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MADISON SQUARE GARDEN CO

FORM 10-Q
(Quarterly Report)

Filed 05/04/12 for the Period Ending 03/31/12

Address	TWO PENN PLAZA NEW YORK, NY 10121
Telephone	(212)465-6000
CIK	0001469372
Symbol	MSG
SIC Code	4841 - Cable and Other Pay Television Services
Industry	Motion Pictures
Sector	Services
Fiscal Year	06/30

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Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

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

The Madison Square Garden Company

(Exact name of registrant as specified in its charter)

Delaware	27-0624498
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

Two Penn Plaza
New York, NY 10121
(212) 465-6000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒ **Accelerated filer** ☐ **Non-accelerated filer** ☐ **Smaller reporting company** ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Class of Stock	Shares Outstanding as of April 30, 2012
Class A Common Stock par value $0.01 per share	62,000,969
Class B Common Stock par value $0.01 per share	13,588,555

Table of Contents

THE MADISON SQUARE GARDEN COMPANY
INDEX TO FORM 10-Q

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets as of March 31, 2012 (unaudited) and June 30, 2011	1
Consolidated Statements of Operations for the three and nine months ended March 31, 2012 and 2011 (unaudited)	2
Consolidated Statements of Cash Flows for the nine months ended March 31, 2012 and 2011 (unaudited)	3
Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) for the nine months ended March 31, 2012 and 2011 (unaudited)	4
Notes to Consolidated Financial Statements (unaudited)	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3. Quantitative and Qualitative Disclosures About Market Risk	41
Item 4. Controls and Procedures	41
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	42
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	42
Item 6. Exhibits	43

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2012 (Unaudited)	June 30, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 181,096	$ 304,876
Restricted cash	5,253	8,051
Accounts receivable, net of allowance for doubtful accounts of $2,288 and $2,292	162,591	118,013
Net related party receivables	27,722	22,587
Prepaid expenses	33,416	34,512
Other current assets	23,132	21,379
Total current assets	433,210	509,418
Property and equipment, net of accumulated depreciation and amortization of $427,718 and $407,190	908,742	607,792
Amortizable intangible assets, net of accumulated amortization of $132,541 and $122,093	105,967	121,794
Indefinite-lived intangible assets	158,096	158,096
Goodwill	742,492	742,492
Other assets	145,988	140,664
	$ 2,494,495	$2,280,256
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 16,245	$ 31,769
Net related party payables	498	—
Accrued liabilities:		
Employee related costs	71,226	55,007
Other accrued liabilities	207,499	167,784
Deferred revenue	211,760	156,047
Total current liabilities	507,228	410,607
Defined benefit and other postretirement obligations	49,577	52,865
Other employee related costs	43,886	39,700
Other liabilities	63,903	53,995
Deferred tax liability	537,044	517,204
Total liabilities	1,201,638	1,074,371
Commitments and contingencies (Note 10)		
Stockholders' Equity:		
Class A Common stock, par value $0.01, 360,000 shares authorized; 61,999 and 62,094 shares outstanding as of March 31, 2012 and June 30, 2011, respectively	628	625
Class B Common stock, par value $0.01, 90,000 shares authorized; 13,589 shares outstanding as of March 31, 2012 and June 30, 2011	136	136
Preferred stock, par value $0.01, 45,000 shares authorized; none outstanding	—	—
Additional paid-in capital	1,066,375	1,041,769
Treasury stock, at cost, 927 and 500 shares as of March 31, 2012 and June 30, 2011, respectively	(22,047)	(10,279)
Retained earnings	266,849	188,867
Accumulated other comprehensive loss	(19,084)	(15,233)
Total stockholders' equity	1,292,857	1,205,885
	$ 2,494,495	$2,280,256

See accompanying notes to consolidated financial statements.

Table of Contents

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Revenues (including related party revenues of $44,648 and $41,475 for the three months ended March 31, 2012 and 2011, respectively, and $126,143 and $122,599 for the nine months ended March 31, 2012 and 2011, respectively)	$ 400,451	$ 330,413	$ 951,097	$ 953,917
Operating expenses:				
Direct operating (including related party expenses of $3,205 and $2,550 for the three months ended March 31, 2012 and 2011, respectively, and $9,743 and $9,508 for the nine months ended March 31, 2012 and 2011, respectively)	244,087	207,610	540,485	573,138
Selling, general and administrative (including related party expenses of $4,001 and $2,554 for the three months ended March 31, 2012 and 2011, respectively, and $8,548 and $7,541 for the nine months ended March 31, 2012 and 2011, respectively)	80,505	71,234	219,976	222,865
Depreciation and amortization (including impairments)	22,536	21,170	62,994	48,817
	347,128	300,014	823,455	844,820
Operating income	53,323	30,399	127,642	109,097
Other income (expense):				
Interest income	606	631	1,733	1,898
Interest expense	(1,694)	(1,690)	(5,334)	(5,308)
Miscellaneous	6,590	5,561	6,590	7,485
	5,502	4,502	2,989	4,075
Income from operations before income taxes	58,825	34,901	130,631	113,172
Income tax expense	(27,750)	(15,814)	(52,649)	(42,099)
Net income	$ 31,075	$ 19,087	$ 77,982	$ 71,073
Basic earnings per common share	$ 0.41	$ 0.26	$ 1.04	$ 0.96
Diluted earnings per common share	$ 0.40	$ 0.25	$ 1.01	$ 0.92
Weighted-average number of common shares outstanding:				
Basic	75,007	74,193	74,717	74,078
Diluted	77,612	77,200	77,392	77,016

See accompanying notes to consolidated financial statements.

Table of Contents

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

	Nine Months Ended March 31,	
	2012	**2011**
Cash flows from operating activities:		
Net income	$ 77,982	$ 71,073
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including impairments)	62,994	48,817
Impairment of deferred costs	—	1,492
Amortization of deferred financing costs	1,635	1,635
Share-based compensation expense related to equity classified awards	14,923	8,660
Excess tax benefit on share-based awards	(6,935)	(2,799)
Deemed capital contribution related to income taxes	—	4,068
Gain on exchange of investment	—	(3,375)
Provision for doubtful accounts	234	631
Change in assets and liabilities:		
Accounts receivable, net	(44,812)	(24,882)
Net related party receivables	(5,135)	(1,859)
Prepaid expenses and other assets	(8,584)	6,788
Accounts payable	2,835	13,381
Net related party payables	498	—
Accrued and other liabilities	61,534	1,411
Deferred revenue	55,713	(1,899)
Deferred income taxes	22,685	8,583
Net cash provided by operating activities	235,567	131,725
Cash flows from investing activities:		
Capital expenditures	(352,139)	(136,195)
Proceeds from asset sales	—	10
Payments for acquisition of assets	(4,334)	(881)
Net cash used in investing activities	(356,473)	(137,066)
Cash flows from financing activities:		
Additions to deferred financing costs	—	(7)
Principal payments on capital lease obligations	(792)	(1,013)
Acquisition of restricted shares	(11,768)	(6,556)
Proceeds from stock option exercises	2,751	1,190
Excess tax benefit on share-based awards	6,935	2,799
Net cash used in financing activities	(2,874)	(3,587)
Net decrease in cash and cash equivalents	(123,780)	(8,928)
Cash and cash equivalents at beginning of period	304,876	319,745
Cash and cash equivalents at end of period	$ 181,096	$ 310,817
Non-cash investing and financing activities:		
Deemed capital contributions, net primarily related to income taxes prior to the Distribution	$ —	$ 3,060
Capital expenditures incurred but not yet paid	70,581	28,600
Asset retirement obligations	—	27,915
Leasehold improvements paid by landlord	1,437	1,609

See accompanying notes to consolidated financial statements.

Table of Contents

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

	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2011	$ 761	$ 1,041,769	$(10,279)	$ 188,867	$ (15,233)	$ 1,205,885
Net income	—	—	—	77,982	—	77,982
Other comprehensive loss	—	—	—	—	(3,851)	(3,851)
Comprehensive income						74,131
Exercise of options	3	2,748	—	—	—	2,751
Share-based compensation expense	—	14,923	—	—	—	14,923
Treasury stock acquired from acquisition of restricted shares	—	—	(11,768)	—	—	(11,768)
Excess tax benefit on share-based awards	—	6,935	—	—	—	6,935
Balance at March 31, 2012	$ 764	$ 1,066,375	$(22,047)	$ 266,849	$ (19,084)	$ 1,292,857

	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 30, 2010	$ 760	$ 1,023,081	$ (3,723)	$ 109,267	$ (15,640)	$ 1,113,745
Net income	—	—	—	71,073	—	71,073
Other comprehensive loss	—	—	—	—	(4,602)	(4,602)
Comprehensive income						66,471
Deemed capital contribution related to income taxes	—	4,068	—	—	—	4,068
Adjustments related to the transfer of liabilities from Cablevision in connection with certain pension plans as a result of the Distribution, net of taxes	—	(1,008)	—	—	40	(968)
Exercise of options	1	1,189	—	—	—	1,190
Share-based compensation expense	—	8,660	—	—	—	8,660
Treasury stock acquired from acquisition of restricted shares	—	—	(6,556)	—	—	(6,556)
Excess tax benefit on share-based awards, net of deficiency	—	2,740	—	—	—	2,740
Balance at March 31, 2011	$ 761	$ 1,038,730	$(10,279)	$ 180,340	$ (20,202)	$ 1,189,350

See accompanying notes to consolidated financial statements.

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

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

Note 1. Description of Business and Basis of Presentation

Description of Business

The Madison Square Garden Company (together with its subsidiaries, the "Company" or "Madison Square Garden") was incorporated on July 29, 2009 as an indirect, wholly-owned subsidiary of Cablevision Systems Corporation ("Cablevision"). On January 12, 2010, Cablevision's board of directors approved the distribution of all the outstanding common stock of 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 on February 9, 2010. Each holder of record of Cablevision NY Group Class A Common Stock as of close of business on January 25, 2010 (the "Record Date") received one share of the Company's Class A Common Stock for every four shares of Cablevision NY Group Class A Common Stock held. Each holder of record of Cablevision NY Group Class B Common Stock as of the Record Date received one share of the Company's Class B Common Stock for every four shares of Cablevision NY Group Class B Common Stock held. MSG L.P. is now a wholly-owned subsidiary of The Madison Square Garden Company through which the Company conducts substantially all of its business activities.

The Company is a fully integrated sports, entertainment and media business. The Company classifies its business interests into three reportable segments: MSG Media, MSG Entertainment, and MSG Sports. MSG Media produces, develops and acquires content for multiple distribution platforms, including content originating from the Company's venues. MSG Media includes the Company's regional sports networks, MSG network, MSG Plus, MSG HD and MSG Plus HD, collectively called the MSG Networks, and the Fuse Networks (Fuse and Fuse HD), a national television network dedicated to music. MSG Entertainment presents or hosts live entertainment events, such as concerts, family shows, performing arts and special events, in the Company's diverse collection of venues. MSG Entertainment also creates, produces and/or presents live productions, including the *Radio City Christmas Spectacular* featuring the Radio City Rockettes (the "Rockettes"). MSG Sports owns and operates sports franchises, including 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"), and the Connecticut Whale of the American Hockey League (the "AHL"), which is the primary player development team for the Rangers. MSG Sports also promotes, produces and/or presents a broad array of other live sporting events outside of Knicks, Rangers and Liberty 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, as well as The Chicago Theatre in Chicago. It leases Radio City Music Hall and the Beacon Theatre in New York City. The Company also has a booking agreement with respect to the Wang Theatre in Boston.

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 Transition Report on Form 10-K/T for the six month transition period ended June 30, 2011. The financial statements as of March 31, 2012 and for the three and nine months ended March 31, 2012 and 2011 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 our fiscal year (see Note 2 for a discussion of the new NBA collective bargaining agreement ("CBA") and revenue sharing arrangements, as well as the NBA work stoppage). 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 our fiscal year. In addition, the off-season shutdown of The Garden and The Theater at Madison Square Garden due to the comprehensive transformation of The Garden into a state-of-the-art arena (the "Transformation") impacted the Company's financial results in the fourth quarter of our 2011 fiscal year and the first quarter of our 2012 fiscal year, and we anticipate similar impacts in those same periods during the planned off-season shutdowns of The Garden and The Theater at Madison Square Garden in the 2012 and 2013 calendar years.

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.

Change in Accounting Principle

Effective July 1, 2011, the Company changed the date of its annual impairment test for goodwill from February 28th to August 31st. This change was made in connection with the change in the Company's fiscal year-end from December 31st to June 30th. This change in the annual impairment test date coincides with the timing of when the Company prepares its annual budget and financial plans. These financial plans are a key component in estimating the fair value of the Company's reporting units, which is the basis for performing its annual impairment test. The Company believes that the change in its annual impairment test date is preferable as it allows the Company to utilize its most current projections in the annual impairment test.

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, 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), income tax expense, performance and share-based compensation, depreciation and amortization, and the allowance for losses. 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.

New NBA CBA and Revenue Sharing Arrangements

The predecessor NBA CBA expired June 30, 2011, and effective July 1, 2011, the NBA declared a lockout of NBA players. In December 2011, the NBA and the National Basketball Players Association ("NBPA") entered into a new CBA and the NBA Board of Governors adopted a new revenue sharing plan. The delay in reaching an agreement with the NBPA on the terms of a new CBA delayed the start of the 2011-12 NBA regular season by approximately two months until December 25, 2011. Set forth below is a summary of the principal aspects of the new NBA CBA and revenue sharing plan.

NBA CBA. The new NBA CBA was entered into in December 2011 and expires after the 2020-21 season (although the NBA and NBPA each has the right to terminate the CBA following the 2016-17 season). The NBA CBA contains a "soft" salary cap (i.e., a cap on each team's aggregate player salaries but with certain exceptions that enable teams to pay more, sometimes substantially more, than the cap).

NBA Luxury Tax. Amounts in this paragraph are in thousands, except for luxury tax rates. The NBA CBA provides for a luxury tax that is applicable to all teams with aggregate player salaries exceeding a threshold that is set prior to each season based upon projected league-wide revenues (as defined under the CBA). A team's luxury tax for the 2011-12 and 2012-13 seasons will continue to be generally equal to the amount by which the team's aggregate player salaries exceed such threshold. Beginning with the 2013-14 season, the tax rates for teams with aggregate player salaries above such threshold will start at $1.50 for each $1.00 of team salary above the threshold up to $5,000 and scale up to $3.25 for each $1.00 of team salary that is from $15,000 to $20,000 over the threshold, and an additional tax rate increment of $0.50 applies for each additional $5,000 (or part thereof) of team salary in excess of $20,000 over the threshold. In addition, for teams that are taxpayers in at least four of any five seasons beginning in 2011-12, the above tax rates are increased by $1.00 for each increment. For the 2011-12 season, 100% of the aggregate luxury tax payments collected by the league will be used as a funding source for the revenue sharing plan described below; beginning with the 2012-13 season, 50% of such payments will be used as a funding source for the revenue sharing plan and the remaining 50% of such payments will be distributed in equal shares to non-taxpaying teams. As of March 31, 2012, we do not project the Knicks to be a luxury tax payer for the 2011-12 season.

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

NBA Escrow System/Revenue Sharing. The NBA CBA also provides that players collectively receive a designated percentage of league-wide revenues as compensation (approximately 51% in the 2011-12 season and approximately 50% thereafter), and the teams retain the remainder. The percentage of league-wide revenues paid as compensation and retained by the teams does not apply evenly across all teams and accordingly we may pay our players a higher or lower portion of our revenues than other NBA teams. Throughout each season, NBA teams withhold 10% of each player's salary and contribute the withheld amounts to an escrow account. If the league's aggregate player compensation exceeds the designated percentage of league-wide revenues, some or all of such escrowed amounts are distributed equally to all NBA teams. In the event that the league's aggregate player compensation is below the designated percentage of league-wide revenues, the teams will remit the shortfall to the NBPA for distribution to the players.

The NBA has also instituted a revenue sharing plan that, beginning in the 2011-12 season, generally requires the distribution of a pool of funds to teams with below-average net revenues (as defined in the plan), subject to reduction or elimination based on individual team market size and profitability. The plan will be funded by a combination of disproportionate contributions from teams with above-average net revenues, subject to certain profit-based limits (each as defined in the plan); aggregate league-wide luxury tax proceeds (100% of proceeds for the 2011-12 season, 50% of proceeds for all seasons beginning with the 2012-13 season) (see above); and, beginning with the 2012-13 season, collective league sources, if necessary. Additional amounts may also be distributed on a discretionary basis, funded by assessments on playoff ticket revenues and through collective league sources. The total amount to be distributed to recipient teams will be substantially greater than the amounts paid under the NBA revenue assistance program in effect prior to the 2011-12 season, which was subject to a league-wide aggregate maximum of $54,500 in the 2010-11 season. In turn, we anticipate that the Knicks will be required to contribute a substantially greater amount than under the prior plan. Given our expectation of continued revenue growth, we expect our revenue sharing obligations to grow as well.

We record our revenue sharing expense net of the amount we expect to receive from the escrow. The most recent estimate, which is based on preliminary league and team revenue and expense estimates, indicates that the Knicks will be required to contribute approximately $13,900 in revenue sharing payments for the 2011-12 regular season, net of estimated escrow receipts, and substantially higher net amounts in future years. The actual amounts may vary significantly from the estimate based on actual operating results for the league and the teams for the season and other factors.

NBA Gate Assessments. The NBA also imposes on each team a 6% assessment on regular season ticket revenue and an assessment of 45% or 52.5% (plus an additional 5% to fund the discretionary revenue sharing payment described above) on playoff ticket revenue, depending on the number of home games played.

Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, *Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* , which amends Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement* . The amended guidance changes the wording used to describe many requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. The Company adopted ASU No. 2011-04 effective January 1, 2012. The adoption of this ASU did not have a material impact on its consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220) — Presentation of Comprehensive Income* , which is intended to improve the overall quality of financial reporting by increasing the prominence of items reported in other comprehensive income, and to additionally align the presentation of other comprehensive income in financial statements prepared in accordance with GAAP with those prepared in accordance with International Financial Reporting Standards. An entity now has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, in December 2011, the FASB issued ASU No. 2011-12, *Comprehensive Income (Topic 220) — Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05* , to indefinitely defer the effective date of the specific requirement to present items that are reclassified out of accumulated other comprehensive income to net income alongside their respective components of net income and other comprehensive income. During the deferral period, the existing requirements in GAAP for the presentation of reclassification adjustments are required to continue to be followed. These standards will be effective for the Company beginning in its first quarter of fiscal 2013 with retrospective application required. The Company believes that the adoption of these standards will result only in changes in the presentation of its financial statements and will not have a material impact on the Company's financial position, results of operations, or cash flows.

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

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles – Goodwill and Other (Topic 350) — Testing Goodwill for Impairment* , which amends ASC Topic 350, *Intangibles – Goodwill and Other* . This new guidance permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test currently required under ASC Topic 350. If an entity can support the conclusion that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not need to perform the two-step impairment test for that reporting unit. Currently, under ASC Topic 350, the first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. This standard will be effective for the Company beginning in its first quarter of fiscal 2013. Early adoption is permitted. The Company believes that the adoption of this standard will not have a material impact on the Company's consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-09, *Compensation – Retirement Benefits – Multiemployer Plans (Subtopic 715-80) — Disclosures about an Employer's Participation in a Multiemployer Plan* , which requires employers that participate in multiemployer pension plans to provide additional quantitative and qualitative disclosures in order to provide more information about an employer's involvement in multiemployer pension plans. Although the majority of the amendments in this ASU apply only to multiemployer pension plans, there are also amendments that require changes in disclosures for multiemployer plans that provide postretirement benefits other than pensions. This standard will be effective for the Company beginning in its fourth quarter of fiscal 2012. Early adoption is permitted. The Company believes that the adoption of this standard will result only in additional disclosures and will not have a material impact on the Company's financial position, results of operations, or cash flows.

In December 2011, the FASB issued ASU No. 2011-11, *Disclosures About Offsetting Assets and Liabilities* , which creates new disclosure requirements regarding the nature of an entity's rights of offset and related arrangements associated with its financial instruments and derivative instruments. This standard will be effective for the Company beginning in its first quarter of fiscal 2014 with retrospective application required. The Company believes that the adoption of this standard may result only in additional disclosures and will not have a material impact on the Company's financial position, results of operations, or cash flows.

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 shares, restricted stock units ("RSUs") and shares restricted on the same basis as underlying Cablevision restricted shares 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 calculation of basic and diluted EPS.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Weighted-average shares for basic EPS	75,007	74,193	74,717	74,078
Dilutive effect of shares issuable under share-based compensation plans and shares restricted on the same basis as underlying Cablevision restricted shares	2,605	3,007	2,675	2,938
Weighted-average shares for diluted EPS	77,612	77,200	77,392	77,016
Anti-dilutive shares	—	4	—	21

Note 4. Impairment Charges

Effective July 1, 2010 DISH Network's ("DISH") license to carry Fuse expired and effective October 1, 2010, DISH's license to carry MSG network and MSG Plus expired. These networks have not been carried by DISH since those dates. As subsequent discussions have not resulted in new carriage agreements being reached to restore DISH's carriage of any of the networks, during the quarter ended December 31, 2011, the Company made a determination that DISH has ceased to carry these networks on an other than temporary basis. Consequently, the Company's MSG Media segment recorded a pre-tax impairment charge of $3,112 to write-off the remaining carrying value of the affiliation agreements and affiliate relationships intangible assets associated with DISH. This pre-tax impairment charge is reflected in depreciation and amortization (including impairments) in the accompanying consolidated statement of operations for the nine months ended March 31, 2012.

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

During the quarter ended December 31, 2010, the Company evaluated whether or not an impairment of the deferred costs associated with the *Radio City Christmas Spectacular* Arena Tour (the "Arena Tour") had occurred as a result of its financial performance and the Company's decision to seek alternative uses of Arena Tour assets in connection with plans to produce shows in other venues. As a result, the Company's MSG Entertainment segment recorded a pre-tax impairment charge of $1,492 related to Arena Tour assets, which is reflected in direct operating expenses in the accompanying consolidated statement of operations for the nine months ended March 31, 2011.

Note 5. Team Personnel Transactions and Insurance Recoveries

Direct operating expenses in the accompanying consolidated statements of operations include net provisions for transactions relating to players and certain other team personnel on our sports teams for (i) season-ending injuries, (ii) trades and (iii) waivers and contract termination costs ("Team Personnel Transactions"). The Company's MSG Sports segment recognizes the estimated ultimate costs of these events, together with any associated NBA luxury tax attributable to Knicks' player transactions, in the period in which they occur, net of any anticipated insurance recoveries. Amounts due to such players are generally paid over their remaining contract terms. The following table sets forth provisions for Team Personnel Transactions and insurance recoveries related to non season-ending player injuries:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Provisions for Team Personnel Transactions	$ 4,649	$ 9,675	$ 14,544	$ 12,025
Insurance recoveries related to non season-ending player injuries	—	—	323	78

Note 6. Investments

On February 4, 2011, the Company exchanged its interest in Front Line Management Group, Inc. ("Front Line") for approximately 3,913 shares of Live Nation Entertainment, Inc. ("Live Nation") common stock, with a fair value of approximately $41,000 as of that date. This investment is reported in the accompanying consolidated balance sheets as of March 31, 2012 and June 30, 2011 in other assets, and is classified as available-for-sale. Investments in available-for-sale securities are carried at fair market value with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in stockholders' equity. The fair value of the investment in Live Nation common stock as of March 31, 2012 and June 30, 2011 was $36,780 and $44,880, respectively.

Note 7. Goodwill and Intangible Assets

The carrying amount of goodwill, by reportable segment, as of March 31, 2012 and June 30, 2011 is as follows:

MSG Media	$ 465,326
MSG Entertainment	58,979
MSG Sports	218,187
	$ 742,492

During the quarter ended September 30, 2011, 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's indefinite-lived intangible assets as of March 31, 2012 and June 30, 2011 are as follows:

Trademarks (MSG Entertainment segment)	$ 61,881
Sports franchises (MSG Sports segment)	96,215
	$ 158,096

During the quarter ended September 30, 2011, 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.

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

The Company's intangible assets subject to amortization as of March 31, 2012 and June 30, 2011 are as follows:

As of March 31, 2012	Gross	Accumulated Amortization	Net
Affiliation agreements and affiliate relationships	$ 115,157	$ (55,050)	$ 60,107
Season ticket holder relationships	75,005	(38,632)	36,373
Suite holder relationships	15,394	(9,792)	5,602
Broadcast rights	15,209	(14,611)	598
Other intangibles	17,743	(14,456)	3,287
	$ 238,508	$ (132,541)	$ 105,967

As of June 30, 2011	Gross	Accumulated Amortization	Net
Affiliation agreements and affiliate relationships	$ 120,536	$ (52,295)	$ 68,241
Season ticket holder relationships	75,005	(34,547)	40,458
Suite holder relationships	15,394	(8,743)	6,651
Broadcast rights	15,209	(13,468)	1,741
Other intangibles	17,743	(13,040)	4,703
	$ 243,887	$ (122,093)	$ 121,794

Amortization expense was $4,130 and $4,305 for the three months ended March 31, 2012 and 2011, respectively. For the nine months ended March 31, 2012 and 2011 amortization expense was $15,827 and $12,915, respectively. Amortization expense for the nine months ended March 31, 2012 includes a pre-tax impairment charge of $3,112, which reflects the write-off of the remaining carrying value of certain intangible assets associated with DISH (See Note 4).

Note 8. Property and Equipment

As of March 31, 2012 and June 30, 2011, property and equipment (including equipment under capital leases) consisted of the following assets:

	March 31, 2012	June 30, 2011
Land	$ 67,921	$ 67,921
Buildings	587,456	203,142
Equipment	286,476	243,805
Aircraft	42,961	42,961
Furniture and fixtures	37,103	17,337
Leasehold improvements	146,998	144,469
Construction in progress [(a)]	167,545	295,347
	1,336,460	1,014,982
Less accumulated depreciation and amortization	(427,718)	(407,190)
	$ 908,742	$ 607,792

(a) Construction in progress primarily relates to the Transformation.

Depreciable and amortizable assets are depreciated or amortized on a straight-line basis over their estimated useful lives. Depreciation is being accelerated for The Garden assets that are being removed as a result of the Transformation. Depreciation and amortization expense on property and equipment (including equipment under capital leases) amounted to $18,406 and $16,865 for the three months ended March 31, 2012 and 2011, respectively. Depreciation and amortization expense on property and equipment (including equipment under capital leases) amounted to $47,167 and $35,902 for the nine months ended March 31, 2012 and 2011, respectively.

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

The Company has recorded asset retirement obligations related to the Transformation. The asset retirement obligations have been recorded in accordance with ASC 410, which requires companies to recognize an obligation along with an offsetting increase to the carrying value of the related property and equipment when an obligation exists to perform remediation efforts and its fair value is reasonably estimable. This obligation was necessitated by the Transformation. The changes in the carrying amount of asset retirement obligations for the nine months ended March 31, 2012 are as follows:

Balance as of June 30, 2011	$ 32,907
Accretion expense	10
Payments	(10,254)
Balance as of March 31, 2012	$ 22,663

As of March 31, 2012 and June 30, 2011, $22,465 and $32,719, respectively, of the total asset retirement obligations were recorded in other accrued liabilities, with the remaining balances recorded in other liabilities, in the accompanying consolidated balance sheets.

Note 9. Debt

Total debt of the Company consists of the following:

	March 31, 2012	June 30, 2011
Revolving Credit Facility	$ —	$ —
Related party capital lease obligations [(a)]	3,433	4,225
Total	$ 3,433	$ 4,225

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

Revolving Credit Facility

On January 28, 2010, MSG L.P. and certain of its subsidiaries entered into a credit agreement with a syndicate of lenders providing for a new senior secured revolving credit facility of up to $375,000 with a term of five years (the “Revolving Credit Facility”). The Revolving Credit Facility contains certain customary representations and warranties, affirmative covenants and events of default. The Revolving Credit Facility requires MSG L.P. to comply with the following financial covenants: (i) a maximum total secured leverage ratio of 3.50:1.00 and (ii) a maximum total leverage ratio of 6.00:1.00. In addition, there is a minimum interest coverage ratio of 2.50:1.00 for the Company. As of March 31, 2012, the Company was in compliance with the financial covenants in the Revolving Credit Facility. The proceeds of borrowings under the Revolving Credit Facility are available for working capital and capital expenditures, including, but not limited to, the Transformation, and for general corporate purposes. 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, 2012, there was $7,000 in letters of credit issued and outstanding under the Revolving Credit Facility. Available borrowing capacity under the Revolving Credit Facility as of March 31, 2012 was $368,000.

NBA Loans

Following the conclusion of the work stoppage and agreement on the new CBA, the NBA re-negotiated elements of its national rights contracts with two broadcast providers with respect to the 2011-12 NBA season. The re-negotiated contract terms deemed “as earned in full” the rights fees paid to the NBA teams, including the Knicks, during the work stoppage. Consequently, the amounts previously recorded as loans for repayment to the broadcast providers as reductions to future rights fees are no longer classified as loans as there are no amounts owed.

Note 10. Commitments and Contingencies

Commitments

As more fully described in Notes 10 and 11 to the consolidated financial statements of the Company included in the Company’s Transition Report on Form 10-K/T for the six month transition period ended June 30, 2011, the Company’s commitments primarily consist of the MSG Media segment’s obligations related to professional team rights, acquired under license agreements, to telecast certain live sporting events, the MSG Sports segment’s obligations under employment agreements that the Company has with its professional sports teams’ personnel, long-term noncancelable operating lease agreements for entertainment venues and office and storage space, and minimum purchase requirements. These arrangements result from the Company’s normal course of business and represent obligations that may be payable over several years.

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

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. The Company intends to vigorously defend the claims against the Company. Management does not believe this matter will have a material adverse effect on the Company.

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

Note 11. Fair Value Measurements

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

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

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

	Level I	Level II	Level III	Total
March 31, 2012				
Assets:				
Money market accounts	$ 81,515	$ —	$ —	$ 81,515
Time deposits	90,409	—	—	90,409
Available-for-sale securities (in other assets)	36,780	—	—	36,780
Total assets measured at fair value	$ 208,704	$ —	$ —	$ 208,704
June 30, 2011				
Assets:				
Money market accounts	$ 223,750	$ —	$ —	$ 223,750
Time deposits	75,147	—	—	75,147
Available-for-sale securities (in other assets)	44,880	—	—	44,880
Total assets measured at fair value	$ 343,777	$ —	$ —	$ 343,777

Money market accounts and time deposits

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.

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

Available-for-sale securities (in Other assets)

The available-for-sale securities category includes available-for-sale marketable equity securities, whose fair value is determined using quoted market prices. Such items are classified in Level 1 (See Note 6).

Note 12. Accumulated Other Comprehensive Income (Loss)

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

	Pension Plans and Postretirement Plan	Unrealized Income (Loss) on Available-for-sale Securities	Accumulated Other Comprehensive Income (Loss)
Balance at June 30, 2011	$ (17,441)	$ 2,208	$ (15,233)
Other comprehensive income (loss) [(a)]	1,403	(8,100)	(6,697)
Tax benefit (expense)	(595)	3,441	2,846
Balance at March 31, 2012	$ (16,633)	$ (2,451)	$ (19,084)
Balance at June 30, 2010	$ (15,640)	$ —	$ (15,640)
Other comprehensive loss [(a)]	(6,214)	(1,878)	(8,092)
Adjustment related to the transfer of liabilities from Cablevision in connection with certain pension plans as a result of the Distribution	69	—	69
Tax benefit	2,652	809	3,461
Balance at March 31, 2011	$ (19,133)	$ (1,069)	$ (20,202)

[(a)] *Other comprehensive income (loss) related to Pension Plans and Postretirement Plan (as defined below) for the nine months ended March 31, 2012 and 2011 includes recognized actuarial net loss and amortization of prior service cost (credit) included in net periodic benefit cost during each respective period. In addition, other comprehensive loss related to Pension Plans and Postretirement Plan for the nine months ended March 31, 2011 includes an actuarial loss of $7,942.*

Note 13. Pension Plans and Other Postretirement Benefit Plan

The Company sponsors a non-contributory qualified cash balance retirement plan covering its non-union employees (the “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 Cash Balance Pension Plan, effectively combining the plan 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 Cash Balance Pension Plan.

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

The Company also sponsors a contributory welfare plan which provides certain postretirement healthcare benefits to certain employees hired prior to January 1, 2001 and their dependents who were eligible for early or normal retirement under the Retirement Plan (or effective March 1, 2011, eligible for early or normal Retirement Plan benefits under the Cash Balance Pension Plan), as well as certain union employees (“Postretirement Plan”).

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

Components of net periodic benefit cost for the Company's Pension Plans and Postretirement Plan for the three and nine months ended March 31, 2012 and 2011 are as follows:

	Pension Plans		Postretirement Plan	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2012	2011	2012	2011
Service cost	$ 1,639	$ 1,688	$ 54	$ 64
Interest cost	1,724	1,738	89	101
Expected return on plan assets	(651)	(532)	—	—
Recognized actuarial loss (gain)	509	650	(5)	1
Amortization of unrecognized prior service cost (credit)	6	7	(44)	(33)
Net periodic benefit cost	$ 3,227	$ 3,551	$ 94	$ 133

	Pension Plans		Postretirement Plan	
	Nine Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Service cost	$ 4,918	$ 5,038	$ 161	$ 154
Interest cost	5,172	4,833	269	263
Expected return on plan assets	(1,954)	(1,487)	—	—
Recognized actuarial loss (gain)	1,532	1,838	(16)	(47)
Amortization of unrecognized prior service cost (credit)	19	18	(132)	(99)
Net periodic benefit cost	$ 9,687	$ 10,240	$ 282	$ 271

In addition, Cablevision sponsors qualified and non-qualified savings plans (the "Cablevision Savings Plans") in which employees of the Company continued to participate for a period of time after the Distribution until such time that the Company established its own savings plans. The Company made matching cash contributions on behalf of its employees to the Cablevision Savings Plans in accordance with the terms of those plans. Effective February 1, 2011, the Company established the MSG Holdings, L.P. 401(k) Savings Plan and the MSG Holdings, L.P. Excess Savings Plan (the "MSG Savings Plans"). As of February 1, 2011, employees of the Company who were eligible participants have ceased participation in the Cablevision Savings Plans and participate in the MSG Savings Plans. Expenses related to the MSG Savings Plans and Cablevision Savings Plans included in the accompanying consolidated statements of operations were as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
MSG Savings Plans	$ 899	$ 615	$ 2,333	$ 615
Cablevision Savings Plans	—	242	—	1,637
Total	$ 899	$ 857	$ 2,333	$ 2,252

Note 14. Share-based Compensation

See Note 16 to the consolidated financial statements of the Company in the Transition Report on Form 10-K/T 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, as well as the treatment after the Distribution of share-based payment awards initially granted under Cablevision equity award programs. On June 30, 2011, Cablevision distributed to its stockholders all of the outstanding common stock of AMC Networks Inc. (the "AMC Networks Distribution"). As a result, certain Company employees who continued to hold Cablevision equity awards at the time of the AMC Networks Distribution received non-qualified stock options, stock appreciation rights and/or restricted shares of AMC Networks Inc.

Share-based compensation expense, recognized as selling, general and administrative expense, was $4,371 and $3,299 for the three months ended March 31, 2012 and 2011, respectively. Share-based compensation expense was $14,817 and $8,773 for the nine months ended March 31, 2012 and 2011, respectively.

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

In September 2011, the Company granted 735 RSUs to its employees under the Employee Stock Plan with a grant date fair value of $23.48 per share. All RSUs are subject to three-year cliff vesting, and 204 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, or, at the option of the Compensation Committee, in cash.

In November 2011, the Company granted 61 fully vested RSUs to its non-employee directors under the Non-Employee Director Plan with a grant date fair value of $29.12 per share. RSUs that were awarded to non-employee directors will settle in shares of the Company's Class A Common Stock, or, at the option of the Compensation Committee, in cash, on the first business day after ninety days from the date the director's service on the Board of Directors ceases.

During the three months ended March 31, 2012, approximately 1,026 shares of the Company's Class A Common Stock restricted on the same basis as the underlying Cablevision restricted shares vested. To fulfill the employees' statutory minimum tax withholding obligations for the applicable income and other employment taxes, approximately 344 of these shares, with an aggregate value of $11,233, were surrendered to the Company. These acquired shares have been classified as treasury stock.

Note 15. Related Party Transactions

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, collectively beneficially own all of the Company's outstanding Class B Common Stock and own approximately 2% 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 Inc.

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

The Company recognizes revenue from the distribution of programming services to subsidiaries of Cablevision. Cablevision pays the Company for advertising in connection with signage at events, sponsorships and media advertisements. Revenues from related parties amounted to $44,648 and $41,475 for the three months ended March 31, 2012 and 2011, respectively. Revenues from related parties amounted to $126,143 and $122,599 for the nine months ended March 31, 2012 and 2011, respectively.

AMC Networks Inc. provides certain origination, master control and post production services to the Company. Amounts charged to the Company by AMC Networks Inc. for origination, master control and post production services amounted to $2,492 and $2,435 for the three months ended March 31, 2012 and 2011, respectively, and $7,470 and $6,972 for the nine months ended March 31, 2012 and 2011, respectively.

In addition, the Company and its related parties routinely enter into transactions with each other in the ordinary course of business. Amounts charged to the Company pursuant to the transition services agreement and for other transactions with its related parties amounted to $4,714 and $2,669 for the three months ended March 31, 2012 and 2011, respectively, and $10,821 and $10,077 for the nine months ended March 31, 2012 and 2011, respectively.

Other

See Note 9 for information on the Company's capital lease obligations due to a related party.

See Note 13 for discussion of the participation of Company employees in Cablevision sponsored retirement benefit plans.

Note 16. Income Taxes

Income tax expense for the three and nine months ended March 31, 2012 was $27,750 and $52,649, respectively. The effective tax rate for the three months ended March 31, 2012 of 47.2% was higher than the U.S. federal statutory rate primarily due to state income taxes and to a lesser extent, the impact of nondeductible expenses. The effective tax rate for the nine months ended March 31, 2012 of 40.3% was higher than the U.S. federal statutory rate due to state income taxes and, to a lesser extent, the impact of nondeductible expenses partially offset by the impact of lower state tax rates on deferred tax liabilities.

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

Income tax expense for the three and nine months ended March 31, 2011 was $15,814 and $42,099, respectively. The effective tax rate for the three months ended March 31, 2011 of 45.3% was higher than the U.S. federal statutory rate primarily due to state income taxes and, to a lesser extent, the impact of nondeductible expenses partially offset by the tax benefit resulting from the domestic production activities deduction. The effective tax rate for the nine months ended March 31, 2011 of 37.2% was higher than the U.S. federal statutory rate primarily due to state income taxes significantly offset by the impact of lower state tax rates on deferred tax liabilities and the tax benefit resulting from the domestic production activities deduction.

Note 17. Segment Information

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

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

The Company evaluates segment performance based on several factors, of which the key financial measure is their operating income (loss) before (i) depreciation, amortization and impairments of property and equipment and intangible assets, (ii) share-based compensation expense or benefit and (iii) restructuring charges or credits, which is referred to as adjusted operating cash flow ("AOCF"), a non-GAAP measure. 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,	
	2012	2011	2012	2011
Revenues				
MSG Media	$ 166,180	$ 147,564	$ 447,218	$ 425,103
MSG Entertainment	34,342	42,805	213,168	258,519
MSG Sports	216,131	157,739	333,567	323,376
All other	82	—	82	—
Inter-segment eliminations [(a)]	(16,284)	(17,695)	(42,938)	(53,081)
	$ 400,451	$ 330,413	$ 951,097	$ 953,917

[(a)] *Primarily represents local media rights recognized by the Company's MSG Sports segment from the licensing of team related programming to the Company's MSG Media segment which are eliminated in consolidation. Local media rights are generally recognized on a straight-line basis over the fiscal year.*

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Inter-segment revenues				
MSG Entertainment	$ 27	$ 26	$ 69	$ 78
MSG Sports	16,257	17,669	42,869	53,003
	$ 16,284	$ 17,695	$ 42,938	$ 53,081

Table of Contents

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,	
	2012	2011	2012	2011
AOCF				
MSG Media	$ 65,347	$ 62,577	$ 192,718	$ 169,952
MSG Entertainment	(12,764)	(6,782)	10,617	436
MSG Sports	29,316	3,540	8,933	8,297
All other [(a)]	(1,669)	(4,467)	(6,815)	(11,998)
	$ 80,230	$ 54,868	$ 205,453	$ 166,687

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Depreciation and amortization (including impairments)				
MSG Media	$ 5,238	$ 5,551	$ 19,393	$ 14,247
MSG Entertainment	2,353	2,314	7,261	7,153
MSG Sports	2,742	2,650	8,209	8,245
All other [(b)]	12,203	10,655	28,131	19,172
	$ 22,536	$ 21,170	$ 62,994	$ 48,817

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Share-based compensation expense				
MSG Media	$ 1,564	$ 862	$ 4,488	$ 2,606
MSG Entertainment	1,298	902	4,000	2,724
MSG Sports	1,193	761	3,673	2,228
All other	316	774	2,656	1,215
	$ 4,371	$ 3,299	$ 14,817	$ 8,773

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Operating income (loss)				
MSG Media	$ 58,545	$ 56,164	$ 168,837	$ 153,099
MSG Entertainment	(16,415)	(9,998)	(644)	(9,441)
MSG Sports	25,381	129	(2,949)	(2,176)
All other	(14,188)	(15,896)	(37,602)	(32,385)
	$ 53,323	$ 30,399	$ 127,642	$ 109,097

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

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,	
	2012	2011	2012	2011
Total operating income for reportable segments	$ 67,511	$ 46,295	$ 165,244	$ 141,482
Other operating loss	(14,188)	(15,896)	(37,602)	(32,385)
Operating income	53,323	30,399	127,642	109,097
Items excluded from operating income:				
Interest income	606	631	1,733	1,898
Interest expense	(1,694)	(1,690)	(5,334)	(5,308)
Miscellaneous income [c]	6,590	5,561	6,590	7,485
Income from operations before income taxes	$ 58,825	$ 34,901	$ 130,631	$ 113,172

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Capital expenditures				
MSG Media	$ 1,664	$ 2,771	$ 4,738	$ 13,814
MSG Entertainment	1,014	1,048	2,940	4,932
MSG Sports	322	115	1,276	844
All other [d]	83,268	38,929	343,185	116,605
	$ 86,268	$ 42,863	$ 352,139	$ 136,195

[a] *Consists of unallocated corporate general and administrative costs. The results for the three and nine months ended March 31, 2012 reflect changes made by the Company to include approximately $1,200 and $3,600, respectively, of certain sales-related Transformation costs in our reportable segment results that were previously not allocated. We believe these costs are more appropriately reflected in our reportable segment results. In the three and nine months ended March 31, 2012, the MSG Sports segment results of operations reflect approximately $900 and $2,600, respectively, of these costs.*

[b] *Includes depreciation and amortization expense on The Garden and The Theater at Madison Square Garden and certain corporate property, equipment and leasehold improvement assets not allocated to the Company's reportable segments.*

[c] *Miscellaneous income for the three and nine months ended March 31, 2012 consists principally of the recovery of certain claims in connection with a third party bankruptcy proceeding. Miscellaneous income for the three and nine months ended March 31, 2011 consists principally of dividends received from Front Line, as well as a gain recorded as a result of the Company's exchange of its interest in Front Line for Live Nation common stock. In addition, miscellaneous income for the nine months ended March 31, 2011 reflects a gain from insurance proceeds which relates to certain fully amortized theater show assets that were destroyed in a flood at a storage facility.*

[d] *Consists principally of capital expenditures associated with the Transformation.*

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

In connection with our license agreement with the New Jersey Devils, the Company has approximately $43,000 and $2,000 recorded in other assets and other current assets, respectively, in the accompanying consolidated balance sheets as of March 31, 2012 and June 30, 2011.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In this MD&A, there are statements concerning our future operating and future financial performance, including: the timing and anticipated cost and benefits of the comprehensive Transformation; the impact of the new NBA CBA and revenue sharing plan; and expected increased Fuse programming and marketing costs. Words such as "expects", "anticipates", "believes", "estimates", "may", "will", "should", "could", "potential", "continue", "intends", "plans", and similar words and terms used in the discussion of future operating and future financial performance identify forward-looking statements. Investors are cautioned that such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to:

- the level of our revenues, which depends in part on the popularity and competitiveness of our sports teams and the level and popularity of the *Radio City Christmas Spectacular* and other entertainment events which are presented in our venues;
- costs associated with player injuries, and waivers or 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;
- the level and timing of our capital expenditures, including the comprehensive Transformation of The Garden;
- the impact of the comprehensive Transformation of The Garden on our operations, including any unexpected delays, costs or other matters associated with the Transformation;
- the demand for our programming among cable television systems and satellite, telephone and other multichannel video programming distributors, and our ability to renew affiliation agreements with them;
- general economic conditions especially in the New York metropolitan area where we conduct the majority of our operations;
- the demand for advertising and sponsorship arrangements 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 NHL rules, regulations, guidelines, bulletins, directives, policies and agreements (including the leagues' respective collective bargaining agreements with their players' associations, salary caps, NBA luxury tax thresholds and revenue sharing) or other regulations under which we operate;
- any NHL or NBA work stoppage;
- our ability to maintain, obtain or produce content for our MSG Media segment, together with the cost of such content;
- future acquisitions and dispositions of assets;
- the costs associated with, and the outcome of, litigation and other proceedings to the extent uninsured;
- financial community and rating agency perceptions of our business, operations, financial condition and the industry in which we operate;
- our ownership of professional sports franchises in the NBA and NHL and certain transfer restrictions on our common stock; and
- the factors described under "Risk Factors" in the Company's Transition Report on Form 10-K/T for the six month transition period ended June 30, 2011.

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, our unaudited consolidated financial statements and accompanying notes thereto included in this Quarterly Report on Form 10-Q, as well as our Transition Report on Form 10-K/T for the six month transition period ended June 30, 2011 to help provide an understanding of our financial condition, changes in financial condition and results of our operations. Unless the context otherwise requires, all references to “we”, “us”, “our”, “Madison Square Garden” or the “Company” refer 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 classifies its business interests into three reportable segments: MSG Media, MSG Entertainment, and MSG Sports. MSG Media produces, develops and acquires content for multiple distribution platforms, including content originating from the Company’s venues. MSG Media includes our regional sports networks, MSG network, MSG Plus, MSG HD and MSG Plus HD, collectively called the MSG Networks, and the Fuse Networks (Fuse and Fuse HD), a national television network dedicated to music. MSG Entertainment presents or hosts live entertainment events in our diverse collection of venues, including concerts, family shows, performing arts and special events. These venues include The Garden, The Theater at Madison Square Garden, Radio City Music Hall, the Beacon Theatre, The Chicago Theatre and the Wang Theatre. MSG Entertainment is also responsible for the creation, production and/or presentation of live productions, including the *Radio City Christmas Spectacular* featuring the Rockettes. MSG Sports owns and operates sports franchises, including the Knicks of the NBA, the Rangers of the NHL, the Liberty of the WNBA and the Connecticut Whale of the AHL. MSG Sports also promotes, produces and/or presents a broad array of other live sporting events outside of Knicks, Rangers and Liberty games.

This MD&A is organized as follows:

Results of Operations. This section provides an analysis of our results of operations for the three and nine months ended March 31, 2012 compared to the three and nine months ended March 31, 2011 on both a consolidated and segment basis.

Liquidity and Capital Resources. This section provides a discussion of our financial condition and liquidity as well as an analysis of our cash flows for the nine months ended March 31, 2012 compared to the nine months ended March 31, 2011.

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

Recently Adopted Accounting Pronouncements, Recently Issued Accounting Pronouncements Not Yet Adopted and Critical Accounting Policies. This section discusses accounting pronouncements that have been adopted by the Company, as well as recently issued accounting pronouncements not yet adopted by the Company. In addition, we have included a discussion of our critical accounting policy in respect of goodwill and identifiable indefinite-lived intangible assets in order to provide the results of our annual impairment testing performed during the quarter ended September 30, 2011. This section should be read with our critical accounting policies, which are discussed in our Transition Report on Form 10-K/T for the six month transition period ended June 30, 2011 under “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in the notes to the consolidated financial statements of the Company included therein.

Table of Contents

Results of Operations

Comparison of the Three Months Ended March 31, 2012 versus the Three Months Ended March 31, 2011

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,				Increase (Decrease)
	2012		2011		
	Amount	% of Revenues	Amount	% of Revenues	in Net Income
Revenues	$400,451	100%	$ 330,413	100%	$ 70,038
Operating expenses:					
Direct operating	244,087	61%	207,610	63%	(36,477)
Selling, general and administrative	80,505	20%	71,234	22%	(9,271)
Depreciation and amortization	22,536	6%	21,170	6%	(1,366)
Operating income	53,323	13%	30,399	9%	22,924
Other income (expense):					
Interest expense, net	(1,088)	NM	(1,059)	NM	(29)
Miscellaneous	6,590	2%	5,561	2%	1,029
Income from operations before income taxes	58,825	15%	34,901	11%	23,924
Income tax expense	(27,750)	-7%	(15,814)	-5%	(11,936)
Net income	$ 31,075	8%	$ 19,087	6%	$ 11,988

NM – Percentage is not meaningful

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

Revenues

Revenues for the three months ended March 31, 2012 increased $70,038, or 21%, to $400,451 as compared to the comparable period of the prior year. The net increase is attributable to the following:

Increase in MSG Media segment revenues	$ 18,616
Decrease in MSG Entertainment segment revenues	(8,463)
Increase in MSG Sports segment revenues	58,392
Increase in other revenues	82
Inter-segment eliminations	1,411
	$ 70,038

Direct operating expenses

Direct operating expenses for the three months ended March 31, 2012 increased $36,477, or 18%, to $244,087 as compared to the comparable period of the prior year. The net increase is attributable to the following:

Increase in MSG Media segment expenses	$ 6,605
Decrease in MSG Entertainment segment expenses	(2,439)
Increase in MSG Sports segment expenses	30,896
Increase in other expenses	2
Inter-segment eliminations	1,413
	$ 36,477

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended March 31, 2012 increased $9,271, or 13%, to $80,505 as compared to the comparable period of the prior year. The net increase is attributable to the following:

Increase in MSG Media segment expenses	$ 9,943
Increase in MSG Entertainment segment expenses	354
Increase in MSG Sports segment expenses	2,152
Decrease in other expenses	(3,176)
Inter-segment eliminations	(2)
	$ 9,271

The decrease in other expenses was primarily driven by lower professional fees combined with the impact of changes made by the Company to include approximately $1,200 of certain sales-related Transformation costs in our business segment results that were previously not allocated. We believe that the sales-related Transformation costs are more appropriately reflected in our business segment results of operations. MSG Sports' results of operations for the three months ended March 31, 2012 reflect approximately $900 of these costs.

Depreciation and amortization

Depreciation and amortization for the three months ended March 31, 2012 increased $1,366, or 6%, to $22,536 as compared to the comparable period of the prior year primarily due to the ongoing Transformation, which resulted in higher depreciation expense on property and equipment placed into service significantly offset by (i) lower depreciation expense of capitalized costs associated with asset retirement obligations (see Note 8 to the consolidated financial statements included in Part I — Item 1. of this Quarterly Report on Form 10-Q) and (ii) a lower depreciable asset base associated with assets that have been removed.

Miscellaneous income

Miscellaneous income for the three months ended March 31, 2012 reflects approximately $6,600 related to the recovery of certain claims in connection with a third party bankruptcy proceeding. Miscellaneous income for the three months ended March 31, 2011 reflects dividends of $2,186 received from an investment accounted for under the cost method. On February 4, 2011, the Company exchanged this investment for an investment in marketable securities, which is accounted for as available-for-sale. As a result of this exchange the Company recorded a pretax gain of $3,375 during the three months ended March 31, 2011.

Income taxes

Income tax expense for the three months ended March 31, 2012 and 2011 was $27,750 and $15,814, respectively. The effective tax rate for the three months ended March 31, 2012 of 47.2% was higher than the U.S. federal statutory rate primarily due to state income taxes and, to a lesser extent, the impact of nondeductible expenses. The effective tax rate for the three months ended March 31, 2011 of 45.3% was higher than the U.S. federal statutory rate primarily due to state income taxes and, to a lesser extent, the impact of nondeductible expenses partially offset by the tax benefit resulting from the domestic production activities deduction.

AOCF

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

	Three Months Ended March 31,		Increase in AOCF
	2012	2011	
Operating income	$ 53,323	$ 30,399	$ 22,924
Share-based compensation	4,371	3,299	1,072
Depreciation and amortization	22,536	21,170	1,366
AOCF	$ 80,230	$ 54,868	$ 25,362

AOCF for the three months ended March 31, 2012 increased $25,362, or 46%, to $80,230 as compared to the comparable period of the prior year. The net increase is attributable to the following:

Increase in AOCF of the MSG Media segment	$ 2,770
Decrease in AOCF of the MSG Entertainment segment	(5,982)
Increase in AOCF of the MSG Sports segment	25,776
Other net increases	2,798
	$ 25,362

Other net increases were primarily driven by lower professional fees combined with the impact of changes made by the Company to include approximately $1,200 of certain sales-related Transformation costs in our business segment results that were previously not allocated. We believe that the sales-related Transformation costs are more appropriately reflected in our business segment results of operations. MSG Sports' results of operations for the three months ended March 31, 2012 reflect approximately $900 of these 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.

	Three Months Ended March 31,				Increase (Decrease) in
	2012		2011		
	Amount	% of Revenues	Amount	% of Revenues	Operating Income
Revenues	$ 166,180	100%	$ 147,564	100%	$ 18,616
Direct operating expenses	69,406	42%	62,801	43%	(6,605)
Selling, general and administrative expenses	32,991	20%	23,048	16%	(9,943)
Depreciation and amortization	5,238	3%	5,551	4%	313
Operating income	$ 58,545	35%	$ 56,164	38%	$ 2,381

The following is a reconciliation of operating income to AOCF:

	Three Months Ended March 31,		Increase (Decrease)
	2012	2011	in AOCF
Operating income	$ 58,545	$ 56,164	$ 2,381
Share-based compensation	1,564	862	702
Depreciation and amortization	5,238	5,551	(313)
AOCF	$ 65,347	$ 62,577	$ 2,770

While MSG Media's results of operations for the three months ended March 31, 2012 were impacted by the NBA work stoppage, it did not have a material impact on the segment's revenues, AOCF and operating income.

Revenues

Revenues for the three months ended March 31, 2012 increased $18,616, or 13%, to $166,180 as compared to the comparable period of the prior year. The net increase is attributable to the following:

Increase in affiliation fee revenue	$ 10,385
Increase in advertising revenue	4,313
Other net increases	3,918
	$ 18,616

The stated term of our Fuse carriage agreement with Time Warner Cable ("TWC") expired effective January 1, 2011. TWC continued to carry Fuse until December 16, 2011, however the Company did not recognize revenue for this carriage during such period. Effective January 1, 2012 TWC's license to carry the MSG Networks expired and the MSG Networks were not carried by TWC from that date until February 17, 2012, when the Company reached a multi-year agreement for carriage of the MSG Networks and Fuse.

The increase in affiliation fee revenue was primarily attributable to higher affiliation rates and, to a lesser extent, the recognition of revenue during the three months ended March 31, 2012 for TWC's carriage of Fuse during 2011 in connection with the new TWC carriage agreement, significantly offset by the impact of the MSG Networks not being carried by TWC from January 1, 2012 through February 16, 2012.

The increase in advertising revenue was primarily driven by higher sales generated from the telecast of professional sports programming.

Other net increases were primarily due to revenue recognized during the three months ended March 31, 2012 related to a new programming licensing agreement, for which revenue will be recognized until the agreement's expiration in April 2013 and is not expected to be recurring thereafter.

Direct operating expenses

Direct operating expenses for the three months ended March 31, 2012 increased $6,605, or 11%, to $69,406 as compared to the comparable period of the prior year primarily driven by higher costs associated with Fuse programming.

The Company continues its plan to strategically invest in Fuse programming, as such, we expect increased Fuse programming costs to continue.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended March 31, 2012 increased $9,943, or 43%, to $32,991 as compared to the comparable period of the prior year primarily due to an increase in marketing costs and, to a lesser extent, higher employee compensation and related benefits. The higher marketing costs reflect increased affiliate marketing efforts in connection with an affiliate matter and, to a lesser extent, marketing of programming initiatives.

We expect increased Fuse marketing costs to continue consistent with our long-term strategy to increase Fuse viewership and drive revenue growth.

AOCF

AOCF for the three months ended March 31, 2012 increased $2,770, or 4%, to $65,347 as compared to the comparable period of the prior year primarily driven by an increase in revenues significantly offset by higher 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,				(Increase) Decrease in
	2012		2011		
	Amount	% of Revenues	Amount	% of Revenues	Operating Loss
Revenues	$ 34,342	100%	$ 42,805	100%	$ (8,463)
Direct operating expenses	32,141	94%	34,580	81%	2,439
Selling, general and administrative expenses	16,263	47%	15,909	37%	(354)
Depreciation and amortization	2,353	7%	2,314	5%	(39)
Operating loss	$ (16,415)	-48%	$ (9,998)	-23%	$ (6,417)

The following is a reconciliation of operating loss to AOCF:

	Three Months Ended March 31,		Increase (Decrease)
	2012	2011	in AOCF
Operating loss	$ (16,415)	$ (9,998)	$ (6,417)
Share-based compensation	1,298	902	396
Depreciation and amortization	2,353	2,314	39
AOCF	$ (12,764)	$ (6,782)	$ (5,982)

Revenues

Revenues for the three months ended March 31, 2012 decreased $8,463, or 20%, to $34,342 as compared to the comparable period of the prior year. The net decrease is attributable to the following:

Decrease in event-related revenues at The Garden	$ (6,117)
Decrease in event-related revenues at the Beacon Theatre	(1,842)
Decrease in event-related revenues at Radio City Music Hall, excluding *Radio City Christmas Spectacular*	(1,741)
Decrease in event-related revenues at The Theater at Madison Square Garden, excluding *Wintuk*	(1,369)
Increase in revenues from the presentation of the *Radio City Christmas Spectacular* franchise	2,408
Other net increases	198
	$ (8,463)

The decreases in event-related revenues at the Company's venues identified above were primarily due to fewer events held at these venues during the three months ended March 31, 2012 as compared to the comparable period of the prior year.

The increase in revenues from the presentation of the *Radio City Christmas Spectacular* franchise was driven by more scheduled performances at Radio City Music Hall, as there were performances in January 2012, while none took place in January 2011.

Direct operating expenses

Direct operating expenses for the three months ended March 31, 2012 decreased $2,439, or 7%, to $32,141 as compared to the comparable period of the prior year. The net decrease is attributable to the following:

Decrease in event-related direct operating expenses at The Garden	$ (2,777)
Decrease in event-related direct operating expenses at Radio City Music Hall, excluding *Radio City Christmas Spectacular*	(1,324)
Decrease in event-related direct operating expenses at the Beacon Theatre	(1,246)
Decrease in event-related direct operating expenses at The Theater at Madison Square Garden, excluding *Wintuk*	(574)
Increase in direct operating expenses associated with the presentation of the *Radio City Christmas Spectacular* franchise	2,894
Other net increases	588
	$ (2,439)

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended March 31, 2012 increased $354, or 2%, to $16,263 as compared to the comparable period of the prior year.

AOCF

AOCF loss increased for the three months ended March 31, 2012 as compared to the comparable period of the prior year by $5,982, or 88%, to a loss of $12,764 primarily due to fewer events held at the venues identified above during the three months ended March 31, 2012 as compared to the comparable period of the prior year.

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
	2012		2011		
	Amount	% of Revenues	Amount	% of Revenues	Operating Income
Revenues	$ 216,131	100%	$157,739	100%	$ 58,392
Direct operating expenses	158,702	73%	127,806	81%	(30,896)
Selling, general and administrative expenses	29,306	14%	27,154	17%	(2,152)
Depreciation and amortization	2,742	1%	2,650	2%	(92)
Operating income	$ 25,381	12%	$ 129	NM	$ 25,252

NM – Percentage is not meaningful

The following is a reconciliation of operating income to AOCF:

	Three Months Ended March 31,		Increase in AOCF
	2012	2011	
Operating income	$ 25,381	$ 129	$ 25,252
Share-based compensation	1,193	761	432
Depreciation and amortization	2,742	2,650	92
AOCF	$ 29,316	$ 3,540	$ 25,776

MSG Sports' results of operations for the three months ended March 31, 2012 were impacted by the NBA work stoppage. The delay in reaching an agreement with the NBPA on the terms of a new CBA delayed the start of the 2011-12 NBA regular season by approximately two months until December 25, 2011. In addition to the delayed start, the resolution of the NBA work stoppage resulted in the 2011-12 regular season being shortened by 16 games, or approximately 19.5%, to a 66-game regular season. It affected nearly all components of MSG Sports' revenues, direct operating expenses and selling, general and administrative expenses. During the three months ended March 31, 2012, the Knicks played 49 regular season games, of which 27 were home games and 22 were away games, as compared to 43 regular season games in the comparable period of the prior year, of which 23 were home games and 20 were away games. In addition, the late start of the season resulted in a disproportionately higher percentage of Knicks-related revenue and expense being recognized during the three months ended March 31, 2012 as compared to the comparable period of the prior year and had a material impact on MSG Sports' results.

Additionally, the impact of the change in the Knicks' season schedule will result in a disproportionately higher percentage of Knicks-related revenues and direct operating expenses recognized during the three months ended June 30, 2012 as compared to the comparable period of the prior year.

See Note 2 to the consolidated financial statements included in Part I — Item 1. of this Quarterly Report on Form 10Q for a discussion of the principal aspects of the new NBA CBA and revenue sharing plan.

Revenues

Revenues for the three months ended March 31, 2012 increased $58,392, or 37%, to $216,131 as compared to the comparable period of the prior year. The net increase is attributable to the following:

Increase in professional sports teams' regular season ticket-related revenue	$ 33,216
Increase in revenues from NHL and NBA distributions	9,279
Increase in professional sports teams' food, beverage and merchandise sales	5,616
Increase in suite rental fee revenue	3,703
Increase in event-related revenues from other live sporting events	3,279
Increase in professional sports teams' sponsorship and signage revenues	2,227
Decrease in broadcast rights fees from MSG Media	(1,413)
Other net increases	2,485
	$ 58,392

Overall the increase in revenues was primarily driven by the financial benefits of the first phase of the Transformation project and, to a lesser extent, the late start of the NBA season which resulted in a disproportionately higher percentage of Knicks-related revenue being recognized during the three months ended March 31, 2012 as compared to the comparable period of the prior year.

The increase in professional sports teams' regular season ticket-related revenue was primarily due to an increase in average ticket prices for our professional sports teams and, to a lesser extent, the late start of the NBA season resulting in a disproportionately higher percentage of Knicks ticket-related revenues being recognized during the three months ended March 31, 2012 as compared to the comparable period of the prior year.

The increase in revenues from NHL and NBA distributions was primarily due to the late start of the NBA season resulting in a disproportionately higher percentage of these revenues being recognized during the three months ended March 31, 2012 as compared to the comparable period of the prior year.

The increase in professional sports teams' food, beverage and merchandise sales was primarily due to an increase in average per game attendance, higher average spending per patron (per caps), as well as a higher number of our professional sports teams' home games played, as compared to the comparable period of the prior year.

The increase in suite rental fee revenue was primarily due to the addition of the new Event Level Suites partially offset by the impact of the planned reduction in other suite products, both which were a result of the Transformation.

The increase in event-related revenues from other live sporting events was primarily due to an increase in the number of events during the three months ended March 31, 2012 as compared to the comparable period of the prior year. Event-related revenues from other live sporting events include ticket-related revenues and venue license fees we charge to promoters for the use of our venues, single night suite rental fees, and food, beverage and merchandise sales.

The increase in professional sports teams' sponsorship and signage revenues reflects the late start of the NBA season which resulted in a disproportionately higher percentage of these revenues being recognized during the three months ended March 31, 2012 as compared to the comparable period of the prior year.

The decrease in broadcast rights fees from MSG Media was primarily due to the overall reduction in the number of events exclusively available to MSG Networks.

Direct operating expenses

Direct operating expenses for the three months ended March 31, 2012 increased $30,896, or 24%, to $158,702 as compared to the comparable period of the prior year. The net increase is attributable to the following:

Increase due to higher net NBA and NHL revenue sharing expense of $10,021 and the impact of the Knicks not qualifying for a share of luxury tax proceeds from tax-paying teams during the three months ended March 31, 2012, as compared to recording $1,250 during the three months ended March 31, 2011	$ 11,271
Increase in other team operating expenses	9,267
Increase in team personnel compensation	7,059
Increase in professional sports teams' expense associated with food, beverage and merchandise sales	3,385
Increase in event-related expenses associated with other live sporting events	2,907
Decrease in net provisions for certain team personnel transactions	(5,026)
Other net increases	2,033
	$ 30,896

Net provisions for certain team personnel transactions, NBA luxury tax and NBA and NHL revenue sharing were as follows:

	Three Months Ended March 31,		
	2012	2011	Increase (Decrease)
Net provisions for NBA luxury tax and NBA and NHL revenue sharing	$ 11,997	$ 726	$ 11,271
Net provisions for certain team personnel transactions	4,649	9,675	(5,026)

The most recent estimate of NBA revenue sharing, which is based on preliminary league and team revenue and expense estimates, indicates that the Knicks will be required to contribute approximately $13,900 in revenue sharing payments for the 2011-12 regular season, net of estimated escrow receipts, and substantially higher net amounts in future years. The actual amounts may vary significantly from the estimate based on actual operating results for the league and the teams for the season and other factors. See Note 2 to the consolidated financial statements included in Part I — Item 1. of this Quarterly Report on Form 10Q for a discussion of the principal aspects of the new NBA CBA and revenue sharing plan.

Team personnel transactions for the three months ended March 31, 2012 reflect provisions recorded for waivers/contract terminations and season-ending player injuries of $4,242 and $407, respectively. Team personnel transactions for the three months ended March 31, 2011 reflect provisions recorded for player trades and a player waiver/contract termination of $4,393 and $3,096, respectively, and season-ending player injuries of $2,186. The cost of these transactions is recorded when the transaction occurs, but payments owed are generally paid over the remaining contract terms.

The increase in other team operating expenses was primarily due to the NBA work stoppage, which resulted in a disproportionately higher percentage of these expenses being recognized during the three months ended March 31, 2012 as compared to the comparable period of the prior year. In addition, the increase reflects higher costs associated with new amenities, which have come online as a result of the Transformation, provided to certain ticket holders, increased day-of-event costs and league assessments.

The increase in team personnel compensation was primarily due to the NBA work stoppage, which resulted in higher compensation costs for Knicks players due to a disproportionately higher percentage of team personnel compensation being recognized during the three months ended March 31, 2012 as compared to the comparable period of the prior year. Player salaries are expensed over the applicable NBA, NHL or WNBA regular season on a straight-line basis, which for the NBA during the Company’s 2012 fiscal year is from December 25, 2011 through the end of the regular season.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended March 31, 2012 increased $2,152, or 8%, to $29,306 as compared to the comparable period of the prior year primarily driven by higher marketing costs and certain sales-related Transformation costs that were not included in MSG Sports’ results in the comparable period of the prior year.

AOCF

AOCF for the three months ended March 31, 2012 increased $25,776 to $29,316 as compared to the comparable period of the prior year, primarily attributable to an increase in revenues, which was partially offset by higher direct operating and, to a lesser extent, selling, general and administrative expenses, as discussed above.

Table of Contents

Comparison of the Nine Months Ended March 31, 2012 versus the Nine Months Ended March 31, 2011

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,				Increase (Decrease)
	2012		2011		
	Amount	% of Revenues	Amount	% of Revenues	in Net Income
Revenues	$ 951,097	100%	$ 953,917	100%	$ (2,820)
Operating expenses:					
Direct operating	540,485	57%	573,138	60%	32,653
Selling, general and administrative	219,976	23%	222,865	23%	2,889
Depreciation and amortization (including impairments)	62,994	7%	48,817	5%	(14,177)
Operating income	127,642	13%	109,097	11%	18,545
Other income (expense):					
Interest expense, net	(3,601)	NM	(3,410)	NM	(191)
Miscellaneous	6,590	1%	7,485	1%	(895)
Income from operations before income taxes	130,631	14%	113,172	12%	17,459
Income tax expense	(52,649)	-6%	(42,099)	-4%	(10,550)
Net income	$ 77,982	8%	$ 71,073	7%	$ 6,909

NM – Percentage is not meaningful

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

Revenues

Revenues for the nine months ended March 31, 2012 decreased $2,820, or less than 1%, to $951,097 as compared to the comparable period of the prior year. The net decrease is attributable to the following:

Increase in MSG Media segment revenues	$ 22,115
Decrease in MSG Entertainment segment revenues	(45,351)
Increase in MSG Sports segment revenues	10,191
Increase in other revenues	82
Inter-segment eliminations	10,143
	$ (2,820)

Direct operating expenses

Direct operating expenses for the nine months ended March 31, 2012 decreased $32,653, or 6%, to $540,485 as compared to the comparable period of the prior year. The net decrease is attributable to the following:

Decrease in MSG Media segment expenses	$ (4,303)
Decrease in MSG Entertainment segment expenses	(51,334)
Increase in MSG Sports segment expenses	13,068
Decrease in other expenses	(186)
Inter-segment eliminations	10,102
	$ (32,653)

Selling, general and administrative expenses

Selling, general and administrative expenses for the nine months ended March 31, 2012 decreased $2,889, or 1%, to $219,976 as compared to the comparable period of the prior year. The net decrease is attributable to the following:

Increase in MSG Media segment expenses	$ 5,534
Decrease in MSG Entertainment segment expenses	(2,922)
Decrease in MSG Sports segment expenses	(2,068)
Decrease in other expenses	(3,474)
Inter-segment eliminations	41
	$ (2,889)

The decrease in other expenses was primarily driven by the impact of changes made by the Company to include approximately $3,600 of certain sales-related Transformation costs in our business segment results that were previously not allocated combined with lower professional fees partially offset by higher share-based compensation cost related to certain awards which are not allocated to the Company's business segments. We believe that the sales-related Transformation costs are more appropriately reflected in our business segment results of operations. MSG Sports' results of operations for the nine months ended March 31, 2012 reflect approximately $2,600 of these costs.

Depreciation and amortization (including impairments)

Depreciation and amortization (including impairments) for the nine months ended March 31, 2012 increased $14,177, or 29%, to $62,994 as compared to the comparable period of the prior year. The increase was primarily due to higher depreciation and amortization expense on property and equipment and, to a lesser extent, an impairment charge of $3,112 recorded by the MSG Media segment during the nine months ended March 31, 2012 to write-off the remaining carrying value of certain intangible assets associated with DISH. The increase in depreciation and amortization expense on property and equipment was primarily due to the ongoing Transformation, which resulted in higher depreciation expense on property and equipment placed into service significantly offset by a lower depreciable asset base associated with assets that have been removed. In addition, the increase in depreciation and amortization expense on property and equipment reflects higher depreciation associated with MSG Media segment's assets placed into service in the prior fiscal year.

Miscellaneous income

Miscellaneous income for the nine months ended March 31, 2012 reflects approximately $6,600 related to the recovery of certain claims in connection with a third party bankruptcy proceeding. Miscellaneous income for the nine months ended March 31, 2011 reflects dividends of $2,186 received from an investment accounted for under the cost method. On February 4, 2011, the Company exchanged this investment for an investment in marketable securities, which is accounted for as available-for-sale. As a result of this exchange the Company recorded a pretax gain of $3,375 during the nine months ended March 31, 2011. In addition miscellaneous income for the nine months ended March 31, 2011 reflects a gain from insurance proceeds of $1,147 which relates to certain fully amortized theater show assets that were destroyed in a flood at a storage facility.

Income taxes

Income tax expense for the nine months ended March 31, 2012 and 2011 was $52,649 and $42,099, respectively. The effective tax rate for the nine months ended March 31, 2012 of 40.3% was higher than the U.S. federal statutory rate due to state income taxes and, to a lesser extent, the impact of nondeductible expenses partially offset by the impact of lower state tax rates on deferred tax liabilities. The effective tax rate for the nine months ended March 31, 2011 of 37.2% was higher than the U.S. federal statutory rate primarily due to state income taxes significantly offset by the impact of lower state tax rates on deferred tax liabilities and the tax benefit resulting from the domestic production activities deduction.

AOCF

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

	Nine Months Ended March 31,		Increase in AOCF
	2012	2011	
Operating income	$ 127,642	$ 109,097	$ 18,545
Share-based compensation	14,817	8,773	6,044
Depreciation and amortization (including impairments)	62,994	48,817	14,177
AOCF	$ 205,453	$ 166,687	$ 38,766

AOCF for the nine months ended March 31, 2012 increased $38,766, or 23%, to $205,453 as compared to the comparable period of the prior year. The net increase is attributable to the following:

Increase in AOCF of the MSG Media segment	$ 22,766
Increase in AOCF of the MSG Entertainment segment	10,181
Increase in AOCF of the MSG Sports segment	636
Other net increases	5,183
	$ 38,766

Other net increases were primarily driven by the impact of changes made by the Company to include approximately $3,600 of certain sales-related Transformation costs in our business segment results that were previously not allocated combined with lower professional fees. We believe that the sales-related Transformation costs are more appropriately reflected in our business segment results of operations. MSG Sports' results of operations for the nine months ended March 31, 2012 reflect approximately $2,600 of these 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
	2012		2011		
	Amount	% of Revenues	Amount	% of Revenues	Operating Income
Revenues	$ 447,218	100%	$ 425,103	100%	$ 22,115
Direct operating expenses	174,508	39%	178,811	42%	4,303
Selling, general and administrative expenses	84,480	19%	78,946	19%	(5,534)
Depreciation and amortization (including impairments)	19,393	4%	14,247	3%	(5,146)
Operating income	$ 168,837	38%	$ 153,099	36%	$ 15,738

The following is a reconciliation of operating income to AOCF:

	Nine Months Ended March 31,		Increase in AOCF
	2012	2011	
Operating income	$ 168,837	$153,099	$ 15,738
Share-based compensation	4,488	2,606	1,882
Depreciation and amortization (including impairments)	19,393	14,247	5,146
AOCF	$ 192,718	$169,952	$ 22,766

While the NBA work stoppage resulted in reductions to MSG Media's revenues and expenses, the delay did not have a material impact on the segment's revenues, AOCF and operating income.

Revenues

Revenues for the nine months ended March 31, 2012 increased $22,115, or 5%, to $447,218 as compared to the comparable period of the prior year. The net increase is attributable to the following:

Increase in affiliation fee revenue	$ 18,923
Other net increases	3,192
	$ 22,115

The stated term of our Fuse carriage agreement with TWC expired effective January 1, 2011. TWC continued to carry Fuse until December 16, 2011, however the Company did not recognize revenue for this carriage during such period. Effective January 1, 2012 TWC's license to carry the MSG Networks expired and the MSG Networks were not carried by TWC from that date until February 17, 2012, when the Company reached a multi-year agreement for carriage of the MSG Networks and Fuse.

The increase in affiliation fee revenue was primarily attributable to higher affiliation rates and, to a lesser extent, the recognition of revenue during the three months ended March 31, 2012 for TWC's carriage of Fuse during 2011 in connection with the new TWC carriage agreement, significantly offset by the impact of the MSG Networks not being carried by TWC from January 1, 2012 through February 16, 2012, the expiration of Fuse's affiliation agreement with TWC, the expiration of MSG Network's affiliation agreement with DISH effective October 1, 2010, as well as a contractual adjustment recorded during the three months ended December 31, 2011.

Other net increases were primarily due to revenue recognized during the three months ended March 31, 2012 related to a new programming licensing agreement, for which revenue will be recognized until the agreement's expiration in April 2013 and is not expected to be recurring thereafter.

Direct operating expenses

Direct operating expenses for the nine months ended March 31, 2012 decreased $4,303, or 2%, to $174,508 as compared to the comparable period of the prior year. The net decrease is attributable to the following:

Decrease in rights fees	$ (6,371)
Increase in other programming expenses	2,068
	$ (4,303)

The decrease in rights fees was primarily due to a decline in rights fees from the licensing of team related programming to MSG Media from the MSG Sports segment as a result of the overall reduction in the number of events exclusively available to MSG Networks in the nine months ended March 31, 2012 as compared to the comparable period of the prior year. This decline was partially offset by higher rights fees associated with Fuse programming.

The increase in other programming expenses was primarily driven by higher costs associated with Fuse programming partially offset by a decline in other programming costs due to the NBA work stoppage.

The Company continues its plan to strategically invest in Fuse programming, as such, we expect increased Fuse programming costs to continue.

Selling, general and administrative expenses

Selling, general and administrative expenses for the nine months ended March 31, 2012 increased $5,534, or 7%, to $84,480 as compared to the comparable period of the prior year primarily due to an increase in employee compensation and related benefits and higher marketing costs, which reflect increased affiliate marketing efforts in connection with affiliate matters partially offset by marketing of programming initiatives.

We expect Fuse marketing costs to increase consistent with our long-term strategy to increase Fuse viewership and drive revenue growth.

Depreciation and amortization (including impairments)

Depreciation and amortization (including impairments) for the nine months ended March 31, 2012 increased $5,146, or 36%, to $19,393 as compared to the comparable period of the prior year. This increase was primarily due to an impairment charge of $3,112 recorded during the three months ended December 31, 2011 to write-off the remaining carrying value of certain intangible assets associated with DISH, as well as higher depreciation expense associated with assets placed into service in the prior fiscal year.

AOCF

AOCF for the nine months ended March 31, 2012 increased $22,766, or 13%, to $192,718 as compared to the comparable period of the prior year primarily driven by an increase in revenues and lower direct operating expenses, partially offset by an increase in selling, general and administrative 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.

	Nine Months Ended March 31,				(Increase) Decrease in
	2012		2011		
	Amount	% of Revenues	Amount	% of Revenues	Operating Loss
Revenues	$ 213,168	100%	$ 258,519	100%	$ (45,351)
Direct operating expenses	159,147	75%	210,481	81%	51,334
Selling, general and administrative expenses	47,404	22%	50,326	19%	2,922
Depreciation and amortization	7,261	3%	7,153	3%	(108)
Operating loss	$ (644)	NM	$ (9,441)	-4%	$ 8,797

NM – Percentage is not meaningful

The following is a reconciliation of operating loss to AOCF:

	Nine Months Ended March 31,		Increase in AOCF
	2012	2011	
Operating loss	$ (644)	$ (9,441)	$ 8,797
Share-based compensation	4,000	2,724	1,276
Depreciation and amortization	7,261	7,153	108
AOCF	$ 10,617	$ 436	$ 10,181

Revenues

Revenues for the nine months ended March 31, 2012 decreased $45,351, or 18%, to $213,168 as compared to the comparable period of the prior year. The net decrease is attributable to the following:

Decrease in event-related revenues at The Garden	$ (26,071)
Decrease in revenues due to the absence of the *Wintuk* production	(20,038)
Decrease in revenues from the presentation of the *Radio City Christmas Spectacular* franchise	(11,271)
Decrease in revenues due to the absence of *Banana Shpeel*	(1,908)
Increase in event-related revenues at the Beacon Theatre	2,430
Increase in event-related revenues at The Theater at Madison Square Garden, excluding *Wintuk*	3,232
Increase in event-related revenues at Radio City Music Hall, excluding *Radio City Christmas Spectacular*	8,374
Other net decreases	(99)
	$ (45,351)

The decrease in event-related revenues at The Garden was primarily driven by fewer events held at the venue, largely attributable to The Garden being shut down for approximately four months during the nine months ended March 31, 2012 in connection with the Transformation.

The *Wintuk* production was presented at The Theater at Madison Square Garden during the 2010 holiday season, after which it concluded its planned four year run at the venue.

The decrease in revenues from the presentation of the *Radio City Christmas Spectacular* franchise reflects fewer scheduled performances of the show outside of the New York area. As previously announced, the Company made the decision to utilize existing touring assets at the Wang Theatre in Boston, the Durham Performing Arts Center in Durham, North Carolina and the Grand Ole Opry House in Nashville during the 2011 holiday season. As such, there was no arena tour during the 2011 holiday season and the theater version of the show was presented in fewer markets as compared to the comparable period of the prior year. This decrease was partially offset by higher revenues from the show's presentation at Radio City Music Hall primarily due to higher attendance combined with overall higher average ticket prices.

The increase in event-related revenues at the Beacon Theatre reflects more events held at the venue during the nine months ended March 31, 2012 as compared to the comparable period of the prior year. The results for the nine months ended March 31, 2011 were impacted by the early closure of *Banana Shpeel* at the Beacon Theatre. The show was scheduled to run at the Beacon Theatre through the end of August 2010 but closed early, in June, with insufficient lead time to make the venue available for other events during July and August of 2010.

The increase in event-related revenues at The Theater at Madison Square Garden, excluding *Wintuk* , was primarily due to a change in the mix of and an increase in the number of events during the nine months ended March 31, 2012, as the venue was used primarily for the *Wintuk* production discussed above during the three months ended December 31, 2010.

The increase in event-related revenues at Radio City Music Hall, excluding *Radio City Christmas Spectacular*, was primarily driven by an increase in the number of events held at the venue during the nine months ended March 31, 2012 as compared to the comparable period of the prior year. The increase in the number of events reflects the venue being fully utilized during the three months ended September 30, 2011 for the presentation of Cirque du Soleil's *Zarkana* whereas Radio City Music Hall did not have a comparable engagement during the nine months ended March 31, 2011.

Direct operating expenses

Direct operating expenses for the nine months ended March 31, 2012 decreased $51,334, or 24%, to $159,147 as compared to the comparable period of the prior year. The net decrease is attributable to the following:

Decrease in direct operating expenses associated with the presentation of the *Radio City Christmas Spectacular* franchise	$ (22,647)
Decrease in direct operating expenses associated with *Wintuk*	(18,683)
Decrease in event-related direct operating expenses at The Garden	(12,752)
Decrease in direct operating expenses due to the absence of *Banana Shpeel*	(946)
Increase in event-related direct operating expenses at the Beacon Theatre	191
Increase in event-related direct operating expenses at The Theater at Madison Square Garden, excluding *Wintuk*	2,814
Increase in event-related direct operating expenses at Radio City Music Hall, excluding *Radio City Christmas Spectacular*	4,581
Other net decreases	(3,892)
	$ (51,334)

The decrease in direct operating expenses related to the presentation of the *Radio City Christmas Spectacular* franchise primarily reflects lower costs due to the absence of the arena tour and fewer theater markets as discussed above. These declines were partially offset by higher expenses associated with the presentation of the show at Radio City Music Hall due primarily to the enhancements added to the show in the current fiscal year.

Selling, general and administrative expenses

Selling, general and administrative expenses for the nine months ended March 31, 2012 decreased $2,922, or 6%, to $47,404 as compared to the comparable period of the prior year primarily due to lower employee compensation and related benefits.

AOCF

AOCF for the nine months ended March 31, 2012 increased by $10,181 to $10,617 as compared to the comparable period of the prior year. This increase is primarily attributable to the higher AOCF associated with the *Radio City Christmas Spectacular* franchise and, to a lesser extent, events at Radio City Music Hall and the Beacon Theatre, as well as lower selling, general and administrative expenses. These increases were partially offset by lower AOCF associated with events at The Garden 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.

	Nine Months Ended March 31,				(Increase) Decrease in
	2012		2011		
	Amount	% of Revenues	Amount	% of Revenues	Operating Loss
Revenues	$ 333,567	100%	$ 323,376	100%	$ 10,191
Direct operating expenses	249,456	75%	236,388	73%	(13,068)
Selling, general and administrative expenses	78,851	24%	80,919	25%	2,068
Depreciation and amortization	8,209	2%	8,245	3%	36
Operating loss	$ (2,949)	-1%	$ (2,176)	-1%	$ (773)

The following is a reconciliation of operating loss to AOCF:

	Nine Months Ended March 31,		Increase (Decrease)
	2012	2011	in AOCF
Operating loss	$ (2,949)	$ (2,176)	$ (773)
Share-based compensation	3,673	2,228	1,445
Depreciation and amortization	8,209	8,245	(36)
AOCF	$ 8,933	$ 8,297	$ 636

MSG Sports' results of operations for the nine months ended March 31, 2012 were impacted by the NBA work stoppage. The delay in reaching an agreement with the NBPA on the terms of a new CBA delayed the start of the 2011-12 NBA regular season by approximately two months until December 25, 2011. In addition to the delayed start, the resolution of the NBA work stoppage resulted in the 2011-12 regular season being shortened by 16 games, or approximately 19.5%, to a 66-game regular season. It affected nearly all components of MSG Sports' revenues, direct operating expenses and selling, general and administrative expenses. During the nine months ended March 31, 2012, the Knicks played a combined 55 preseason and regular season games, of which 29 were home games and 26 were away games, as compared to a combined 83 preseason and regular season games in the comparable period of the prior year, of which 41 were home games and 42 were away games. In addition, the late start of the season resulted in a disproportionately lower percentage of Knicks-related revenue and expense being recognized during the nine months ended March 31, 2012 as compared to the comparable period of the prior year and had a material impact on MSG Sports' results.

Additionally, the impact of the change in the Knicks' season schedule will result in a disproportionately higher percentage of Knicks-related revenues and direct operating expenses recognized during the three months ended June 30, 2012 as compared to the comparable period of the prior year.

See Note 2 to the consolidated financial statements included in Part I — Item 1. of this Quarterly Report on Form 10Q for a discussion of the principal aspects of the new NBA CBA and revenue sharing plan.

Revenues

Revenues for the nine months ended March 31, 2012 increased $10,191, or 3%, to $333,567 as compared to the comparable period of the prior year. The net increase is attributable to the following:

Increase in professional sports teams' pre/regular season ticket-related revenue	$ 10,079
Increase in event-related revenues from other live sporting events	6,178
Increase in suite rental fee revenue	1,988
Decrease in broadcast rights fees from MSG Media	(10,102)
Other net increases	2,048
	$ 10,191

Overall the increase in revenues was primarily driven by the financial benefits of the first phase of the Transformation project significantly offset by the late start of the NBA season which resulted in a disproportionately lower percentage of Knicks-related revenue being recognized during the nine months ended March 31, 2012 as compared to the comparable period of the prior year.

The increase in professional sports teams' pre/regular season ticket-related revenue was primarily due to an increase in average ticket prices for our professional sports teams, significantly offset by the impact of the NBA work stoppage, which resulted in fewer games and a disproportionately lower percentage of Knicks ticket-related revenues being recognized during the nine months ended March 31, 2012 as compared to the comparable period of the prior year.

The increase in event-related revenues from other live sporting events was primarily due to an increase in the number of events and the change in the mix of events during the nine months ended March 31, 2012 as compared to the comparable period of the prior year.

The increase in suite rental fee revenue was primarily due to the addition of the new Event Level Suites which came online with the re-opening of The Garden following the offseason shutdown in connection with the Transformation. This increase was partially offset by the impact of the planned reduction in other suite products as a result of the Transformation project, as well as the impact of the offseason shutdown and the NBA work stoppage.

The decrease in broadcast rights fees from MSG Media was primarily due to the overall reduction in the number of events exclusively available to MSG Networks in the nine months ended March 31, 2012 as compared to the comparable period of the prior year.

Direct operating expenses

Direct operating expenses for the nine months ended March 31, 2012 increased $13,068, or 6%, to $249,456 as compared to the comparable period of the prior year. The net increase is attributable to the following:

Increase due to higher net NBA and NHL revenue sharing expense of $10,827 and the impact of the Knicks not qualifying for a share of luxury tax proceeds from tax-paying teams during the nine months ended March 31, 2012, as compared to recording $2,083 during the nine months ended March 31, 2011	$ 12,910
Increase in event-related expenses associated with other live sporting events	5,290
Increase in other team operating expenses	3,309
Increase in net provisions for certain team personnel transactions	2,519
Decrease in team personnel compensation	(11,671)
Other net increases	711
	$ 13,068

Net provisions for certain team personnel transactions, NBA luxury tax and NBA and NHL revenue sharing were as follows:

	Nine Months Ended March 31,		
	2012	**2011**	**Increase**
Net provisions for NBA luxury tax and NBA and NHL revenue sharing	$14,399	$ 1,489	$ 12,910
Net provisions for certain team personnel transactions	14,544	12,025	2,519

The most recent estimate of NBA revenue sharing, which is based on preliminary league and team revenue and expense estimates, indicates that the Knicks will be required to contribute approximately $13,900 in revenue sharing payments for the 2011-12 regular season, net of estimated escrow receipts, and substantially higher net amounts in future years. The actual amounts may vary significantly from the estimate based on actual operating results for the league and the teams for the season and other factors. See Note 2 to the consolidated financial statements included in Part I — Item 1. of this Quarterly Report on Form 10Q for a discussion of the principal aspects of the new NBA CBA and revenue sharing plan.

Team personnel transactions for the nine months ended March 31, 2012 primarily reflect provisions recorded for waivers/contract terminations and season-ending player injuries of $14,062 and $407, respectively. Team personnel transactions for the nine months ended March 31, 2011 reflect provisions recorded for player trades and waivers/contract terminations of $4,393 and $3,246, respectively, and season-ending player injuries of $4,386. The cost of these transactions is recorded when the transaction occurs, but payments owed are generally paid over the remaining contract terms.

The increase in other team operating expenses was primarily due to higher costs associated with new amenities, which have come online as a result of the Transformation, provided to certain ticket holders, increased day-of-event costs and league assessments significantly offset by the impact of the NBA work stoppage.

The decrease in team personnel compensation was primarily due to the NBA work stoppage, which resulted in lower compensation costs for Knicks players due to fewer games being played and a disproportionately lower percentage of team personnel compensation being recognized during the nine months ended March 31, 2012 as compared to the comparable period of the prior year. Player salaries are expensed over the applicable NBA, NHL or WNBA regular season on a straight-line basis, which for the NBA during the Company's 2012 fiscal year is from December 25, 2011 through the end of the regular season.

Selling, general and administrative expenses

Selling, general and administrative expenses for the nine months ended March 31, 2012 decreased $2,068, or 3%, to $78,851 as compared to the comparable period of the prior year primarily driven by a decrease in employee compensation and related benefits and lower marketing costs due to the NBA work stoppage, partially offset by certain sales-related Transformation costs that were not included in MSG Sports' results in the comparable period of the prior year.

AOCF

AOCF for the nine months ended March 31, 2012 increased $636, or 8%, to $8,933 as compared to the comparable period of the prior year primarily attributable to an increase in revenues and, to a lesser extent, lower selling, general and administrative expenses, significantly offset by higher direct operating 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 $375,000 credit agreement with a syndicate of lenders, providing for a senior secured revolving credit facility that we refer to as the Revolving Credit Facility (see “Financing Agreements” below). Our principal uses of cash include capital spending, working capital-related items and investments that we may fund from time to time. The decision of the Company as to the use of its available liquidity will be based upon an ongoing review of the funding needs of the business, the optimal allocation of cash resources, and the timing of cash flow generation.

The Transformation of The Garden continues. In order to most efficiently and effectively complete the Transformation, it will remain a year-round project. To minimize disruption to current operations, we plan for The Garden to remain open for the Knicks’ and Rangers’ regular seasons and playoffs while we accomplish the bulk of the construction work during the off-season shutdowns. We plan to close The Garden after the conclusion of the Knicks’ and Rangers’ seasons, including any playoffs, in the 2012 and 2013 calendar years. The Theater at Madison Square Garden closed at the end of this year’s Knicks and Rangers regular seasons, and we expect that it will close again following the regular seasons in 2013. Given that we cannot know in advance when those seasons will end, we are generally not booking live entertainment or other sporting events from a period commencing in April and ending in October. We did not host pre-season Rangers’ games in the 2012 fiscal year at The Garden nor do we expect to host Rangers’ pre-season games in the 2013 fiscal year. While we seek to minimize disruptions during the Transformation, including scheduling events at our other venues or to other times of the year when The Garden or The Theater at Madison Square Garden will be open, we are not able to reschedule all events that would otherwise have occurred during the shutdowns. Consequently, we have lost and expect to lose revenues as a result of this schedule.

The renovated lower bowl of The Garden reopened in October 2011. We were able to accelerate the renovation of certain portions of the upper bowl during the first off-season shutdown. The renovated upper bowl is expected to be open for the 2012-13 NBA and NHL regular seasons. Construction on areas such as concourses and certain restrooms, concessions and suites will continue during the seasons. As part of the second phase of the Transformation project, The Garden’s seating capacity, excluding suites, for fiscal 2013 will be reduced by approximately 1,000 seats for Knicks’ and Rangers’ games (with a lesser amount for entertainment events), as compared to fiscal 2012, primarily due to seats being replaced by the Madison Level Suites and the Madison Club. After the third phase of the Transformation project, The Garden’s seating capacity, excluding suites, will again be comparable to pre-Transformation project levels, primarily due to the planned addition of the Chase Bridges.

As we prepare for the second off-season shutdown, we remain on schedule and do not expect total Transformation project construction costs to differ materially (higher or lower) from the previously disclosed $980,000 inclusive of various reserves for contingencies.

The Transformation project remains within our overall expectations. We reopened the lower bowl on schedule and our plan for opening the renovated upper bowl, as well as the other elements in the transformed arena, has not changed. Construction costs for the Transformation project incurred through March 31, 2012 were approximately $691,000 of which approximately $349,000 was incurred during the nine months ended March 31, 2012.

As with any major renovation project, the Transformation is subject to potential unexpected delays, costs or other problems. Depending upon the severity and timing, such events could materially and negatively affect our business, results of operations and cash flows.

In January 2012, the City of Inglewood committed to loan us $18,000, conditioned upon our completing the purchase of the Forum and investing $50,000 in renovating the venue. If incurred, the loan would automatically be forgiven if we satisfy certain operating conditions which we would fully expect to satisfy. The city’s commitment does not obligate MSG to purchase or renovate the Forum or to incur the loan. Our obligation to close on the purchase of the Forum remains subject to certain customary and other closing conditions.

We believe we have sufficient liquidity, including approximately $181,100 in cash and cash equivalents as of March 31, 2012, along with available borrowing capacity under our Revolving Credit Facility, to complete the Transformation project and our other initiatives.

We have assessed recent 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 our Revolving Credit Facility should provide us with sufficient liquidity. However, broad global economic downturns may lead to lower demand for our offerings, such as lower levels of attendance or advertising. These economic events could adversely impact our results of operations and our cash flows and might require that we seek alternative sources of funding through the capital and credit markets that may or may not be available to us.

Financing Agreements

Revolving Credit Facility

On January 28, 2010, MSG L.P. and certain of its subsidiaries entered into 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. In addition, there is a minimum interest coverage ratio of 2.50:1.00 for the Company. As of March 31, 2012, the Company was in compliance with the financial covenants in the Revolving Credit Facility. The proceeds of borrowings under the Revolving Credit Facility are available for working capital and capital expenditures, including, but not limited to, the Transformation, and for general corporate purposes. 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, 2012, there was $7,000 in letters of credit issued and outstanding under the Revolving Credit Facility. Our available borrowing capacity under the Revolving Credit Facility as of March 31, 2012 was $368,000.

Borrowings under the Revolving Credit Facility bear interest at a floating rate which, at the option of MSG L.P., may be either 2.5% over a U.S. Federal Funds Rate or U.S. Prime Rate, or 3.5% over an adjusted LIBOR rate. Accordingly, we will be subject to interest rate risk with respect to any borrowings we may make under that facility. In appropriate circumstances, we may seek to reduce this exposure through the use of interest rate swaps or similar instruments. Upon a payment default in respect of principal, interest or other amounts due and payable under the Revolving Credit Facility or related loan documents, default interest will accrue on all overdue amounts at an additional rate of 2.00% per annum.

The Revolving Credit Facility requires MSG L.P. to pay a commitment fee of 0.75% in respect of the average daily unused commitments thereunder. MSG L.P. is also required to pay customary letter of credit fees, as well as fronting fees, to banks that issue letters of credit pursuant to the Revolving Credit Facility.

Cash Flow Discussion

Operating Activities

Net cash provided by operating activities for the nine months ended March 31, 2012 increased by $103,842 to $235,567 as compared to the comparable period of the prior year. This increase was driven by an increase of $83,211 resulting from changes in assets and liabilities and a $20,631 increase in net income and other non-cash items.

The increase resulting from changes in assets and liabilities was primarily due to (i) increases during the nine months ended March 31, 2012 in accrued and other liabilities and deferred income taxes of $61,534 and $22,685, respectively, as compared to increases of $1,411 and $8,583, respectively, during the comparable period of the prior year, and (ii) an increase during the nine months ended March 31, 2012 in deferred revenue of $55,713 as compared to a decrease of $1,899 during the comparable period of the prior year. These items were partially offset by (i) an increase during the nine months ended March 31, 2012 in accounts receivable of $44,812 as compared to an increase of $24,882 during the comparable period of the prior year and (ii) an increase during the nine months ended March 31, 2012 in prepaid expenses and other assets of $8,584 as compared to a decrease of $6,788 during the comparable period of the prior year.

Investing Activities

Net cash used in investing activities for the nine months ended March 31, 2012 increased by $219,407 to $356,473 as compared to the comparable period of the prior year primarily driven by an increase in capital expenditures associated with the Transformation.

Financing Activities

Net cash used in financing activities for the nine months ended March 31, 2012 decreased by $713 to $2,874 as compared to the comparable period of the prior year primarily due to an increase in the excess tax benefit on share-based awards and proceeds from stock option exercises significantly offset by an increase in cash paid for the acquisition of restricted shares.

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 our fiscal year (see “ — Results of Operations — Comparison of the Three Months Ended March 31, 2012 versus the Three Months Ended March 31, 2011 — Business Segment Results — MSG Sports” and “ — Results of Operations — Comparison of the Nine Months Ended March 31, 2012 versus the Nine Months Ended March 31, 2011 — Business Segment Results — MSG Sports” for a discussion of the NBA work stoppage). 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 our fiscal year. In addition, the off-season shutdown of The Garden and The Theater at Madison Square Garden due to the Transformation impacted the Company’s financial results in the fourth quarter of our 2011 fiscal year and the first quarter of our 2012 fiscal year, and we anticipate similar impacts in those same periods during the planned off-season shutdowns of The Garden and The Theater at Madison Square Garden in the 2012 and 2013 calendar years.

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

Recently Adopted Accounting Pronouncements

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* , which amends ASC Topic 820, *Fair Value Measurement* . The amended guidance changes the wording used to describe many requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. The Company adopted ASU No. 2011-04 effective January 1, 2012. The adoption of this ASU did not have a material impact on its consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220) — Presentation of Comprehensive Income* , which is intended to improve the overall quality of financial reporting by increasing the prominence of items reported in other comprehensive income, and to additionally align the presentation of other comprehensive income in financial statements prepared in accordance with GAAP with those prepared in accordance with International Financial Reporting Standards. An entity now has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, in December 2011, the FASB issued ASU No. 2011-12, *Comprehensive Income (Topic 220) — Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05* , to indefinitely defer the effective date of the specific requirement to present items that are reclassified out of accumulated other comprehensive income to net income alongside their respective components of net income and other comprehensive income. During the deferral period, the existing requirements in GAAP for the presentation of reclassification adjustments are required to continue to be followed. These standards will be effective for the Company beginning in its first quarter of fiscal 2013 with retrospective application required. The Company believes that the adoption of these standards will result only in changes in the presentation of its financial statements and will not have a material impact on the Company's financial position, results of operations, or cash flows.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles – Goodwill and Other (Topic 350) — Testing Goodwill for Impairment* , which amends ASC Topic 350, *Intangibles – Goodwill and Other* . This new guidance permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test currently required under ASC Topic 350. If an entity can support the conclusion that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not need to perform the two-step impairment test for that reporting unit. Currently, under ASC Topic 350, the first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. This standard will be effective for the Company beginning in its first quarter of fiscal 2013. Early adoption is permitted. The Company believes that the adoption of this standard will not have a material impact on the Company's consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-09, *Compensation – Retirement Benefits – Multiemployer Plans (Subtopic 715-80) — Disclosures about an Employer's Participation in a Multiemployer Plan* , which requires employers that participate in multiemployer pension plans to provide additional quantitative and qualitative disclosures in order to provide more information about an employer's involvement in multiemployer pension plans. Although the majority of the amendments in this ASU apply only to multiemployer pension plans, there are also amendments that require changes in disclosures for multiemployer plans that provide postretirement benefits other than pensions. This standard will be effective for the Company beginning in its fourth quarter of fiscal 2012. Early adoption is permitted. The Company believes that the adoption of this standard will result only in additional disclosures and will not have a material impact on the Company's financial position, results of operations, or cash flows.

In December 2011, the FASB issued ASU No. 2011-11, *Disclosures About Offsetting Assets and Liabilities* , which creates new disclosure requirements regarding the nature of an entity's rights of offset and related arrangements associated with its financial instruments and derivative instruments. This standard will be effective for the Company beginning in its first quarter of fiscal 2014 with retrospective application required. The Company believes that the adoption of this standard may result only in additional disclosures and will not have a material impact on the Company's financial position, results of operations, or cash flows.

Critical Accounting Policies

The following discussion has been included to provide a discussion of our annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the quarter ended September 30, 2011. Accordingly, we have not repeated herein a discussion of the Company's other critical accounting policies as set forth in our Transition Report on Form 10-K/T for the six month transition period ended June 30, 2011.

Goodwill

Goodwill is tested annually for impairment during the first quarter of the fiscal year and at any time upon the occurrence of certain events or substantive changes in circumstances. The impairment test for goodwill is a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination. For the purpose of evaluating goodwill impairment, the Company has three reporting units that are the same as its reportable segments, and all of which recognized goodwill.

The goodwill balance as of March 31, 2012 by reportable segment is as follows:

MSG Media	$ 465,326
MSG Entertainment	58,979
MSG Sports	218,187
	$ 742,492

During the quarter ended September 30, 2011, 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).

Identifiable Indefinite-Lived Intangible Assets

Identifiable indefinite-lived intangible assets are tested annually for impairment during the first quarter of the fiscal year and at any time upon the occurrence of certain events or substantive changes in circumstances. The impairment test for identifiable indefinite-lived intangible assets consists of a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The following table sets forth the amount of identifiable indefinite-lived intangible assets reported in the Company's consolidated balance sheet as of March 31, 2012 by reportable segment:

Trademarks (MSG Entertainment segment)	$ 61,881
Sports franchises (MSG Sports segment)	96,215
	$ 158,096

During the quarter ended September 30, 2011, 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 Transition Report on Form 10-K/T for the six month transition period ended June 30, 2011.

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, 2012, 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, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

In March 2012, the Company was named as a defendant in two purported class action antitrust lawsuits brought in the United States District Court for the Southern District of New York against the National Hockey League ("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. The Company intends to vigorously defend the claims against the Company. Management does not believe this matter will have a material adverse effect on the Company.

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

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

	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 2012	10,709	$ 29.02	N/A	N/A
March 2012	343,635	$ 32.69	N/A	N/A
Total	354,344	$ 32.58	N/A	N/A

During the month of January 2012, the Company effectuated the repurchases of 10,709 shares of its Class A Common Stock in connection with the vesting of 23,850 shares issued upon the Distribution to certain employees of Cablevision, which were restricted on the same basis as underlying Cablevision restricted shares. Such 10,709 shares were surrendered to the Company in order to satisfy the employees' statutory minimum tax withholding obligations for the applicable income and other employment taxes of $310,769. The 10,709 shares acquired have been classified as treasury stock.

During the month of March 2012, the Company effectuated the repurchases of 343,635 shares of its Class A Common Stock in connection with the vesting of 1,025,611 shares issued upon the Distribution to certain employees of the Company, Cablevision and AMC, which were restricted on the same basis as underlying Cablevision restricted shares. Such 343,635 shares were surrendered to the Company in order to satisfy the employees' statutory minimum tax withholding obligations for the applicable income and other employment taxes of $11,233,428. The 343,635 shares acquired have been classified as treasury stock.

Table of Contents

Item 6.Exhibits

(a) Index to Exhibits

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

Table of Contents

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 4th day of May, 2012.

The Madison Square Garden Company

By: /s/ ROBERT M. POLLICHINO
Name: Robert M. Pollichino
Title: Executive Vice President and Chief Financial Officer

Exhibit 31.1

Certification

I, Hank J. Ratner, certify that:

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

Date: May 4, 2012

/s/ Hank J. Ratner
Hank J. Ratner
President and Chief Executive Officer

Exhibit 31.2

Certification

I, Robert M. Pollichino, certify that:

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

Date: May 4, 2012

/s/ Robert M. Pollichino
Robert M. Pollichino
Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of The Madison Square Garden Company (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2011 (the "Report") fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2012

/s/ Hank J. Ratner
Hank J. Ratner
President and Chief Executive Officer

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

Exhibit 32.2

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of The Madison Square Garden Company (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2011 (the "Report") fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2012

/s/ Robert M. Pollichino
Robert M. Pollichino
Executive Vice President and Chief Financial Officer

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