Madison Square Garden Co
Form 10-Q
February 07, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2013

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 þ No o

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 þ No o

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 þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

Number of shares of common stock outstanding as of January 31, 2014:

Class A Common Stock par value $0.01 per share	—	63,344,985
Class B Common Stock par value $0.01 per share	—	13,588,555

THE MADISON SQUARE GARDEN COMPANY
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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements
THE MADISON SQUARE GARDEN COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31, 2013 (Unaudited)	June 30, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$154,529	$277,913
Restricted cash	12,402	8,413
Accounts receivable, net	149,953	145,728
Net related party receivables	26,413	18,565
Prepaid expenses	53,525	41,215
Other current assets	25,215	20,339
Total current assets	422,037	512,173
Investments in and loans to nonconsolidated affiliates	150,405	—
Property and equipment, net	1,293,156	1,135,180
Amortizable intangible assets, net	85,506	90,705
Indefinite-lived intangible assets	158,636	158,636
Goodwill	742,492	742,492
Other assets	94,958	93,028
	$2,947,190	$2,732,214
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$29,092	$16,006
Net related party payables	1,122	283
Accrued liabilities:		
Employee related costs	59,785	70,663
Other accrued liabilities	246,869	221,405
Deferred revenue	328,977	237,537
Total current liabilities	665,845	545,894
Defined benefit and other postretirement obligations	58,872	59,726
Other employee related costs	40,974	45,370
Other liabilities	57,040	58,536
Deferred tax liability	553,403	543,753
Total liabilities	1,376,134	1,253,279
Commitments and contingencies (Note 10)		
Stockholders' Equity:		
Class A Common stock, par value $0.01, 360,000 shares authorized; 63,320 and 63,268 shares outstanding as of December 31, 2013 and June 30, 2013, respectively	639	639
Class B Common stock, par value $0.01, 90,000 shares authorized; 13,589 shares outstanding as of December 31, 2013 and June 30, 2013	136	136
Preferred stock, par value $0.01, 45,000 shares authorized; none outstanding	—	—

Additional paid-in capital	1,077,151	1,070,764
Treasury stock, at cost, 555 and 596 shares as of December 31, 2013 and June 30, 2013, respectively	(13,200)	(14,179)
Retained earnings	522,171	437,794
Accumulated other comprehensive loss	(15,841)	(16,219)
Total stockholders' equity	1,571,056	1,478,935
	$2,947,190	$2,732,214

See accompanying notes to consolidated financial statements.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Revenues (including related party revenues of $45,503 and $42,438 for the three months ended December 31, 2013 and 2012, respectively, and $91,341 and $85,102 for the six months ended December 31, 2013 and 2012, respectively)	$509,379	$387,886	$724,964	$592,052
Operating expenses:				
Direct operating (including related party expenses of $3,691 and $3,416 for the three months ended December 31, 2013 and 2012, respectively, and $6,501 and $6,395 for the six months ended December 31, 2013 and 2012, respectively)	301,074	207,177	381,158	279,918
Selling, general and administrative (including related party expenses of $4,126 and $3,673 for the three months ended December 31, 2013 and 2012, respectively, and $7,554 and $6,522 for the six months ended December 31, 2013 and 2012, respectively)	87,370	77,942	160,201	149,477
Depreciation and amortization	24,388	21,744	47,195	41,444
	412,832	306,863	588,554	470,839
Operating income	96,547	81,023	136,410	121,213
Other income (expense):				
Equity in loss of nonconsolidated affiliates	(738)	—	(738)	—
Interest income (including interest income from nonconsolidated affiliates of $122 for both the three and six months ended December 31, 2013)	609	571	1,114	1,152
Interest expense	(1,822)	(1,855)	(3,615)	(3,566)
Miscellaneous	17	66	23	102
	(1,934)	(1,218)	(3,216)	(2,312)
Income from operations before income taxes	94,613	79,805	133,194	118,901
Income tax expense	(34,104)	(32,894)	(48,817)	(51,385)
Net income	$60,509	$46,911	$84,377	$67,516
Basic earnings per common share	$0.79	$0.62	$1.10	$0.89
Diluted earnings per common share	$0.77	$0.60	$1.08	$0.87
Weighted-average number of common shares outstanding:				
Basic	77,035	75,914	77,024	75,770
Diluted	78,116	77,889	78,109	77,829

See accompanying notes to consolidated financial statements.

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

	Three Months Ended December 31,				Six Months Ended December 31,			
	2013		2012		2013		2012	
Net income		$60,509		$46,911		$84,377		$67,516
Other comprehensive income (loss), before income taxes:								
Pension plans and postretirement plan:								
Amortization of net actuarial loss included in net periodic benefit cost	$360		$546		$722		$1,093	
Amortization of net prior service credit included in net periodic benefit cost	(31)	$329	(35)	$511	(63)	$659	(70)	$1,023
Unrealized holding gain arising during period on available-for-sale securities		—		2,739		—		509
Other comprehensive income, before income taxes		329		3,250		659		1,532
Income tax expense related to items of other comprehensive income		(140)		(1,382)		(281)		(652)
Other comprehensive income		189		1,868		378		880
Comprehensive income		$60,698		$48,779		$84,755		$68,396

See accompanying notes to consolidated financial statements.

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

	Six Months Ended December 31, 2013	2012
Cash flows from operating activities:		
Net income	$84,377	$67,516
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	47,195	41,444
Impairment of deferred costs	—	4,982
Amortization of deferred financing costs	1,090	1,090
Share-based compensation expense related to equity classified awards	8,467	8,896
Excess tax benefit on share-based awards	(1,203)	(180)
Equity in loss of nonconsolidated affiliates	738	—
Provision for doubtful accounts	13	143
Change in assets and liabilities:		
Accounts receivable, net	(4,238)	(6,308)
Net related party receivables	(7,817)	3,037
Prepaid expenses and other assets	(24,195)	(29,030)
Accounts payable	5,655	(12,764)
Net related party payables	839	14
Accrued and other liabilities	11,015	34,514
Deferred revenue	91,440	84,258
Deferred income taxes	10,491	6,353
Net cash provided by operating activities	223,867	203,965
Cash flows from investing activities:		
Capital expenditures	(194,859)	(159,313)
Investments in and loans to nonconsolidated affiliates	(151,135)	—
Net cash used in investing activities	(345,994)	(159,313)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(125)	(148)
Proceeds from stock option exercises	66	3,135
Taxes paid in lieu of shares issued for equity-based compensation	(2,401)	(5,725)
Excess tax benefit on share-based awards	1,203	180
Net cash used in financing activities	(1,257)	(2,558)
Net increase (decrease) in cash and cash equivalents	(123,384)	42,094
Cash and cash equivalents at beginning of period	277,913	206,500
Cash and cash equivalents at end of period	$154,529	$248,594
Non-cash investing and financing activities:		
Capital expenditures incurred but not yet paid	$64,910	$20,470
Cash due from related party associated with exercise of stock options	31	2,779

See accompanying notes to consolidated financial statements.

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

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

	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of June 30, 2012	$764	$1,070,046	$(22,047)	$295,412	$(24,162)	$1,320,013
Net income	—	—	—	67,516	—	67,516
Other comprehensive income	—	—	—	—	880	880
Comprehensive income						68,396
Exercise of options	9	5,986	—	—	—	5,995
Share-based compensation expense	—	8,896	—	—	—	8,896
Tax withholding associated with shares issued for equity-based compensation	—	(5,725)	—	—	—	(5,725)
Excess tax benefit on share-based awards, net	—	(510)	—	—	—	(510)
Balance as of December 31, 2012	$773	$1,078,693	$(22,047)	$362,928	$(23,282)	$1,397,065

See accompanying notes to consolidated financial statements.

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

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

Note 1. Description of Business and Basis of Presentation

Description of Business

The Madison Square Garden Company (together with its subsidiaries, the "Company" or "Madison Square Garden") 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 and MSG+, collectively the "MSG Networks," and "Fuse," a national television network dedicated to music. MSG Networks also include high-definition channels, MSG HD and MSG+ HD, and Fuse includes its high-definition channel, Fuse HD. MSG Entertainment presents or hosts live entertainment events, such as concerts, family shows, performing arts and special events, in the Company's diverse collection of venues. MSG Entertainment also creates, produces and/or presents live productions, including the Radio City Christmas Spectacular featuring the Radio City Rockettes (the "Rockettes"), that are performed in the Company's and other venues. MSG Sports owns and operates the following sports franchises: the New York Knicks (the "Knicks") of the National Basketball Association (the "NBA"), the New York Rangers (the "Rangers") of the National Hockey League (the "NHL"), the New York Liberty (the "Liberty") of the Women's National Basketball Association (the "WNBA"), and the Hartford Wolf Pack 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, the Forum in Inglewood, CA and The Chicago Theatre in Chicago. In addition, the Company leases Radio City Music Hall and the Beacon Theatre in New York City, and has a booking agreement with respect to the Wang Theatre in Boston.

Unaudited Interim Financial Statements

The accompanying interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and the instructions to Rule 10-01 of Regulation S-X, and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2013. The financial statements as of December 31, 2013 and for the three and six months ended December 31, 2013 and 2012 presented in this Quarterly Report on Form 10-Q are unaudited; however, in the opinion of management such financial statements reflect all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the periods presented are not necessarily indicative of the results that might be expected for future interim periods or for the full year. The dependence of the MSG Sports segment on revenues from its NBA and NHL sports teams generally means it earns a disproportionate share of its revenues in the second and third quarters of the Company's fiscal year. The dependence of the MSG Entertainment segment on revenues from the Radio City Christmas Spectacular generally means it earns a disproportionate share of its revenues and operating income in the second quarter of the Company's fiscal year.

The comparability of the results of operations of the Company and the MSG Media and MSG Sports segments for the three and six months ended December 31, 2013 to the prior year periods was impacted by the prior period's NHL work stoppage, which delayed the start of the 2012-13 regular season by approximately three months to January 19, 2013 and led to a shortened 48-game regular season. In addition, the Company closed The Garden and The Theater at Madison Square Garden during the off-seasons following the Knicks' and Rangers' playoffs in calendar years 2011, 2012 and 2013 due to the comprehensive transformation of The Garden into a state-of-the-art arena (the "Transformation").

Note 2. Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

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

Investments in Nonconsolidated Affiliates

The Company's investments in nonconsolidated affiliates are accounted for using the equity method of accounting and are carried at cost, plus or minus the Company’s share of net earnings or losses of the investment, subject to certain other adjustments. The cost of equity method investments includes transaction costs of the acquisition. The Company’s share of net earnings or losses of the investment is included in equity in earnings (loss) of nonconsolidated affiliates on the Company’s consolidated statements of operations. Dividends received from the investee reduce the carrying amount of the investment. Due to the timing of receiving financial information from its nonconsolidated affiliates, the Company records its share of net earnings or losses of such affiliates on a lag basis. Additionally, the carrying value of investments accounted for using the equity method of accounting is adjusted downward to reflect any other-than-temporary declines in value.

Income Taxes

The Company's provision for income taxes is based on current period income, changes in deferred tax assets and liabilities and changes in estimates with regard to uncertain tax positions. Deferred tax assets are subject to an ongoing assessment of realizability. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company's ability to realize its deferred tax assets depends upon the generation of sufficient future taxable income to allow for the realization of its deductible temporary differences. If such estimates and related assumptions change in the future, the Company may be required to record valuation allowances against its deferred tax assets, resulting in additional income tax expense in the Company's consolidated statements of operations. The Company measures its deferred tax liability with regard to MSG L.P. based on the difference between the tax basis and the carrying amount for financial reporting purposes; this is commonly referred to as the outside basis difference. Interest and penalties, if any, associated with uncertain tax positions are included in income tax expense. The Company accounts for investment tax credits using

the “flow-through” method, under which the tax benefit generated from an investment tax credit is recorded in the period the credit is generated.
Recently Adopted Accounting Pronouncements
In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-11, Disclosures about Offsetting Assets and Liabilities, which creates new disclosure requirements regarding the nature

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

of an entity's rights of offset and related arrangements associated with its financial instruments and derivative instruments. In January 2013, the FASB issued ASU No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, which clarifies the scope of transactions that are subject to disclosures required by FASB Accounting Standards Codification ("ASC") 210-20-50, Balance Sheet - Offsetting - Disclosure, concerning offsetting. In particular ASU No. 2013-01 addresses implementation issues about the scope of ASU No. 2011-11 and clarifies that the scope of the disclosure is limited to derivatives, repurchase agreements, and securities borrowing and securities lending transactions that are either offset in the financial statements or are subject to a master netting arrangement or similar arrangement. These standards were adopted by the Company in the first quarter of fiscal year 2014. The adoption of these standards did not have an impact on the Company's financial position, results of operations, or cash flows.

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220) - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires an entity to provide information about amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. This standard was adopted by the Company in the first quarter of fiscal year 2014. The adoption of this standard impacted the Company's disclosures only and did not have any 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 and restricted stock units ("RSUs") only in the periods in which such effect would have been dilutive.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Weighted-average shares for basic EPS	77,035	75,914	77,024	75,770
Dilutive effect of shares issuable under share-based compensation plans	1,081	1,975	1,085	2,059
Weighted-average shares for diluted EPS	78,116	77,889	78,109	77,829
Anti-dilutive shares	—	—	—	35

Note 4. Impairment Charges

During the quarter ended December 31, 2012, the Company's MSG Entertainment segment recorded a pre-tax impairment charge of $4,982 for the remaining unamortized deferred costs of assets related to a theatrical production of the Radio City Christmas Spectacular presented outside of New York, which is reflected in direct operating expenses in the accompanying consolidated statements of operations for the three and six months ended December 31, 2012.

Note 5. Team Personnel Transactions

Direct operating and selling, general and administrative expenses in the accompanying consolidated statements of operations include net provisions for transactions relating to players and certain other team personnel on the Company's sports teams for (i) season-ending injuries, (ii) trades and (iii) waivers and contract termination costs

("Team Personnel Transactions"). Team Personnel Transactions amounted to $4,380 and $2,535 for the three months ended December 31, 2013 and 2012, respectively, and $5,808 and $3,130 for the six months ended December 31, 2013 and 2012, respectively.

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

Note 6. Investments in Nonconsolidated Affiliates

The Company’s equity method investments include the Company’s investments in Azoff MSG Entertainment LLC (“Azoff-MSG”) and Brooklyn Bowl Las Vegas, LLC (“BBLV”).

In September 2013, the Company acquired a 50% interest in Azoff-MSG for $125,000. The Azoff-MSG entity owns and operates certain existing businesses and is also pursuing various business concepts in the entertainment industry, some of which are already in the development stage. The Company agreed to provide up to $50,000 of revolving credit loans to Azoff-MSG. As of December 31, 2013, the Company’s investment in Azoff-MSG was $125,695 inclusive of transaction costs related to the acquisition. The Company determined that Azoff-MSG is not a variable interest entity (“VIE”) and therefore the investment was analyzed under the voting model. The Company determined that due to a lack of a voting majority and consistent with the accounting for partnership (or similar entities) interests, it does not control Azoff-MSG. Accordingly, the Company accounts for its investment under the equity method of accounting.

As of the acquisition date the carrying amount of the investment was greater than the Company’s equity in the underlying assets of Azoff-MSG by approximately $125,600 due to the difference in the carrying amounts of goodwill and amortizable intangible assets. Based upon the preliminary valuation, the difference attributable to amortizable intangible assets was $17,350 at the time of acquisition which is being amortized straight-line over the expected useful lives of the intangible assets, which range from 5 to 7 years. Amortization expense for intangible assets was $738 for the three and six months ended December 31, 2013, which is reflected in equity in loss of nonconsolidated affiliates in the accompanying consolidated statements of operations. During the quarter ended December 31, 2013, Azoff-MSG borrowed $2,000 under the unsecured credit facility with the Company. The loan receivable balance is $2,000 as of December 31, 2013 and is reflected in investments in and loans to nonconsolidated affiliates in the accompanying consolidated balance sheet. Interest income on the outstanding loan balance and related facility fees are recorded currently and are reflected in interest income in the accompanying consolidated statements of operations for the three and six months ended December 31, 2013. Azoff-MSG’s results of operations are recorded on a three-month lag basis with the exception of the amortization expense for the intangible assets which are recorded currently.

In August 2013, the Company acquired an interest in BBLV. BBLV is in the construction/development phase of a new venue in Las Vegas which will bring together live music, bowling and a bar/restaurant. As of December 31, 2013, the Company has invested $22,710 in BBLV, inclusive of transaction costs, and the Company is further committed to investing $2,291 in BBLV. The Company will be entitled to receive back its capital, which is 82% of BBLV's total capital as of December 31, 2013, and a preferred return after which the Company will own a 20% interest in BBLV. The Company does not manage or otherwise control BBLV but has approval rights over certain decisions. The Company determined that BBLV is not a VIE and therefore the investment was analyzed under the voting model. The Company determined that due to a lack of a voting majority and consistent with the accounting for partnership (or similar entities) interests, it does not control BBLV. Accordingly, the Company accounts for its investment under the equity method of accounting. BBLV’s results of operations are recorded on a three-month lag basis.

Note 7. Goodwill and Intangible Assets

The carrying amount of goodwill, by reportable segment, as of December 31, 2013 and June 30, 2013 is as follows:

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

During the first quarter of fiscal year 2014, the Company performed its annual impairment test of goodwill, and there was no impairment of goodwill identified for any of its reportable segments.

The Company's indefinite-lived intangible assets as of December 31, 2013 and June 30, 2013 are as follows:

Sports franchises (MSG Sports segment)	$96,215
Trademarks (MSG Entertainment segment)	62,421

$158,636

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

During the first quarter of fiscal year 2014, the Company performed its annual impairment test of identifiable indefinite-lived intangible assets, and there were no impairments identified.
The Company's intangible assets subject to amortization as of December 31, 2013 and June 30, 2013 are as follows:

December 31, 2013	Gross	Accumulated Amortization	Net
Affiliate relationships	$83,044	$(30,270)	$52,774
Season ticket holder relationships	73,124	(46,031)	27,093
Suite holder relationships	15,394	(12,240)	3,154
Other intangibles	4,217	(1,732)	2,485
	$175,779	$(90,273)	$85,506

June 30, 2013	Gross	Accumulated Amortization	Net
Affiliate relationships	$83,044	$(28,540)	$54,504
Season ticket holder relationships	73,124	(43,401)	29,723
Suite holder relationships	15,394	(11,542)	3,852
Other intangibles	4,217	(1,591)	2,626
	$175,779	$(85,074)	$90,705

Amortization expense for intangible assets amounted to $2,599 and $2,600 for the three months ended December 31, 2013 and 2012, respectively. For the six months ended December 31, 2013 and 2012 amortization expense was $5,199 and $5,909, respectively.
Note 8. Property and Equipment
As of December 31, 2013 and June 30, 2013, property and equipment (including equipment under capital leases) consisted of the following assets:

	December 31, 2013	June 30, 2013
Land	$91,678	$92,828
Buildings	1,054,479	781,747
Equipment	359,364	310,946
Aircraft	43,548	43,388
Furniture and fixtures	54,844	36,824
Leasehold improvements	152,851	151,224
Construction in progress	4,262	147,398
	1,761,026	1,564,355
Less accumulated depreciation and amortization	(467,870)	(429,175)
	$1,293,156	$1,135,180

Depreciation and amortization expense on property and equipment (including equipment under capital leases) amounted to $21,789 and $19,144 for the three months ended December 31, 2013 and 2012, respectively. Depreciation and amortization expense on property and equipment (including equipment under capital leases) amounted to $41,996 and $35,535 for the six months ended December 31, 2013 and 2012, respectively. During the quarter ended December 31, 2013 the Company placed into service assets related to the Transformation and the Forum.
The Company has recorded asset retirement obligations related to the Transformation and the Forum. 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 or commitment exists to perform remediation efforts and its fair value is reasonably estimable. These obligations were necessitated by the Transformation and the acquisition and the renovation of the Forum.

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The following is a summary of the change in the carrying amount of the asset retirement obligations during the six months ended December 31, 2013:

Balance as of June 30, 2013	$12,250
Revisions in estimated liabilities	(4,370)
Accretion expense	7
Payments	(6,693)
Balance as of December 31, 2013	$1,194

As of December 31, 2013 and June 30, 2013, $971 and $12,034, 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:

	December 31, 2013	June 30, 2013
Revolving Credit Facility	$—	$—
Related party capital lease obligations [a]	2,099	2,224
Total	$2,099	$2,224

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[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 (the "Credit Agreement"), providing for a 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 December 31, 2013, 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, to fund other initiatives 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 December 31, 2013, 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 December 31, 2013 was $368,000.

Note 10. Commitments and Contingencies

Commitments

As more fully described in Notes 11 and 12 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2013, 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 that are generally guaranteed regardless of employee injury or termination, long-term noncancelable operating lease agreements primarily for entertainment venues and office and storage space, and minimum purchase requirements incurred in the normal course of the Company's operations. These arrangements result from the Company's normal course of business and represent obligations that may be payable over several years.

In September 2013, in connection with the Company's acquisition of a 50% interest in Azoff-MSG, the Company agreed to provide up to $50,000 of revolving credit loans to Azoff-MSG (See Note 6).

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Legal Matters

In March 2012, the Company was named as a defendant in two purported class action antitrust lawsuits brought in the United States District Court for the Southern District of New York against the NHL and certain NHL member clubs, regional sports networks and cable and satellite distributors. The complaints, which are substantially identical, primarily assert that certain of the NHL's current rules and agreements entered into by defendants, which are alleged by the plaintiffs to provide certain territorial and other exclusivities with respect to the television and online distribution of live hockey games, violate Sections 1 and 2 of the Sherman Antitrust Act. The complaints seek injunctive relief against the defendants' continued violation of the antitrust laws, treble damages, attorneys' fees and pre- and post-judgment interest. On July 27, 2012, the Company and the other defendants filed a motion to dismiss the complaints (which have been consolidated for procedural purposes). On December 5, 2012, the Court issued an Opinion and Order largely denying the motion to dismiss and the case is now in the discovery phase. 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
December 31, 2013				
Assets:				
Money market accounts	$91,426	$—	$—	$91,426
Time deposits	55,328	—	—	55,328
Total assets measured at fair value	$146,754	$—	$—	$146,754
June 30, 2013				
Assets:				
Money market accounts	$231,788	$—	$—	$231,788
Time deposits	40,281	—	—	40,281
Total assets measured at fair value	$272,069	$—	$—	$272,069

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.

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Note 12. Accumulated Other Comprehensive Income (Loss)
The following table details the changes in each component of accumulated other comprehensive income (loss):

	Pension Plans and Postretirement Plan	Unrealized Gain (Loss) on Available-for-sale Securities [(a)]	Accumulated Other Comprehensive Income (Loss)
Balance as of June 30, 2013	$(16,219)	$—	$(16,219)
Amounts reclassified from accumulated other comprehensive income, before income taxes [(b)]	659	—	659
Income tax expense	(281)	—	(281)
Other comprehensive income	378	—	378
Balance as of December 31, 2013	$(15,841)	$—	$(15,841)
Balance as of June 30, 2012	$(21,216)	$(2,946)	$(24,162)
Other comprehensive income before reclassifications, before income taxes	—	509	509
Amounts reclassified from accumulated other comprehensive income, before income taxes [(b)]	1,023	—	1,023
Income tax expense	(435)	(217)	(652)
Other comprehensive income	588	292	880
Balance as of December 31, 2012	$(20,628)	$(2,654)	$(23,282)

(a) The Company held an investment in Live Nation Entertainment, Inc. common stock which it sold in March 2013. Prior to the sale this investment was classified as available-for-sale with the unrealized gains (losses), net of tax, included in the determination of other comprehensive income (loss) and reported in stockholders' equity.
(b) Represents amortization of net actuarial loss and net unrecognized prior service credit included in net periodic benefit cost, which is reflected in direct operating expenses and selling, general and administrative expenses in the accompanying consolidated statements of operations (See Note 13).

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 "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.
Additionally, the Company sponsors an unfunded non-contributory non-qualified defined benefit pension plan for the benefit of certain employees who participated in an underlying frozen qualified plan that was previously merged into the Cash Balance Pension Plan (the "Excess Plan"). As of December 31, 2007, the Excess Plan's benefits were frozen and the ability of participants to earn benefits for future services under this plan was eliminated.
The Cash Balance Plans, Union Plans, and Excess Plan are collectively referred to as the "Pension Plans."
The Company also sponsors a contributory welfare plan which provides certain postretirement healthcare benefits to certain eligible employees hired prior to January 1, 2001 and their eligible dependents, as well as certain union employees ("Postretirement Plan").

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Components of net periodic benefit cost for the Company's Pension Plans and Postretirement Plan for the three and six months ended December 31, 2013 and 2012 are as follows:

	Pension Plans Three Months Ended December 31,		Postretirement Plan Three Months Ended December 31,	
	2013	2012	2013	2012
Service cost	$1,571	$1,681	$53	$60
Interest cost	1,877	1,723	88	84
Expected return on plan assets	(958)	(938)	—	—
Recognized actuarial loss (gain)	362	540	(2)	6
Amortization of unrecognized prior service cost (credit)	7	7	(38)	(42)
Net periodic benefit cost	$2,859	$3,013	$101	$108

	Pension Plans Six Months Ended December 31,		Postretirement Plan Six Months Ended December 31,	
	2013	2012	2013	2012
Service cost	$3,141	$3,362	$105	$120
Interest cost	3,755	3,445	177	168
Expected return on plan assets	(1,917)	(1,875)	—	—
Recognized actuarial loss (gain)	725	1,081	(3)	12
Amortization of unrecognized prior service cost (credit)	13	13	(76)	(83)
Net periodic benefit cost	$5,717	$6,026	$203	$217

In addition, the Company sponsors qualified and non-qualified savings plans (the "Savings Plans") in which certain eligible employees of the Company participate. Expenses related to the Savings Plans included in the accompanying consolidated statements of operations were $816 and $754 for the three months ended December 31, 2013 and 2012, respectively. For the six months ended December 31, 2013 and 2012 expenses related to the Savings Plans were $1,760 and $1,642, respectively.

Note 14. Share-based Compensation

See Note 17 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2013 for more information regarding The Madison Square Garden Company 2010 Employee Stock Plan (the "Employee Stock Plan") and The Madison Square Garden Company 2010 Stock Plan for Non-Employee Directors (the "Non-Employee Director Plan"), as well as the treatment after the Distribution of share-based payment awards initially granted under Cablevision equity award programs.

Share-based compensation expense reduced for estimated forfeitures, which is recognized as selling, general and administrative expense, was $5,637 and $5,521 for the three months ended December 31, 2013 and 2012, respectively. Share-based compensation expense was $8,467 and $8,940 for the six months ended December 31, 2013 and 2012, respectively.

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Share-based Payment Award Activity
The following table summarizes activity relating to holders (including Company, Cablevision and AMC Networks Inc. ("AMC Networks") employees and directors) of the Company's stock options for the six months ended December 31, 2013:

	Number of Non-Performance Vesting Options	Performance Vesting Options [(a)]	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Balance as of June 30, 2013	332	35	$12.63	2.70	$17,117
Exercised [(b)]	(107)	(15)	12.56		
Balance as of December 31, 2013	225	20	12.66	2.19	$11,042
Exercisable as of December 31, 2013	200	20	$11.53	1.86	$10,169

(a) The Cablevision performance objective with respect to these awards has been achieved.
(b) Stock options exercised include 111 Company stock options that were exercised pursuant to a cashless exercise, of which approximately 70 Company stock options were surrendered to the Company in order to meet tax withholding requirements and for the exercise price of the stock options. The Company remitted to Cablevision $2,401, which represents the aggregate value on the exercise date of the stock options that were surrendered to the Company to meet tax withholding requirements. This amount is reflected as a financing activity in the accompanying consolidated statement of cash flows for the six months ended December 31, 2013 and has been classified as additional paid-in capital.

The aggregate intrinsic value is calculated as the difference between (i) the exercise price of the underlying award and (ii) the quoted price of the Company's Class A Common Stock for all options outstanding (and all exercisable) which were all in-the-money at December 31, 2013 and June 30, 2013, as applicable. For the six months ended December 31, 2013 the aggregate intrinsic value of the Company's stock options exercised was $5,157, determined as of the date of option exercise.
The following table summarizes activity relating to the Company's RSUs for the six months ended December 31, 2013:

	Number of Non-Performance Vesting RSUs	Performance Vesting RSUs	Weighted-Average Fair Value Per Share At Date of Grant
Unvested award balance, June 30, 2013	953	493	$29.97
Granted	239	91	$56.65
Vested	(21)	—	$55.98
Forfeited	(110)	—	$32.69
Unvested award balance, December 31, 2013	1,061	584	$34.79

RSUs that were awarded under the Employee Stock Plan are subject to three-year cliff vesting, and certain RSUs are also subject to certain performance conditions. RSUs that were awarded by the Company to its employees will settle in shares of the Company's Class A Common Stock (either from treasury or with newly issued shares), or, at the option of the Compensation Committee, in cash.
RSUs that were awarded to non-employee directors under the Non-Employee Director Plan were fully vested upon the date of grant and will settle in shares of the Company's Class A Common Stock (either from treasury or with newly issued shares), or, at the option of the Compensation Committee, in cash, on the first business day after ninety days

from the date the director's service on the Board of Directors ceases or, if earlier, upon the director's death.

Note 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 group, collectively beneficially own all of the Company's outstanding Class B Common Stock and own approximately 1.7% of the Company's outstanding Class A Common Stock. Such shares of the

Company's Class A Common Stock and Class B Common Stock, collectively, represent approximately 69% of the aggregate voting power of the Company's outstanding common stock. Members of the Dolan family are also the controlling stockholders of both Cablevision and AMC Networks.

The Company has entered into various agreements with Cablevision in connection with, and subsequent to, the Distribution. These agreements include arrangements with respect to a number of ongoing commercial relationships including affiliation agreements for carriage of MSG Networks and Fuse. As a result of the distribution by Cablevision of all the outstanding common stock of AMC Networks to Cablevision shareholders (the "AMC Networks Distribution"), certain of those arrangements between Cablevision and the Company, as well as arrangements entered into subsequent to the AMC Networks Distribution, are with AMC Networks.

Revenues from related parties primarily consist of revenues recognized from the distribution of programming services to subsidiaries of Cablevision and include sponsorship revenue as well as advertising and promotional benefits received by the Company which is recognized as the benefits are realized. Revenues from related parties amounted to $45,503 and $42,438 for the three months ended December 31, 2013 and 2012, respectively, and $91,341 and $85,102 for the six months ended December 31, 2013 and 2012, respectively.

AMC Networks provide certain origination, master control and post production services to the Company. Amounts charged to the Company by AMC Networks for origination, master control and post production services amounted to $2,258 and $2,329 for the three months ended December 31, 2013 and 2012, respectively, and $4,460 and $4,673 for the six months ended December 31, 2013 and 2012, respectively.

The Company incurs advertising expenses for services rendered by its related parties, primarily Cablevision, most of which are related to the utilization of advertising and promotional benefits by the Company, with an equal amount being recognized as revenue when the benefits are realized. Amounts recorded by the Company for such advertising expenses amounted to $4,225 and $3,253 for the three months ended December 31, 2013 and 2012, respectively, and $6,692 and $5,210 for the six months ended December 31, 2013 and 2012, respectively.

Amounts charged to the Company by its related parties for corporate general and administrative expenses pursuant to administrative and other service agreements with Cablevision amounted to $332 and $534 for the three months ended December 31, 2013 and 2012, respectively, and $989 and $1,129 for the six months ended December 31, 2013 and 2012, respectively.

Amounts charged to the Company by Cablevision for telephone and other fiber optic transmission services amounted to $540 and $428 for the three months ended December 31, 2013 and 2012, respectively, and $990 and $824 for the six months ended December 31, 2013 and 2012, respectively.

In addition, the Company and its related parties enter into transactions with each other in the ordinary course of business. Amounts charged to the Company for other transactions with its related parties, net of amounts charged by the Company to the Knickerbocker Group, LLC, an entity owned by James L. Dolan, the Executive Chairman and a director of the Company, for office space equal to the allocated cost of such space, amounted to $462 and $545 for the three months ended December 31, 2013 and 2012, respectively, and $924 and $1,081 for the six months ended December 31, 2013 and 2012, respectively.

Other

See Note 6 for information on certain transactions with the Company's nonconsolidated affiliates.

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

See Note 14 for information on share-based payment awards initially granted under Cablevision equity award programs.

Note 16. Income Taxes

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

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state income taxes and, to a lesser extent, the impact of non-deductible expenses. These increases are partially offset by the benefit of the federal rehabilitation credit, the impact of the domestic production activities deduction, and the tax return to book provision adjustment in connection with the filing of the Company's 2012 federal and state income tax returns. During the three and six months ended December 31, 2013, the amount of the rehabilitation tax credit benefit recognized in income tax expense was approximately $5,000. We anticipate recognizing approximately $3,500 of additional rehabilitation tax credit benefits during the remainder of fiscal year 2014. This federal rehabilitation credit is based on eligible expenditures incurred as a result of the renovation of the Forum.

Income tax expense for the three and six months ended December 31, 2012 was $32,894 and $51,385, respectively. The effective tax rate for the three months ended December 31, 2012 of 41.2% differs from the statutory federal rate of 35% due principally to state income taxes and the impact of nondeductible expenses partially offset by the tax benefit resulting from the domestic production activities deduction. The effective tax rate for the six months ended December 31, 2012 of 43.2% differs from the statutory federal rate of 35% due principally to state income taxes, nondeductible expenses and an increase in federal income tax expense recorded in connection with the filing of the Company's 2011 income tax returns offset by the tax benefit resulting from the domestic production activities deduction.

The current federal tax liability of $32,488 and $32,944 as of December 31, 2013 and June 30, 2013, respectively, is reflected in other accrued liabilities in the accompanying consolidated balance sheets.

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

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

The Company evaluates segment performance based on several factors, of which the key financial measure is 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 believes AOCF is an appropriate measure for evaluating the operating performance of its business segments and the Company on a consolidated basis. AOCF and similar measures with similar titles are common performance measures used by investors and analysts to analyze the Company's performance. The Company uses revenues and AOCF measures as the most important indicators of its business performance, and evaluates management's effectiveness with specific reference to these indicators. AOCF should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), cash flows from operating activities, and other measures of performance and/or liquidity presented in accordance with GAAP. The Company has presented the components that reconcile AOCF to operating income (loss), an accepted GAAP measure. Information as to the operations of the Company's reportable segments is set forth below.

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	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Revenues				
MSG Media	$180,709	$156,770	$347,324	$316,308
MSG Entertainment	163,100	151,122	191,725	181,899
MSG Sports	183,389	89,903	221,554	121,467
All other	123	123	246	211
Inter-segment eliminations [a]	(17,942)	(10,032)	(35,885)	(27,833)
	$509,379	$387,886	$724,964	$592,052

(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 December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Inter-segment revenues				
MSG Entertainment	$—	$16	$—	$36
MSG Sports	17,942	10,016	35,885	27,797
	$17,942	$10,032	$35,885	$27,833

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
AOCF				
MSG Media	$85,794	$95,618	$167,244	$172,322
MSG Entertainment	42,320	30,036	27,310	17,477
MSG Sports	1,102	(14,484)	4,025	(13,023)
All other [a]	(2,644)	(2,882)	(6,507)	(5,179)
	$126,572	$108,288	$192,072	$171,597

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Depreciation and amortization				
MSG Media	$3,953	$3,965	$7,975	$8,454
MSG Entertainment	2,576	2,433	4,960	4,791
MSG Sports	2,594	2,795	5,076	5,598
All other [b]	15,265	12,551	29,184	22,601
	$24,388	$21,744	$47,195	$41,444

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	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Share-based compensation expense				
MSG Media	$1,177	$1,470	$1,902	$2,672
MSG Entertainment	1,561	1,375	2,576	2,488
MSG Sports	1,419	1,043	2,270	1,801
All other	1,480	1,633	1,719	1,979
	$5,637	$5,521	$8,467	$8,940

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Operating income (loss)				
MSG Media	$80,664	$90,183	$157,367	$161,196
MSG Entertainment	38,183	26,228	19,774	10,198
MSG Sports	(2,911)	(18,322)	(3,321)	(20,422)
All other	(19,389)	(17,066)	(37,410)	(29,759)
	$96,547	$81,023	$136,410	$121,213

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Total operating income for reportable segments	$115,936	$98,089	$173,820	$150,972
Other operating loss	(19,389)	(17,066)	(37,410)	(29,759)
Operating income	96,547	81,023	136,410	121,213
Items excluded from operating income:				
Equity in loss of nonconsolidated affiliates	(738)	—	(738)	—
Interest income	609	571	1,114	1,152
Interest expense	(1,822)	(1,855)	(3,615)	(3,566)
Miscellaneous income	17	66	23	102
Income from operations before income taxes	$94,613	$79,805	$133,194	$118,901

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Capital expenditures				
MSG Media	$530	$2,027	$1,268	$8,501
MSG Entertainment	2,209	1,260	3,833	1,943
MSG Sports	1,449	634	2,927	1,317
All other [c]	98,031	85,044	186,831	147,552
	$102,219	$88,965	$194,859	$159,313

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[a] Consists of unallocated corporate general and administrative costs.

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

(c) Consists principally of capital expenditures associated with the Transformation. In addition, amounts for the three and six months ended December 31, 2013 include Forum related capital expenditures, which were previously reported in the MSG Entertainment segment. Prior period amounts have been reclassified to conform to the current year presentation.

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

Note 18. Concentration of Risk

The accompanying consolidated balance sheets as of December 31, 2013 and June 30, 2013 include the following approximate amounts that are recorded in connection with the Company's license agreement with the New Jersey Devils:

Reported in	December 31, 2013	June 30, 2013
Prepaid expenses	$3,000	$4,000
Other current assets	2,000	2,000
Other assets	42,000	42,000
	$47,000	$48,000

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
This Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, 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 impact of the comprehensive Transformation and the renovation of the Forum; and expected increased programming 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 impact of the comprehensive Transformation of The Garden or the renovation of the Forum;
- 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 City metropolitan area where we conduct the majority of our operations;
- the demand for sponsorship arrangements and for advertising and viewer ratings for our programming;
- competition, for example, from other regional sports networks, other teams, other venues and other entertainment options;
- changes in laws, NBA or NHL rules, regulations, guidelines, bulletins, directives, policies and agreements (including the leagues' respective collective bargaining agreements with their players' associations, salary caps, revenue sharing and NBA luxury tax thresholds) or other regulations under which we operate;
- the relocation or insolvency of professional sports teams with which we have a rights agreement;
- our ability to maintain, obtain or produce content for our MSG Media segment, together with the cost of such content;
- future acquisitions and dispositions of assets;
- the costs associated with, and the outcome of, litigation and other proceedings to the extent uninsured;
- the impact of governmental regulations, including the ability to maintain necessary permits or licenses;
- financial community and rating agency perceptions of our business, operations, financial condition and the industry in which we operate;
- our ownership of professional sports franchises in the NBA and NHL and certain transfer restrictions on our common stock; and
- the factors described under "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended June 30, 2013.

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

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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 Annual Report on Form 10-K for the year ended June 30, 2013 to help provide an understanding of our financial condition, changes in financial condition and results of operations. Unless the context otherwise requires, all references to "we," "us," "our," "Madison Square Garden" or the "Company" refer collectively to The Madison Square Garden Company, a holding company, and its direct and indirect subsidiaries through which substantially all of our operations are actually conducted. The Company is 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 and MSG+, collectively the "MSG Networks," and "Fuse," a national television network dedicated to music. MSG Networks also include high-definition channels, MSG HD and MSG+ HD, and Fuse includes its high-definition channel, Fuse HD. 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 Rockettes, that are performed in the Company's and other venues. MSG Sports owns and operates the following sports franchises: the Knicks of the NBA, the Rangers of the NHL, the Liberty of the WNBA, and the Hartford Wolf Pack of 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 Garden and The Theater at Madison Square Garden in New York City, the Forum in Inglewood, CA and The Chicago Theatre in Chicago. In addition, the Company leases Radio City Music Hall and the Beacon Theatre in New York City, and has a booking agreement with respect to the Wang Theatre in Boston.
This MD&A is organized as follows:
Results of Operations. This section provides an analysis of our results of operations for the three and six months ended December 31, 2013 compared to the three and six months ended December 31, 2012 on both a consolidated and segment basis.
Liquidity and Capital Resources. This section provides a discussion of our financial condition and liquidity, an analysis of our cash flows, as well as certain contractual obligations and off balance sheet arrangements.
Seasonality of Our Business. This section discusses the seasonal performance of our MSG Sports and MSG Entertainment segments.
Recently Adopted Accounting Pronouncements and Critical Accounting Policies. This section discusses accounting pronouncements that have been 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 first quarter of fiscal year 2014. This section should be read together with our critical accounting policies, which are discussed in our Annual Report on Form 10-K for the year ended June 30, 2013 under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Recently Issued Accounting Pronouncements and Critical Accounting Policies — Critical Accounting Policies" and in the notes to the consolidated financial statements of the Company included therein.

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Results of Operations

Comparison of the Three Months Ended December 31, 2013 versus the Three Months Ended December 31, 2012

Consolidated Results of Operations

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

	Three Months Ended December 31,				Increase (Decrease) in Net Income
	2013		2012		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	$509,379	100 %	$387,886	100 %	$121,493
Operating expenses:					
Direct operating	301,074	59 %	207,177	53 %	(93,897)
Selling, general and administrative	87,370	17 %	77,942	20 %	(9,428)
Depreciation and amortization	24,388	5 %	21,744	6 %	(2,644)
Operating income	96,547	19 %	81,023	21 %	15,524
Other income (expense):					
Equity in loss of nonconsolidated affiliates	(738)	NM	—	NM	(738)
Interest expense, net	(1,213)	NM	(1,284)	NM	71
Miscellaneous	17	NM	66	NM	(49)
Income from operations before income taxes	94,613	19 %	79,805	21 %	14,808
Income tax expense	(34,104)	(7)%	(32,894)	(8)%	(1,210)
Net income	$60,509	12 %	$46,911	12 %	$13,598

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NM – Percentage is not meaningful

The comparability of the results of operations of the Company and the MSG Media and MSG Sports segments for the three months ended December 31, 2013 to the prior year period was impacted by the prior period's NHL work stoppage, which delayed the start of the 2012-13 regular season by approximately three months to January 19, 2013 and led to a shortened 48-game regular season. As a result, the Rangers (as well as other NHL teams whose games are telecast on MSG Networks) did not play regular season home and away games during the prior year period. During the three months ended December 31, 2013, the Rangers played 41 regular season games, of which 20 were home games and 21 were away games.

While the NHL work stoppage negatively impacted the Company's and the MSG Sports and MSG Media segments' revenues and the Company's and MSG Sports segment's AOCF, a non-GAAP measure, and operating income during the three months ended December 31, 2012, the NHL work stoppage had a favorable effect on AOCF and operating income in the MSG Media segment during that period.

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

Revenues

Revenues for the three months ended December 31, 2013 increased $121,493, or 31%, to $509,379 as compared to the prior year period. The net increase is attributable to the following:

Increase in MSG Media segment revenues	$23,939
Increase in MSG Entertainment segment revenues	11,978
Increase in MSG Sports segment revenues	93,486
Inter-segment eliminations	(7,910)
	$121,493

See above for a discussion of the NHL work stoppage during the 2012-13 season.

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Direct operating expenses

Direct operating expenses for the three months ended December 31, 2013 increased $93,897, or 45%, to $301,074 as compared to the prior year period. The net increase is attributable to the following:

Increase in MSG Media segment expenses	$34,888
Decrease in MSG Entertainment segment expenses	(3,789)
Increase in MSG Sports segment expenses	70,778
Increase in other expenses	3
Inter-segment eliminations	(7,983)
	$93,897

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2013 increased $9,428, or 12%, to $87,370 as compared to the prior year period. The net increase is attributable to the following:

Decrease in MSG Media segment expenses	$(1,418)
Increase in MSG Entertainment segment expenses	3,669
Increase in MSG Sports segment expenses	7,498
Decrease in other expenses	(394)
Inter-segment eliminations	73
	$9,428

The decrease in other expenses was primarily due to lower charitable contributions partially offset by higher professional fees.

Depreciation and amortization

Depreciation and amortization for the three months ended December 31, 2013 increased $2,644, or 12%, to $24,388 as compared to the prior year period primarily due to the Transformation, which resulted in higher depreciation expense on property and equipment placed into service partially offset by lower depreciation expense of capitalized costs associated with asset retirement obligations.

Equity in loss of nonconsolidated affiliates

Equity in loss of nonconsolidated affiliates for the three months ended December 31, 2013 reflects the amortization expense for intangible assets associated with the Azoff-MSG equity investment. The Company's share of the earnings of its equity investments in Azoff-MSG and BBLV are recorded on a three-month lag basis.

Income taxes

Income tax expense for the three months ended December 31, 2013 was $34,104. The effective tax rate of 36.0% differs from the statutory federal rate of 35% due principally to state income taxes and, to a lesser extent, the impact of non-deductible expenses. These increases are partially offset by the benefit of the federal rehabilitation credit, the impact of the domestic production activities deduction, and the tax return to book provision adjustment in connection with the filing of the Company's 2012 state income tax returns.

Income tax expense for the three months ended December 31, 2012 was $32,894. The effective tax rate of 41.2% differs from the statutory federal rate of 35% due principally to state income taxes and 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.

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The following is a reconciliation of operating income to AOCF:

	Three Months Ended December 31, 2013	2012	Increase in AOCF
Operating income	$96,547	$81,023	$15,524
Share-based compensation	5,637	5,521	116
Depreciation and amortization	24,388	21,744	2,644
AOCF	$126,572	$108,288	$18,284

AOCF for the three months ended December 31, 2013 increased $18,284, or 17%, to $126,572 as compared to the prior year period. The net increase is attributable to the following:

Decrease in AOCF of the MSG Media segment	$(9,824)
Increase in AOCF of the MSG Entertainment segment	12,284
Increase in AOCF of the MSG Sports segment	15,586
Other net increases	238
	$18,284

Other net increases were primarily due to lower charitable contributions partially offset by higher professional fees. See above for a discussion of the NHL work stoppage during the 2012-13 season.

Business Segment Results

MSG Media

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

	Three Months Ended December 31, 2013 Amount	% of Revenues	2012 Amount	% of Revenues	Increase (Decrease) in Operating Income
Revenues	$180,709	100 %	$156,770	100 %	$23,939
Direct operating expenses	67,588	37 %	32,700	21 %	(34,888)
Selling, general and administrative expenses	28,504	16 %	29,922	19 %	1,418
Depreciation and amortization	3,953	2 %	3,965	3 %	12
Operating income	$80,664	45 %	$90,183	58 %	$(9,519)

The following is a reconciliation of operating income to AOCF:

	Three Months Ended December 31, 2013	2012	Decrease in AOCF
Operating income	$80,664	$90,183	$(9,519)
Share-based compensation	1,177	1,470	(293)
Depreciation and amortization	3,953	3,965	(12)
AOCF	$85,794	$95,618	$(9,824)

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Revenues

Revenues for the three months ended December 31, 2013 increased $23,939, or 15%, to $180,709 as compared to the prior year period. The net increase is attributable to the following:

Increase in affiliation fee revenue	$22,233
Increase in advertising revenue	5,888
Other net decreases	(4,182)
	$23,939

The increase in affiliation fee revenue was primarily attributable to the return to a full NHL regular season schedule and, to a lesser extent, higher affiliation rates, with an increase in Fuse subscribers and a small decrease in MSG Networks subscribers versus the prior year period.

The increase in advertising revenue was primarily due to the return to a full NHL regular season schedule partially offset by other net advertising revenue decreases.

Other net decreases primarily reflect revenues recognized in the prior year period related to a short-term programming licensing agreement, which expired in April 2013 and, as expected, was not renewed.

See "— Comparison of the Three Months Ended December 31, 2013 versus the Three Months Ended December 31, 2012 — Consolidated Results of Operations" for a discussion of the NHL work stoppage during the 2012-13 season.

Direct operating expenses

Direct operating expenses for the three months ended December 31, 2013 increased $34,888, or 107%, to $67,588 as compared to the prior year period primarily due to higher programming acquisition costs (rights fees) and other programming costs due to the return to a full NHL regular season schedule. Programming acquisition costs (rights fees) include rights fees from the licensing of team related programming to MSG Media from the MSG Sports segment.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2013 decreased $1,418, or 5%, to $28,504 as compared to the prior year period primarily due to lower employee compensation and related benefits partially offset by an increase in allocated corporate general and administrative costs.

AOCF

AOCF for the three months ended December 31, 2013 decreased $9,824, or 10%, to $85,794 as compared to the prior year period primarily driven by higher direct operating expenses, largely offset by an increase in revenues and, to a lesser extent, lower selling, general and administrative expenses, as discussed above.

See "— Comparison of the Three Months Ended December 31, 2013 versus the Three Months Ended December 31, 2012 — Consolidated Results of Operations" for a discussion of the NHL work stoppage during the 2012-13 season.

We believe that in fiscal year 2014, the AOCF of the MSG Media segment will be affected adversely as compared to fiscal year 2013 due to three factors: (i) the NHL work stoppage had a favorable effect on AOCF in fiscal year 2013 (although it had negative effect on total Company AOCF during the same period); (ii) fiscal year 2013 AOCF benefited from the short-term programming licensing agreement that expired, as expected, in April 2013; and (iii) we currently anticipate higher Fuse programming expenses in fiscal year 2014.

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MSG Entertainment

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

	Three Months Ended December 31,				Increase (Decrease) in Operating Income
	2013		2012		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	$163,100	100 %	$151,122	100 %	$11,978
Direct operating expenses	101,827	62 %	105,616	70 %	3,789
Selling, general and administrative expenses	20,514	13 %	16,845	11 %	(3,669)
Depreciation and amortization	2,576	2 %	2,433	2 %	(143)
Operating income	$38,183	23 %	$26,228	17 %	$11,955

The following is a reconciliation of operating income to AOCF:

	Three Months Ended December 31,		Increase in AOCF
	2013	2012	
Operating income	$38,183	$26,228	$11,955
Share-based compensation	1,561	1,375	186
Depreciation and amortization	2,576	2,433	143
AOCF	$42,320	$30,036	$12,284

Revenues

Revenues for the three months ended December 31, 2013 increased $11,978, or 8%, to $163,100 as compared to the prior year period. The net increase is attributable to the following:

Increase in revenues from the presentation of the Radio City Christmas Spectacular franchise	$5,960
Increase in event-related revenues at the Beacon Theatre	2,377
Increase in venue-related sponsorship and signage and suite rental fee revenues	2,106
Increase in event-related revenues at The Theater at Madison Square Garden	1,535
	$11,978

The increase in revenues from the presentation of the Radio City Christmas Spectacular franchise was primarily due to higher attendance at the Radio City Music Hall production of the show and an increase in both average ticket price and attendance at the theatrical productions presented outside of New York. These increases were partially offset by a lower average ticket price at the Radio City Music Hall production. The Radio City Music Hall production of the show in the prior year period was negatively impacted by Superstorm Sandy. During the 2013 holiday season more than 1,000 tickets were sold for the Radio City Music Hall production, which represents a mid-single digit percentage increase as compared to the prior year period.

The increase in event-related revenues at the Beacon Theatre was primarily due to the increase in the number of events held at the venue during the three months ended December 31, 2013 as compared to the prior year period.

The increase in venue-related sponsorship and signage and suite rental fee revenues was primarily due to higher suite rental fee revenue as a result of new suite products which were unavailable for portions of the prior year period combined with the impact of expanded inventory and new sponsor relationships as a result of the Transformation.

The increase in event-related revenues at The Theater at Madison Square Garden was primarily due to a change in the mix of events held at the venue during the three months ended December 31, 2013 as compared to the prior year period.

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Direct operating expenses

Direct operating expenses for the three months ended December 31, 2013 decreased $3,789, or 4%, to $101,827 as compared to the prior year period. The net decrease is attributable to the following:

Decrease in direct operating expenses associated with the presentation of the Radio City Christmas Spectacular franchise	$(5,339)
Increase in event-related direct operating expenses at the Beacon Theatre	975
Increase in venue operating costs	882
Increase in event-related direct operating expenses at The Theater at Madison Square Garden	413
Other net decreases	(720)
	$(3,789)

The decrease in direct operating expenses associated with the presentation of the Radio City Christmas Spectacular franchise was primarily due to the absence of a pre-tax impairment charge of $4,982 which was recorded during the prior year period related to a theatrical production of the show presented outside of New York.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2013 increased $3,669, or 22%, to $20,514 as compared to the prior year period primarily due to increased marketing costs associated with the reopening of the Forum and the debut of the fully transformed Madison Square Garden Arena, and higher employee compensation and related benefits.

AOCF

AOCF for the three months ended December 31, 2013 increased $12,284, or 41%, to $42,320 as compared to the prior year period primarily attributable to an increase in revenues and, to a lesser extent, lower direct operating expenses partially offset by higher selling, general and administrative expenses, as discussed above.

Results for the MSG Entertainment segment’s fiscal third quarter will include the impact of the Forum, inclusive of marketing expenses associated with the launch of the venue, as well as the beginning of the limited engagement run of the Company's new large-scale theatrical production for Radio City Music Hall, Heart and Lights. In addition, given that Heart and Lights will be utilizing the majority of available days at Radio City Music Hall for load-in and rehearsals until the show’s debut on March 27, 2014, the booking availability of the venue will be very limited in the fiscal third quarter.

MSG Sports

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

	Three Months Ended December 31,				(Increase) Decrease in Operating Loss
	2013		2012		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	$183,389	100%	$89,903	100%	$93,486
Direct operating expenses	149,601	82%	78,823	88%	(70,778)
Selling, general and administrative expenses	34,105	19%	26,607	30%	(7,498)
Depreciation and amortization	2,594	1%	2,795	3%	201
Operating loss	$(2,911)	(2)%	$(18,322)	(20)%	$15,411

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The following is a reconciliation of operating loss to AOCF:

	Three Months Ended December 31,		Increase (Decrease)
	2013	2012	in AOCF
Operating loss	$(2,911)	$(18,322)	$15,411
Share-based compensation	1,419	1,043	376
Depreciation and amortization	2,594	2,795	(201)
AOCF	$1,102	$(14,484)	$15,586

Revenues

Revenues for the three months ended December 31, 2013 increased $93,486, or 104%, to $183,389 as compared to the prior year period. The net increase is attributable to the following:

Increase in professional sports teams’ pre/regular season ticket-related revenue	$45,612
Increase in suite rental fee revenue	11,805
Increase in professional sports teams’ pre/regular season food, beverage and merchandise sales	10,571
Increase in professional sports teams’ sponsorship and signage revenues	8,635
Increase in broadcast rights fees from MSG Media	7,983
Increase in revenues from league distributions	6,509
Other net increases	2,371
	$93,486

The increase in professional sports teams' pre/regular season ticket-related revenue was primarily driven by the return to a full Rangers regular season schedule. This increase also reflects, to a lesser extent, an additional pre-season Knicks game and higher average Knicks per-game revenue, inclusive of the impact of the return to pre-Transformation seating capacity.

The increase in suite rental fee revenue was primarily due to the return to a full Rangers regular season schedule and the impact of new suite products which were unavailable for portions of the prior year period.

The increase in professional sports teams' pre/regular season food, beverage and merchandise sales was primarily due to the return to a full Rangers regular season schedule and, to a lesser extent, more NBA home games played during the current year period as compared to the prior year.

The increase in professional sports teams' sponsorship and signage revenues primarily reflects the return to a full Rangers regular season schedule and, to a lesser extent, expanded inventory and new sponsor relationships as a result of the Transformation.

The increase in broadcast rights fees from MSG Media was primarily due to the return to a full Rangers regular season schedule.

The increase in revenues from league distributions was primarily due to the return to a full Rangers regular season schedule.

See “— Comparison of the Three Months Ended December 31, 2013 versus the Three Months Ended December 31, 2012 — Consolidated Results of Operations” for a discussion of the NHL work stoppage during the 2012-13 season.

Direct operating expenses

Direct operating expenses for the three months ended December 31, 2013 increased $70,778, or 90%, to $149,601 as compared to the prior year period. The net increase is attributable to the following:

Increase in team personnel compensation	$33,172
Increase in net provisions for NBA luxury tax and NBA and NHL revenue sharing expense (excluding playoffs)	16,083
Increase in other team operating expenses	12,516
Increase in professional sports teams' pre/regular season expense associated with food, beverage and merchandise sales	5,190
Increase in net provisions for certain team personnel transactions (including the impact of NBA luxury tax)	1,287
Other net increases	2,530
	$70,778

The increase in team personnel compensation was primarily due to the return to a full Rangers regular season schedule.

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

	Three Months Ended December 31,		Increase
	2013	2012	
Net provisions for NBA luxury tax and NBA and NHL revenue sharing expense (excluding playoffs)	$21,752	$5,669	$16,083
Net provisions for certain team personnel transactions (including the impact of NBA luxury tax)	3,548	2,261	1,287

The increase in net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs) reflects higher NBA luxury tax of $9,547 and higher net provisions for NBA and NHL revenue sharing expense of $6,536. The increase in provisions for NBA luxury tax for the three months ended December 31, 2013 was primarily due to the change in the luxury tax rate structure beginning with the 2013-14 season and, to a lesser extent, higher aggregate player salaries. The increase in net provisions for NBA and NHL revenue sharing expense (excluding playoffs) was primarily attributable to higher estimated NBA revenue sharing expense for the 2013-14 season, the absence of an adjustment to the 2011-12 season revenue sharing which was recorded in the prior year period and higher estimated NHL revenue sharing expense due to the return to a full Rangers regular season schedule. The actual amounts for the 2013-14 season may vary significantly from the recorded provisions based on actual operating results for the league and all teams for the season and other factors.

Team personnel transactions for the three months ended December 31, 2013 reflect provisions recorded for player waivers/contract terminations. Team personnel transactions for the three months ended December 31, 2012 reflect provisions recorded for season-ending player injuries of $2,061 and player waivers/contract terminations of $200.

The increase in other team operating expenses was primarily due to the return to a full Rangers regular season schedule and, to a lesser extent, higher professional fees.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2013 increased $7,498, or 28%, to $34,105 as compared to the prior year period. The increase was primarily driven by an increase in employee compensation and related benefits, the return to a full Rangers regular season schedule, higher allocated corporate general and administrative costs and, to a lesser extent, increased marketing costs associated with the debut of the fully transformed Madison Square Garden Arena.

AOCF

AOCF for the three months ended December 31, 2013 increased $15,586, or 108%, to $1,102 as compared to the prior year period due to higher revenues largely offset by an increase in direct operating expenses and, to a lesser extent, higher selling, general and administrative expenses, as discussed above.

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See "— Comparison of the Three Months Ended December 31, 2013 versus the Three Months Ended December 31, 2012 — Consolidated Results of Operations" for a discussion of the NHL work stoppage during the 2012-13 season.

Comparison of the Six Months Ended December 31, 2013 versus the Six Months Ended December 31, 2012

Consolidated Results of Operations

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

	Six Months Ended December 31,				Increase
	2013		2012		(Decrease)
	Amount	% of Revenues	Amount	% of Revenues	in Net Income
Revenues	$724,964	100 %	$592,052	100 %	$132,912
Operating expenses:					
Direct operating	381,158	53 %	279,918	47 %	(101,240)
Selling, general and administrative	160,201	22 %	149,477	25 %	(10,724)
Depreciation and amortization	47,195	7 %	41,444	7 %	(5,751)
Operating income	136,410	19 %	121,213	20 %	15,197
Other income (expense):					
Equity in loss of nonconsolidated affiliates	(738)	NM	—	NM	(738)
Interest expense, net	(2,501)	NM	(2,414)	NM	(87)
Miscellaneous	23	NM	102	NM	(79)
Income from operations before income taxes	133,194	18 %	118,901	20 %	14,293
Income tax expense	(48,817)	(7)%	(51,385)	(9)%	2,568
Net income	$84,377	12 %	$67,516	11 %	$16,861

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NM – Percentage is not meaningful

The comparability of the results of operations of the Company and the MSG Media and MSG Sports segments for the six months ended December 31, 2013 to the prior year period was impacted by the prior period's NHL work stoppage, which delayed the start of the 2012-13 regular season by approximately three months to January 19, 2013 and led to a shortened 48-game regular season. As a result, the Rangers (as well as other NHL teams whose games are telecast on MSG Networks) did not play regular season home and away games during the prior year period. During the six months ended December 31, 2013, the Rangers played 41 regular season games, of which 20 were home games and 21 were away games.

While the NHL work stoppage negatively impacted the Company's and the MSG Sports and MSG Media segments' revenues and the Company's and MSG Sports segment's AOCF, a non-GAAP measure, and operating income during the six months ended December 31, 2012, the NHL work stoppage had a favorable effect on AOCF and operating income in the MSG Media segment during that period.

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

Revenues

Revenues for the six months ended December 31, 2013 increased $132,912, or 22%, to $724,964 as compared to the prior year period. The net increase is attributable to the following:

Increase in MSG Media segment revenues	$31,016
Increase in MSG Entertainment segment revenues	9,826
Increase in MSG Sports segment revenues	100,087
Increase in other revenues	35
Inter-segment eliminations	(8,052)

$ 132,912

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See above for a discussion of the NHL work stoppage during the 2012-13 season.

Direct operating expenses

Direct operating expenses for the six months ended December 31, 2013 increased $101,240, or 36%, to $381,158 as compared to the prior year period. The net increase is attributable to the following:

Increase in MSG Media segment expenses	$36,022
Decrease in MSG Entertainment segment expenses	(4,173)
Increase in MSG Sports segment expenses	77,606
Increase in other expenses	3
Inter-segment eliminations	(8,218)
	$101,240

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended December 31, 2013 increased $10,724, or 7%, to $160,201 as compared to the prior year period. The net increase is attributable to the following:

Decrease in MSG Media segment expenses	$(698)
Increase in MSG Entertainment segment expenses	4,254
Increase in MSG Sports segment expenses	5,902
Increase in other expenses	1,100
Inter-segment eliminations	166
	$10,724

The increase in other expenses was primarily driven by higher professional fees mainly related to business development and other initiatives partially offset by lower charitable contributions.

Depreciation and amortization

Depreciation and amortization for the six months ended December 31, 2013 increased $5,751, or 14%, to $47,195 as compared to the prior year period due to higher depreciation and amortization expense on property and equipment partially offset by lower amortization of intangible assets resulting from certain intangible assets becoming fully amortized during fiscal year 2013. The increase in depreciation and amortization expense on property and equipment was primarily due to the Transformation, which resulted in higher depreciation expense on property and equipment placed into service partially offset by lower depreciation expense of capitalized costs associated with asset retirement obligations.

Equity in loss of nonconsolidated affiliates

Equity in loss of nonconsolidated affiliates for the six months ended December 31, 2013 reflects the amortization expense for intangible assets associated with the Azoff-MSG equity investment. The Company's share of the earnings of its equity investments in Azoff-MSG and BBLV are recorded on a three-month lag basis.

Income taxes

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

Income tax expense for the six months ended December 31, 2012 was $51,385. The effective tax rate of 43.2% differs from the statutory federal rate of 35% due principally to state income taxes, nondeductible expenses and an increase in federal income tax expense recorded in connection with the filing of the Company's 2011 income tax returns offset by the tax benefit resulting from the domestic production activities deduction.

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AOCF

The following is a reconciliation of operating income to AOCF:

	Six Months Ended December 31, 2013	2012	Increase (Decrease) in AOCF
Operating income	$136,410	$121,213	$15,197
Share-based compensation	8,467	8,940	(473)
Depreciation and amortization	47,195	41,444	5,751
AOCF	$192,072	$171,597	$20,475

AOCF for the six months ended December 31, 2013 increased $20,475, or 12%, to $192,072 as compared to the prior year period. The net increase is attributable to the following:

Decrease in AOCF of the MSG Media segment	$(5,078)
Increase in AOCF of the MSG Entertainment segment	9,833
Increase in AOCF of the MSG Sports segment	17,048
Other net decreases	(1,328)
	$20,475

Other net decreases were primarily driven by higher professional fees mainly related to business development and other initiatives partially offset by lower charitable contributions.

See above for a discussion of the NHL work stoppage during the 2012-13 season.

Business Segment Results

MSG Media

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

	Six Months Ended December 31, 2013 Amount	% of Revenues	2012 Amount	% of Revenues	Increase (Decrease) in Operating Income
Revenues	$347,324	100%	$316,308	100%	$31,016
Direct operating expenses	126,351	36%	90,329	29%	(36,022)
Selling, general and administrative expenses	55,631	16%	56,329	18%	698
Depreciation and amortization	7,975	2%	8,454	3%	479
Operating income	$157,367	45%	$161,196	51%	$(3,829)

The following is a reconciliation of operating income to AOCF:

	Six Months Ended December 31, 2013	2012	Decrease in AOCF
Operating income	$157,367	$161,196	$(3,829)
Share-based compensation	1,902	2,672	(770)
Depreciation and amortization	7,975	8,454	(479)
AOCF	$167,244	$172,322	$(5,078)

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Revenues

Revenues for the six months ended December 31, 2013 increased $31,016, or 10%, to $347,324 as compared to the prior year period. The net increase is attributable to the following:

Increase in affiliation fee revenue	$30,924
Increase in advertising revenue	8,431
Other net decreases	(8,339)
	$31,016

The increase in affiliation fee revenue was primarily attributable to the return to a full NHL regular season schedule and higher affiliation rates, with an increase in Fuse subscribers and a small decrease in MSG Networks subscribers versus the prior year period.

The increase in advertising revenue was primarily due to the return to a full NHL regular season schedule.

Other net decreases primarily reflect revenues recognized in the prior year period related to a short-term programming licensing agreement, which expired in April 2013 and, as expected, was not renewed.

See "— Comparison of the Six Months Ended December 31, 2013 versus the Six Months Ended December 31, 2012 — Consolidated Results of Operations" for a discussion of the NHL work stoppage during the 2012-13 season.

Direct operating expenses

Direct operating expenses for the six months ended December 31, 2013 increased $36,022, or 40%, to $126,351 as compared to the prior year period primarily due to higher programming acquisition costs (rights fees) and other programming costs due to the return to a full NHL regular season schedule. Programming acquisition costs (rights fees) include rights fees from the licensing of team related programming to MSG Media from the MSG Sports segment.

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended December 31, 2013 decreased $698, or 1%, to $55,631 as compared to the prior year period primarily due to lower employee compensation and related benefits, with the overall decline being partially offset by an increase in allocated corporate general and administrative costs.

Depreciation and amortization

Depreciation and amortization for the six months ended December 31, 2013 decreased $479, or 6%, to $7,975 as compared to the prior year period primarily due to lower amortization of intangible assets resulting from certain intangible assets becoming fully amortized during fiscal year 2013 partially offset by an increase in depreciation and amortization expense on property and equipment.

AOCF

AOCF for the six months ended December 31, 2013 decreased $5,078, or 3%, to $167,244 as compared to the prior year period primarily driven by higher direct operating expenses largely offset by an increase in revenues, as discussed above.

See "— Comparison of the Six Months Ended December 31, 2013 versus the Six Months Ended December 31, 2012 — Consolidated Results of Operations" for a discussion of the NHL work stoppage during the 2012-13 season.

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MSG Entertainment

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

	Six Months Ended December 31,				Increase (Decrease) in Operating Income
	2013		2012		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	$191,725	100 %	$181,899	100 %	$9,826
Direct operating expenses	129,801	68 %	133,974	74 %	4,173
Selling, general and administrative expenses	37,190	19 %	32,936	18 %	(4,254)
Depreciation and amortization	4,960	3 %	4,791	3 %	(169)
Operating income	$19,774	10 %	$10,198	6 %	$9,576

The following is a reconciliation of operating income to AOCF:

	Six Months Ended December 31,		Increase in AOCF
	2013	2012	
Operating income	$19,774	$10,198	$9,576
Share-based compensation	2,576	2,488	88
Depreciation and amortization	4,960	4,791	169
AOCF	$27,310	$17,477	$9,833

Revenues

Revenues for the six months ended December 31, 2013 increased $9,826, or 5%, to $191,725 as compared to the prior year period. The net increase is attributable to the following:

Increase in revenues from the presentation of the Radio City Christmas Spectacular franchise	$5,911
Increase in venue-related sponsorship and signage and suite rental fee revenues	3,137
Increase in event-related revenues at The Theater at Madison Square Garden	1,471
Increase in event-related revenues at the Beacon Theatre	1,206
Decrease in event-related revenues at Radio City Music Hall, excluding Radio City Christmas Spectacular	(2,157)
Other net increases	258
	$9,826

The increase in revenues from the presentation of the Radio City Christmas Spectacular franchise was primarily due to higher attendance at the Radio City Music Hall production of the show and an increase in both average ticket price and attendance at the theatrical productions presented outside of New York. These increases were partially offset by a lower average ticket price at the Radio City Music Hall production. The Radio City Music Hall production of the show in the prior year period was negatively impacted by Superstorm Sandy. During the 2013 holiday season more than 1,000 tickets were sold for the Radio City Music Hall production, which represents a mid-single digit percentage increase as compared to the prior year period.

The increase in venue-related sponsorship and signage and suite rental fee revenues was primarily due to higher suite rental fee revenue as a result of new suite products which were unavailable for portions of the prior year period combined with the impact of expanded inventory and new sponsor relationships as a result of the Transformation partially offset by the planned reduction in certain suite products due to the Transformation and the impact of the off-season shutdowns.

The increase in event-related revenues at The Theater at Madison Square Garden was primarily due to a change in the mix of events held at the venue during the six months ended December 31, 2013 as compared to the prior year period.

The increase in event-related revenues at the Beacon Theatre was primarily due to the increase in the number of events held at the venue during the six months ended December 31, 2013 as compared to the prior year period.

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The decrease in event-related revenues at Radio City Music Hall, excluding Radio City Christmas Spectacular, was primarily driven by the impact from the absence of Cirque du Soleil's Zarkana, which was presented at the venue during the prior year period, and, to a lesser extent, fewer other events held at the venue as compared to the prior year period. These declines were largely offset by revenues associated with NBC's America's Got Talent which was broadcast live from the venue during the current year period.

Direct operating expenses

Direct operating expenses for the six months ended December 31, 2013 decreased $4,173, or 3%, to $129,801 as compared to the prior year period. The net decrease is attributable to the following:

Decrease in direct operating expenses associated with the presentation of the Radio City Christmas Spectacular franchise	$(5,082)
Decrease in event-related direct operating expenses at Radio City Music Hall, excluding Radio City Christmas Spectacular	(314)
Increase in event-related direct operating expenses at The Theater at Madison Square Garden	421
Increase in event-related direct operating expenses at the Beacon Theatre	570
Increase in venue operating costs	754
Other net decreases	(522)
	$(4,173)

The decrease in direct operating expenses associated with the presentation of the Radio City Christmas Spectacular franchise was primarily due to the absence of a pre-tax impairment charge of $4,982 which was recorded during the prior year period related to a theatrical production of the show presented outside of New York.

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended December 31, 2013 increased $4,254, or 13%, to $37,190 as compared to the prior year period primarily due to increased marketing costs associated with the reopening of the Forum and the debut of the fully transformed Madison Square Garden Arena, and higher employee compensation and related benefits.

AOCF

AOCF for the six months ended December 31, 2013 increased $9,833, or 56%, to $27,310 as compared to the prior year period primarily attributable to an increase in revenues and, to a lesser extent, lower direct operating expenses partially offset by higher selling, general and administrative expenses, as discussed above.

MSG Sports

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

	Six Months Ended December 31,				(Increase)
	2013		2012		Decrease in
	Amount	% of Revenues	Amount	% of Revenues	Operating Loss
Revenues	$221,554	100%	$121,467	100%	$100,087
Direct operating expenses	160,891	73%	83,285	69%	(77,606)
Selling, general and administrative expenses	58,908	27%	53,006	44%	(5,902)
Depreciation and amortization	5,076	2%	5,598	5%	522
Operating loss	$(3,321)	(1)%	$(20,422)	(17)%	$17,101

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The following is a reconciliation of operating loss to AOCF:

	Six Months Ended December 31, 2013	2012	Increase (Decrease) in AOCF
Operating loss	$(3,321)	$(20,422)	$17,101
Share-based compensation	2,270	1,801	469
Depreciation and amortization	5,076	5,598	(522)
AOCF	$4,025	$(13,023)	$17,048

Revenues

Revenues for the six months ended December 31, 2013 increased $100,087, or 82%, to $221,554 as compared to the prior year period. The net increase is attributable to the following:

Increase in professional sports teams' pre/regular season ticket-related revenue	$45,965
Increase in suite rental fee revenue	15,781
Increase in professional sports teams’ pre/regular season food, beverage and merchandise sales	10,527
Increase in professional sports teams' sponsorship and signage revenues	8,777
Increase in broadcast rights fees from MSG Media	8,217
Increase in revenues from league distributions	7,772
Other net increases	3,048
	$100,087

The increase in professional sports teams' pre/regular season ticket-related revenue was primarily driven by the return to a full Rangers regular season schedule. This increase also reflects, to a lesser extent, an additional pre-season Knicks game and higher average Knicks per-game revenue, inclusive of the impact of the return to pre-Transformation seating capacity.

The increase in suite rental fee revenue was primarily due to the impact of new suite products which were unavailable for portions of the prior year period and the return to a full Rangers regular season schedule partially offset by the planned reduction in certain suite products due to the Transformation and the impact of the off-season shutdowns.

The increase in professional sports teams' pre/regular season food, beverage and merchandise sales was primarily due to the return to a full Rangers regular season schedule and, to a lesser extent, more NBA home games played during the current year period as compared to the prior year.

The increase in professional sports teams' sponsorship and signage revenues primarily reflects the return to a full Rangers regular season schedule and, to a lesser extent, expanded inventory and new sponsor relationships as a result of the Transformation.

The increase in broadcast rights fees from MSG Media was primarily due to the return to a full Rangers regular season schedule.

The increase in revenues from league distributions was primarily due to the return to a full Rangers regular season schedule.

See “— Comparison of the Six Months Ended December 31, 2013 versus the Six Months Ended December 31, 2012 — Consolidated Results of Operations” for a discussion of the NHL work stoppage during the 2012-13 season.

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Direct operating expenses

Direct operating expenses for the six months ended December 31, 2013 increased $77,606, or 93%, to $160,891 as compared to the prior year period. The net increase is attributable to the following:

Increase in team personnel compensation	$33,282
Increase in other team operating expenses	17,988
Increase in net provisions for NBA luxury tax and NBA and NHL revenue sharing expense (excluding playoffs)	15,906
Increase in professional sports teams' pre/regular season expense associated with food, beverage and merchandise sales	5,156
Increase in net provisions for certain team personnel transactions (including the impact of NBA luxury tax)	2,120
Other net increases	3,154
	$77,606

The increase in team personnel compensation was primarily due to the return to a full Rangers regular season schedule.

The increase in other team operating expenses was primarily due to the return to a full Rangers regular season schedule and, to a lesser extent, higher professional fees and the absence of a league expense recoupment which was recorded in the prior year period.

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

	Six Months Ended December 31,		
	2013	2012	Increase
Net provisions for NBA luxury tax and NBA and NHL revenue sharing expense (excluding playoffs)	$21,634	$5,728	$15,906
Net provisions for certain team personnel transactions (including the impact of NBA luxury tax)	4,976	2,856	2,120

The increase in net provisions for NBA luxury tax (excluding the impact of team personnel transactions) and NBA and NHL revenue sharing expense (excluding playoffs) reflects higher NBA luxury tax of $9,547 and higher net provisions for NBA and NHL revenue sharing expense of $6,359. The increase in provisions for NBA luxury tax for the six months ended December 31, 2013 was primarily due to the change in the luxury tax rate structure beginning with the 2013-14 season and, to a lesser extent, higher aggregate player salaries. The increase in net provisions for NBA and NHL revenue sharing expense (excluding playoffs) was primarily attributable to higher estimated NBA revenue sharing expense for the 2013-14 season, the absence of an adjustment to the 2011-12 season revenue sharing which was recorded in the prior year period and higher estimated NHL revenue sharing expense due to the return to a full Rangers regular season schedule. The actual amounts for the 2013-14 season may vary significantly from the recorded provisions based on actual operating results for the league and all teams for the season and other factors.

Team personnel transactions for the six months ended December 31, 2013 reflect provisions recorded for player waivers/contract terminations and player trades of $3,548 and $1,428, respectively. Team personnel transactions for the six months ended December 31, 2012 reflect provisions recorded for season-ending player injuries of $2,061, player trades of $595 and player waivers/contract terminations of $200.

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended December 31, 2013 increased $5,902, or 11%, to $58,908 as compared to the prior year period. The increase was primarily driven by higher allocated corporate general and administrative costs, the return to a full Rangers regular season schedule and, to a lesser extent, increased marketing costs associated with the debut of the fully transformed Madison Square Garden Arena.

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AOCF

AOCF for the six months ended December 31, 2013 increased $17,048, or 131%, to $4,025, as compared to the prior year period primarily due to higher revenues largely offset by an increase in direct operating expenses and, to a lesser extent, higher selling, general and administrative expenses, as discussed above.

See "— Comparison of the Six Months Ended December 31, 2013 versus the Six Months Ended December 31, 2012 — Consolidated Results of Operations" for a discussion of the NHL work stoppage during the 2012-13 season.

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 (see "Financing Agreements" below). Our principal uses of cash include capital spending, investments and working capital-related items. The decisions 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.

We closed The Garden and The Theater at Madison Square Garden during the off-seasons following the Knicks' and Rangers' playoffs in 2011, 2012 and 2013 due to the Transformation. Both venues reopened in October 2013 and the Transformation is now substantially complete. Construction costs for the Transformation incurred through December 31, 2013 were approximately $1,025,000 of which approximately $109,000 was incurred during the six months ended December 31, 2013. We expect total Transformation construction costs not to exceed $1,050,000, inclusive of various reserves for contingencies.

In June 2012, we acquired the Forum, an iconic venue in Inglewood, CA and the renovation of the venue is now substantially complete. We expect our total acquisition and renovation costs of the Forum to be approximately $120,000, net of certain tax credits and expected loan forgiveness. Acquisition and renovation costs of the Forum, net of certain tax credits and expected loan forgiveness, incurred through December 31, 2013 was approximately $103,100. The Forum officially reopened on January 15, 2014.

In September 2013, the Company acquired a 50% interest in Azoff-MSG for a purchase price of $125,000. The Company provides a $50,000 revolving credit facility to the entity.

We believe we have sufficient liquidity, including approximately $155,000 in cash and cash equivalents as of December 31, 2013, along with available borrowing capacity under our Revolving Credit Facility to fund amounts due related to the Transformation and the Forum, our other initiatives and for general corporate purposes.

We constantly assess capital and credit markets activity and conditions against our ability to meet our net funding and investing requirements over the next twelve months and we believe that the combination of cash and cash equivalents on hand, cash generated from operating activities and borrowing availability under our Revolving Credit Facility should provide us with sufficient liquidity to fund such requirements. However, economic conditions may lead to lower demand for our offerings, such as lower levels of attendance or advertising. The consequences of such conditions could adversely impact our business and results of operations 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 a credit agreement with a syndicate of lenders providing for a senior secured revolving credit facility of up to $375,000 with a term of five years. 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 December 31, 2013, 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, to fund other initiatives 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 December 31, 2013, there was $7,000 in

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letters of credit issued and outstanding under the Revolving Credit Facility. Our available borrowing capacity under the Revolving Credit Facility as of December 31, 2013 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.

Guarantees and Security

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

Prepayments

Subject to customary notice and minimum amount conditions, MSG L.P. may voluntarily prepay outstanding loans under the Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurodollar loans).

With certain exceptions, MSG L.P. is required to make mandatory prepayments on loans outstanding, in certain circumstances, including without limitation from the net cash proceeds of certain sales of assets (including Collateral) or casualty insurance and/or condemnation recoveries (subject to certain reinvestment, repair or replacement rights), and the incurrence of certain indebtedness.

Certain Covenants and Events of Default

In addition to the financial covenants previously discussed, the Credit Agreement and the related security agreement contain certain customary representations and warranties, affirmative covenants and events of default. The Credit Agreement contains certain restrictions on the ability of MSG L.P. and its restricted subsidiaries to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the Credit Agreement, including the following: (i) incur additional indebtedness; (ii) create liens on certain assets; (iii) make investments, loans or advances in or to other persons; (iv) pay dividends and distributions or repurchase capital stock; (v) repay, redeem or repurchase certain indebtedness; (vi) change its lines of business; (vii) engage in certain transactions with affiliates; (viii) amend specified material agreements; (ix) merge or consolidate; (x) make dispositions; and (xi) enter into agreements that restrict the granting of liens. In addition, under the Credit Agreement, The Madison Square Garden Company must generally remain a passive holding company.

Cash Flow Discussion

Operating Activities

Net cash provided by operating activities for the six months ended December 31, 2013 increased by $19,902 to $223,867 as compared to the prior year period driven by an increase of $16,786 resulting from net income and other non-cash items and an increase of $3,116 from changes in assets and liabilities.

The increase resulting from changes in assets and liabilities was primarily due to (i) an increase during the six months ended December 31, 2013 in accounts payable of $5,655 as compared to a decrease of $12,764 during the prior year period, (ii) an increase during the six months ended December 31, 2013 in deferred revenue of $91,440 as compared to an increase of $84,258 during the prior year period, (iii) an increase during the six months ended December 31, 2013 in prepaid expenses and other assets of $24,195 as compared to an increase of $29,030 during the prior year period, (iv) an increase during the six months ended December 31, 2013 in deferred income taxes of $10,491 as compared to an increase of $6,353 during the prior year period and (v) an increase during the six months ended December 31, 2013 in accounts receivable of $4,238 as compared to an increase of $6,308 during the prior year period. These increases were largely offset by an increase during the six months ended December 31, 2013 in accrued and other liabilities of $11,015 as compared to an increase of $34,514 during the prior year period and an increase during the six months ended December 31, 2013 in net related party receivables of $7,817 as compared to a decrease of $3,037 during the prior year period.

Investing Activities

Net cash used in investing activities for the six months ended December 31, 2013 increased by $186,681 to $345,994 as compared to the prior year period due to the Company's acquisition of a 50% interest in Azoff-MSG and an investment in BBLV in September 2013 and August 2013, respectively and, to a lesser extent, higher capital expenditures and a loan to Azoff-MSG. The increase in capital expenditures was primarily due to the renovation of the Forum partially offset by lower capital expenditures associated with the Transformation.

Financing Activities

Net cash used in financing activities for the six months ended December 31, 2013 decreased by $1,301 to $1,257 as compared to the prior year period. This decrease is primarily due to lower taxes paid in lieu of shares issued for equity-based compensation and higher excess tax benefit on share-based awards partially offset by lower proceeds from stock option exercises during the six months ended December 31, 2013 as compared to the prior year period.

Contractual Obligations and Off Balance Sheet Arrangements

In addition to the contractual obligations and off balance sheet arrangements described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Contractual Obligations and Off Balance Sheet Arrangements" included in the Company's Annual Report on Form 10-K for the year ended June 30, 2013, during the current fiscal year the Company agreed to provide up to $50,000 of revolving credit loans to its fifty percent owned joint venture, Azoff-MSG.

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 December 31, 2013 versus the Three Months Ended December 31, 2012 — Consolidated Results of Operations" for a discussion of the NHL work stoppage during the 2012-13 season). 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, see "— Liquidity and Capital Resources" for a discussion of the off-season shutdowns of The Garden and The Theater at Madison Square Garden due to the Transformation.

Recently Adopted Accounting Pronouncements and Critical Accounting Policies

Recently Adopted Accounting Pronouncements

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. In January 2013, the FASB issued ASU No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, which clarifies the scope of transactions that are subject to disclosures required by FASB ASC 210-20-50, Balance Sheet - Offsetting - Disclosure, concerning offsetting. In particular ASU No. 2013-01 addresses implementation issues about the scope of ASU No. 2011-11 and clarifies that the scope of the disclosure is limited to derivatives, repurchase agreements, and securities borrowing and securities lending transactions that are either offset in the financial statements or are subject to a master netting arrangement or similar arrangement. These standards were adopted by the Company in the first quarter of fiscal year 2014. The adoption of these standards did not have an impact on the Company's financial position, results of operations, or cash flows.

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220) - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires an entity to provide information about amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP

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that provide additional detail about those amounts. This standard was adopted by the Company in the first quarter of fiscal year 2014. The adoption of this standard impacted the Company's disclosures only and did not have any impact on the Company's financial position, results of operations, or cash flows.

Critical Accounting Policies

The following discussion has been included only to provide the results of our annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the first quarter of fiscal year 2014. Accordingly, we have not repeated herein a discussion of the Company's other critical accounting policies as set forth in our Annual Report on Form 10-K for the year ended June 30, 2013.

Goodwill

Goodwill is tested annually for impairment during the first fiscal quarter and at any time upon the occurrence of certain events or substantive changes in circumstances. The Company has the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If the Company can support the conclusion that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we would not need to perform the two step impairment test for that reporting unit. If the Company cannot support such a conclusion or the Company does not elect to perform the qualitative assessment, then 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. The Company's three reporting units for evaluating goodwill impairment are the same as its reportable segments, and all of them have goodwill.

The goodwill balance reported on the Company's balance sheet as of December 31, 2013 by reportable segment is as follows:

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

During the first quarter of fiscal year 2014, the Company performed its annual impairment test of goodwill, and there was no impairment of goodwill identified for any of its reportable segments.

Identifiable Indefinite-Lived Intangible Assets

Identifiable indefinite-lived intangible assets are tested annually for impairment during the first fiscal quarter and at any time upon the occurrence of certain events or substantive changes in circumstances. The Company has the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. In the qualitative assessment, the Company must evaluate the totality of qualitative factors, including any recent fair value measurements, that impact whether an indefinite-lived intangible asset other than goodwill has a carrying amount that more likely than not exceeds its fair value. The Company must proceed to conducting a quantitative analysis, according to which an impairment charge is recognized for the amount of the asset's carrying amount exceeding the fair value, if the Company (1) determines that such an impairment is more likely than not to exist, or (2) forgoes the qualitative assessment entirely. 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 December 31, 2013 by reportable segment:

Sports franchises (MSG Sports segment)	$96,215

Trademarks (MSG Entertainment segment)	62,421
	$158,636

During the first quarter of fiscal year 2014, the Company performed its annual impairment test of identifiable indefinite-lived intangible assets, and there were no impairments identified.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosures on this matter made in the Company's Annual Report on Form 10-K for the year ended June 30, 2013.

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Item 4. Controls and Procedures

The Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")) were effective as of December 31, 2013, based on the evaluation of these controls and procedures required by Rule 13a-15(b) or 15d-15(b) of the Exchange Act.

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION
Item 1. Legal Proceedings
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 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.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 7th day of February, 2014.

The Madison Square Garden Company

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