring Spectacular reflects approximately \$9,500 of expenses recorded in the prior year period, primarily related to the acceleration of marketing costs due to the postponement of last year's planned run until the current fiscal year. This decrease was largely offset by the costs in the current period associated with the production's initial performances.

### Selling, general and administrative expenses

Selling, general and administrative expenses for the nine months ended March 31, 2015 increased \$1,534, or 3%, to \$57,912 as compared to the prior year period primarily due to higher allocated corporate general and administrative costs 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 net cost decreases.

### AOCF

AOCF for the nine months ended March 31, 2015 increased \$31,230, or 439%, to \$38,340 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.





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## 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.

	Nine Months Ended March 31,			Increase (Decrease) in Operating Income	
	2015	% of Revenues	2014	% of Revenues	
	Amount		Amount		
Revenues	\$495,131	100	% \$455,293	100	% \$39,838
Direct operating expenses	339,484	69	% 353,935	78	% 14,451
Selling, general and administrative expenses	106,082	21	% 91,068	20	% (15,014 )
Depreciation and amortization	18,354	4	% 7,739	2	% (10,615 )
Operating income	\$31,211	6	% \$2,551	1	% \$28,660

The following is a reconciliation of operating income to AOCF:

	Nine Months Ended March 31,		Increase (Decrease) in AOCF
	2015	2014	
Operating income	\$31,211	\$2,551	\$28,660
Share-based compensation	2,361	3,581	(1,220 )
Depreciation and amortization	18,354	7,739	10,615
AOCF	\$51,926	\$13,871	\$38,055

## Revenues

Revenues for the nine months ended March 31, 2015 increased \$39,838, or 9%, to \$495,131 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	\$14,443
Increase in suite rental fee revenue	9,104
Increase in broadcast rights fees from MSG Media	6,348
Increase in professional sports teams' sponsorship and signage revenues	4,988
Increase in professional sports teams' pre/regular season food, beverage and merchandise sales	2,906
Increase in revenues from league distributions	2,176
Increase in event-related revenues from other live sporting events	1,453
Other net decreases	(1,580 )
	\$39,838

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 higher fees as compared to the prior year period.

The increase in professional sports teams' sponsorship and signage revenues primarily reflects expanded inventory, increased sales of existing inventory and the impact of Transformation-related assets.

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



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The increase in event-related revenues from other live sporting events was primarily due to additional events partially offset by 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.

Direct operating expenses

Direct operating expenses for the nine months ended March 31, 2015 decreased \$14,451, or 4%, to \$339,484 as compared to the prior year period. The net decrease is attributable to the following:

Decrease in net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs)	\$(18,567 )
Decrease in team personnel compensation	(12,321 )
Increase in net provisions for certain team personnel transactions (including the impact of NBA luxury tax)	9,527
Increase in event-related expenses associated with other live sporting events	4,461
Increase in professional sports teams' pre/regular season expense associated with food, beverage and merchandise sales	1,333
Other net increases	1,116
	\$(14,451 )

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:

	Nine Months Ended March 31,		Increase (Decrease)
	2015	2014	
Net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs)	\$29,287	\$47,854	\$(18,567 )
Net provisions for certain team personnel transactions (including the impact of NBA luxury tax)	25,317	15,790	9,527

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 \$25,557 partially offset by higher net provisions for both NBA and NHL revenue sharing expense of \$6,990. The decrease in provisions for NBA luxury tax for the nine months ended March 31, 2015 was primarily due to a higher luxury tax threshold and lower aggregate player salaries. 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. Provisions for NBA luxury tax for the nine months ended March 31, 2015 for both the active roster and for team personnel transactions was lower by \$31,366 as compared to the prior year period. Team personnel transactions for the nine months ended March 31, 2015 reflect provisions recorded for player waivers/contract terminations and season-ending player injuries of \$12,655 and \$11,121, respectively, and player trades of \$1,541. Team personnel transactions for the nine months ended March 31, 2014 reflect provisions recorded for player waivers/contract terminations and season-ending player injuries of \$7,276 and \$6,933, respectively, and player trades of \$1,581.

The decrease in team personnel compensation was primarily due to lower overall player salaries, inclusive of the impact of roster changes at the Company's sports teams, slightly offset by non-player team personnel increases. The increase in event-related expenses associated with other live sporting events was primarily due to a change in the mix of events and additional events as compared to the prior year period.

Selling, general and administrative expenses

Selling, general and administrative expenses for the nine months ended March 31, 2015 increased \$15,014, or 16%, to \$106,082 as compared to the prior year period primarily due to higher employee compensation and related benefits, allocated corporate

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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 and, to a lesser extent, other net cost decreases.

### Depreciation and amortization

Depreciation and amortization for the nine months ended March 31, 2015 increased \$10,615, or 137%, to \$18,354, 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 nine months ended March 31, 2015 increased \$38,055, or 274%, to \$51,926, as compared to the prior year period primarily due to an increase in revenues and, to a lesser extent, lower direct operating expenses partially offset by higher selling, general and administrative expenses, as discussed above.

### 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 \$241,000 in unrestricted cash and cash equivalents as of March 31, 2015, 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 regularly 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. Since the authorization of the repurchase program through March 31, 2015, the Company has repurchased 1,510 shares, which are determined based on the settlement date of such trades, for a total cost of \$114,770, including commissions and fees. These acquired shares have been classified as treasury stock in the Company's consolidated balance sheet. As of March 31, 2015, the Company had \$385,260 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

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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 March 31, 2015, 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 March 31, 2015, 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.

### 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 \$66,000 of borrowings outstanding as of March 31, 2015.

In connection with the Company's investment in Tribeca Enterprises LLC ("Tribeca Enterprises"), during the second quarter of fiscal year 2015, the Company agreed to provide a revolving credit facility to this entity. This loan facility was increased to \$6,000 during the third quarter of fiscal year 2015 of which \$2,375 had been drawn down as of March 31, 2015.

Cash Flow Discussion

Operating Activities

Net cash provided by operating activities for the nine months ended March 31, 2015 decreased by \$82,091 to \$134,957 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).



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### Investing Activities

Net cash provided by investing activities for the nine months ended March 31, 2015 increased by \$548,615 to \$135,489 as compared to the prior year period. This change is primarily due to (i) proceeds received during the nine months ended March 31, 2015 from the sale of Fuse, (ii) lower capital expenditures for the nine months ended March 31, 2015 as compared to the prior year period primarily due to the completion of the Transformation and the renovation of the Forum, and (iii) the Company's prior year period acquisitions of its interest in Azoff-MSG, BBLV, and Tribeca Enterprises. These increases were partially offset by the Company's current period loans to Azoff-MSG, BBLV and Tribeca Enterprises, investments in other nonconsolidated affiliates, and the absence of the prior year period's \$18,000 loan provided to the Company from the City of Inglewood in connection with the Company's renovation of the Forum.

### Financing Activities

Net cash used in financing activities for the nine months ended March 31, 2015 increased by \$116,338 to \$121,628 as compared to the prior year period primarily driven by the current year period repurchases of the Company's Class A Common Stock.

### 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 ("ASC") 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.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which changes the analysis to be performed in determining whether certain types of legal entities should be consolidated. Specifically, it (1) modifies the assessment of whether limited partnerships are variable interest entities (VIEs) or voting interest entities, (2) eliminates the presumption that a limited partnership should be consolidated by its general partner, (3) removes certain conditions for the evaluation of whether a fee paid to a decision maker constitutes a variable interest, and (4) modifies the evaluation concerning the impact of related parties in the determination of the primary beneficiary of a VIE. This standard will be effective for the Company beginning in the first quarter of fiscal year 2017 using one of two retrospective application methods. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which amends the FASB ASC to require that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related liability. This standard will be effective for the Company beginning in the first quarter of fiscal year 2017 and the amended guidance must be applied on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the

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arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract and expense the cost as the services are received. This standard will be effective for the Company beginning in the first quarter of fiscal year 2017. Early adoption is permitted. This standard may be adopted retrospectively or prospectively to arrangements entered into, or materially modified, after the effective date. 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 first quarter of fiscal year 2015. 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 March 31, 2015 by reportable segment is as follows:

MSG Media	\$424,508
MSG Entertainment	58,979
MSG Sports	218,187
	\$701,674

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 March 31, 2015 by reportable segment:

Sports franchises (MSG Sports segment)	\$101,429
Trademarks (MSG Entertainment segment)	62,421
Photographic related rights (MSG Sports segment)	3,000
	\$166,850



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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 March 31, 2015, 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 March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**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 March 31, 2015 (amounts are presented in thousands except per share data):

Period	Total Number of Shares Purchased <sup>(a)</sup>	Average Price Paid per Share <sup>(b)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
January 1, 2015 - January 31, 2015	705	\$74.02	705	\$446,411
February 1, 2015 - February 28, 2015	217	\$76.52	217	\$429,784
March 1, 2015 - March 31, 2015	569	\$78.23	569	\$385,260
Total	1,491	\$75.99	1,491	

As of March 31, 2015, 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 \$385,260 for future repurchases.

<sup>(a)</sup> 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.

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Item 5. Other Information

Donna Coleman

On April 30, 2015, the Company's Board of Directors appointed Donna Coleman to succeed Sean Creamer as Interim Chief Financial Officer of the Company, effective May 5, 2015. From May 1, 2015 through May 4, 2015, Ms. Coleman, age 59, will serve as the Company's Executive Vice President, Finance. Upon the Company's appointment of a successor Chief Financial Officer, Ms. Coleman will resume the title of Executive Vice President, Finance. Ms. Coleman was Executive Vice President, Corporate Financial Planning and Control of Cablevision Systems Corporation, a leading telecommunications and media company, from November 2012 to her retirement in December 2014. Prior to that, she was Senior Vice President, Corporate Financial Planning and Control of Cablevision Systems Corporation from June 2011 to October 2012 and Senior Vice President, Planning and Operations of Cablevision Systems Corporation from April 2000 to May 2011. The Company and Cablevision are both controlled by the Dolan Family.

In connection with Ms. Coleman's appointment, Ms. Coleman and the Company entered into an employment agreement dated April 30, 2015 (the "Employment Agreement"). The term of the Employment Agreement commences as of May 1, 2015, and, unless terminated earlier in accordance with its terms, will expire on October 15, 2015 (the "Expiration Date"). Ms. Coleman will receive a base salary of \$250,000 per month and will be eligible for the Company's standard benefits programs subject to the terms of the applicable plan; however, Ms. Coleman will not be eligible to participate in the Company's annual or long-term bonus or incentive programs.

If Ms. Coleman's employment with the Company is terminated prior to the Expiration Date by the Company other than for "Cause" (as defined in the Employment Agreement) then, subject to Ms. Coleman's execution and non-revocation of a separation agreement (including a general release by Ms. Coleman of the Company and its affiliates), the Company will provide Ms. Coleman with continued base salary payments through the Expiration Date. Ms. Coleman is subject to confidentiality, non-disparagement, intellectual property and further cooperation obligations while employed by the Company and thereafter, and non-solicitation of employees obligations while employed by the Company and for one year thereafter.

The description above is qualified in its entirety by reference to the Employment Agreement, which is attached as Exhibit 10.1 and incorporated herein by reference.

Sean Creamer

On April 30, 2015, the Company entered into a separation agreement with Sean Creamer (the "Separation Agreement") in connection with Mr. Creamer's resignation as Company's Executive Vice President and Chief Financial Officer effective as of May 4, 2015 (the "Separation Date"). The Separation Agreement provides that the Company will continue to pay Mr. Creamer his base salary through the Separation Date. Additionally, the Company will pay Mr. Creamer a separation payment equal to \$550,000 and assume his remaining temporary New York housing costs. Mr. Creamer will be subject to non-disparagement, confidentiality, non-solicitation and certain other covenants pursuant to the Separation Agreement.

The description above is qualified in its entirety by reference to the Separation Agreement, which is attached as Exhibit 10.2 and incorporated herein by reference.

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Item 6. Exhibits

(a) Index to Exhibits

EXHIBIT NO.	DESCRIPTION
10.1	Employment Agreement dated April 30, 2015 between The Madison Square Garden Company and Donna Coleman.
10.2	Separation Agreement dated April 30, 2015 between The Madison Square Garden Company and Sean R. Creamer.
31.1	Certification by the Executive Chairman 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 Executive Chairman 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.



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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 1st day of May, 2015.

The Madison Square Garden Company

By: /S/ SEAN R. CREAMER

Name: Sean R. Creamer

Title: Executive Vice President and Chief  
Financial Officer