UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2016

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

MSG Networks Inc.

(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.)**

11 Pennsylvania Plaza
New York, NY 10001
(212) 465-6400
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

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

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

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

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

Number of shares of common stock outstanding as of January 31, 2017:

Class A Common Stock par value $0.01 per share	—	61,483,687
Class B Common Stock par value $0.01 per share	—	13,588,555

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

MSG NETWORKS INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31, 2016	June 30, 2016
ASSETS	(unaudited)	
Current Assets:		
Cash and cash equivalents	$ 185,143	$ 119,568
Accounts receivable, net	100,576	101,427
Net related party receivable	15,738	15,492
Prepaid income taxes	15,340	28,384
Prepaid expenses	13,013	13,188
Other current assets	2,590	3,053
Total current assets	332,400	281,112
Property and equipment, net	12,613	14,154
Amortizable intangible assets, net	42,393	44,123
Goodwill	424,508	424,508
Other assets	42,175	42,645
Total assets	$ 854,089	$ 806,542
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable	$ 988	$ 2,043
Net related party payable	3,740	4,302
Current portion of long-term debt	72,414	64,914
Income taxes payable	8,982	8,662
Accrued liabilities:		
Employee related costs	9,702	10,340
Other accrued liabilities	15,744	15,991
Deferred revenue	3,577	6,143
Total current liabilities	115,147	112,395
Long-term debt, net of current portion	1,376,638	1,412,845
Defined benefit and other postretirement obligations	30,917	31,827
Other employee related costs	4,870	5,550
Related party payable	—	1,710
Other liabilities	5,482	5,612
Deferred tax liability	354,722	356,561
Total liabilities	1,887,776	1,926,500
Commitments and contingencies (see Note 8)		
Stockholders' Deficiency		
Class A Common stock, par value $0.01, 360,000 shares authorized; 61,484 and 61,354 shares outstanding as of December 31, 2016 and June 30, 2016, respectively	643	643
Class B Common stock, par value $0.01, 90,000 shares authorized; 13,589 shares outstanding as of December 31, 2016 and June 30, 2016	136	136
Preferred stock, par value $0.01, 45,000 shares authorized; none outstanding	—	—
Additional paid-in capital	3,113	—
Treasury stock, at cost, 2,776 and 2,905 shares as of December 31, 2016 and June 30, 2016, respectively	(197,712)	(207,796)
Accumulated deficit	(832,431)	(905,352)
Accumulated other comprehensive loss	(7,436)	(7,589)
Total stockholders' deficiency	(1,033,687)	(1,119,958)
Total liabilities and stockholders' deficiency	$ 854,089	$ 806,542

See accompanying notes to consolidated financial statements.

MSG NETWORKS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited) (in thousands, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	**2015**	**2016**	**2015**
Revenues (including related party revenues of $0 and $41,673 for the three months ended December 31, 2016 and 2015, respectively, and $0 and $82,122 for the six months ended December 31, 2016 and 2015, respectively)	$ 175,646	$ 169,931	$ 329,224	$ 318,078
Direct operating expenses (including related party expenses of $34,905 and $34,619 for the three months ended December 31, 2016 and 2015, respectively, and $70,169 and $68,273 for the six months ended December 31, 2016 and 2015, respectively)	70,076	71,547	131,010	131,649
Selling, general and administrative expenses (including related party expenses of $6,866 and $10,420 for the three months ended December 31, 2016 and 2015, respectively, and $9,562 and $11,327 for the six months ended December 31, 2016 and 2015, respectively)	23,191	22,370	38,750	63,488
Depreciation and amortization	2,580	3,091	5,158	7,770
Operating income	79,799	72,923	154,306	115,171
Other income (expense):				
Interest income	649	548	1,276	1,084
Interest expense	(9,714)	(9,712)	(19,229)	(11,569)
	(9,065)	(9,164)	(17,953)	(10,485)
Income from continuing operations before income taxes	70,734	63,759	136,353	104,686
Income tax expense	(27,479)	(29,709)	(52,737)	(29,305)
Income from continuing operations	43,255	34,050	83,616	75,381
Loss from discontinued operations, net of taxes	—	(137)	(120)	(161,154)
Net income (loss)	$ 43,255	$ 33,913	$ 83,496	$ (85,773)
Earnings (loss) per share:				
Basic				
Income from continuing operations	$ 0.58	$ 0.45	$ 1.11	$ 1.00
Loss from discontinued operations	—	—	—	(2.14)
Net income (loss)	$ 0.58	$ 0.45	$ 1.11	$ (1.14)
Diluted				
Income from continuing operations	$ 0.57	$ 0.45	$ 1.11	$ 1.00
Loss from discontinued operations	—	—	—	(2.13)
Net income (loss)	$ 0.57	$ 0.45	$ 1.11	$ (1.13)
Weighted-average number of common shares outstanding:				
Basic	75,215	74,959	75,159	75,240
Diluted	75,461	75,373	75,436	75,639

See accompanying notes to consolidated financial statements.

MSG NETWORKS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited) (in thousands)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	**2015**	**2016**	**2015**
Net income (loss)	$ 43,255	$ 33,913	$ 83,496	$ (85,773)
Other comprehensive income (loss), before income taxes:				
Pension plans and postretirement plan:				
Net unamortized losses arising during the period	$ —	$ —	$ —	$ (602)
Amounts reclassified from accumulated other comprehensive loss:				
Amortization of net actuarial loss included in net periodic benefit cost	175	125	350	501
Amortization of net prior service credit included in net periodic benefit cost	(6)	(11)	(12)	(28)
Settlement gain	(74)	—	(74)	—
Other comprehensive income (loss) before income taxes	95	114	264	(129)
Income tax expense related to items of other comprehensive income (loss)	(40)	(47)	(111)	(527)
Other comprehensive income (loss)	55	67	153	(656)
Comprehensive income (loss)	$ 43,310	$ 33,980	$ 83,649	$ (86,429)

See accompanying notes to consolidated financial statements.

MSG NETWORKS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (in thousands)

	Six Months Ended December 31,	
	2016	**2015**
Cash flows from operating activities from continuing operations:		
Net income (loss)	$ 83,496	$ (85,773)
Loss from discontinued operations, net of taxes	120	161,154
Income from continuing operations	83,616	75,381
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Depreciation and amortization	5,158	7,770
Amortization of deferred financing costs	1,502	1,732
Share-based compensation expense	5,049	6,899
Excess tax benefit on share-based awards	—	(4,420)
Provision for doubtful accounts	(162)	430
Change in assets and liabilities:		
Accounts receivable, net	1,014	(560)
Net related party receivable	(246)	(15,829)
Prepaid expenses and other assets	899	12,235
Accounts payable	(1,055)	(9,401)
Net related party payable, including payable to MSG	(2,289)	24,455
Prepaid/payable for income taxes	13,362	38,190
Accrued and other liabilities	(1,310)	(10,649)
Deferred revenue	(2,566)	3,106
Deferred income taxes	(1,948)	(10,479)
Net cash provided by operating activities from continuing operations	101,024	118,860
Cash flows from investing activities from continuing operations:		
Capital expenditures	(2,242)	(1,950)
Net cash used in investing activities from continuing operations	(2,242)	(1,950)
Cash flows from financing activities from continuing operations:		
Proceeds from Term Loan Facility (see Note 7)	—	1,550,000
Principal repayments on Term Loan Facility (see Note 7)	(30,000)	—
Cash distributed with MSG	—	(1,467,093)
Payments for financing costs	—	(9,860)
Proceeds from stock option exercises	—	98
Repurchases of common stock	—	(100,027)
Taxes paid in lieu of shares issued for equity-based compensation	(2,254)	(11,114)
Excess tax benefit on share-based awards	—	4,420
Net cash used in financing activities from continuing operations	(32,254)	(33,576)
Net cash provided by continuing operations	66,528	83,334
Cash flows of discontinued operations:		
Net cash provided by (used in) operating activities	(953)	4,224
Net cash used in investing activities	—	(68,410)
Net cash used in financing activities	—	—
Net cash used in discontinued operations	(953)	(64,186)
Net increase in cash and cash equivalents	65,575	19,148
Cash and cash equivalents at beginning of period, including cash in both continuing operations and discontinued operations	119,568	218,685
Cash and cash equivalents at end of period	$ 185,143	$ 237,833

See accompanying notes to consolidated financial statements.

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MSG NETWORKS INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
(Unaudited) (in thousands)

	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of June 30, 2016	$ 779	$ —	$ (207,796)	$ (905,352)	$ (7,589)	$ (1,119,958)
Net income	—	—	—	83,496	—	83,496
Other comprehensive income	—	—	—	—	153	153
Comprehensive income						83,649
Exercise of stock options	—	(57)	59	—	—	2
Share-based compensation	—	5,049	—	—	—	5,049
Tax withholding associated with shares issued for equity-based compensation	—	(1,793)	(423)	(55)	—	(2,271)
Shares issued upon distribution of Restricted Stock Units	—	(86)	10,448	(10,362)	—	—
Adjustments related to the transfer of certain liabilities as a result of the Distribution	—	—	—	(158)	—	(158)
Balance as of December 31, 2016	$ 779	$ 3,113	$ (197,712)	$ (832,431)	$ (7,436)	$ (1,033,687)

	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of June 30, 2015	$ 779	$ 1,084,002	$ (143,250)	$ 807,563	$ (25,572)	$ 1,723,522
Net loss	—	—	—	(85,773)	—	(85,773)
Other comprehensive loss	—	—	—	—	(656)	(656)
Comprehensive loss						(86,429)
Exercise of stock options	—	(4,633)	5,390	—	—	757
Share-based compensation	—	7,753	—	—	—	7,753
Tax withholding associated with shares issued for equity-based compensation	—	(11,114)	—	—	—	(11,114)
Excess tax benefit on share-based awards	—	8,586	—	(4,166)	—	4,420
Repurchases of common stock	—	—	(100,027)	—	—	(100,027)
Shares issued upon distribution of Restricted Stock Units	—	(16,626)	20,075	(3,449)	—	—
Distribution of The Madison Square Garden Company	—	(1,067,968)	—	(1,705,189)	20,406	(2,752,751)
Balance as of December 31, 2015	$ 779	$ —	$ (217,812)	$ (991,014)	$ (5,822)	$ (1,213,869)

See accompanying notes to consolidated financial statements.

MSG NETWORKS INC.
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

MSG Networks Inc. (together with its subsidiaries, the "Company") owns and operates two regional sports and entertainment networks, MSG Network ("MSGN") and MSG+, collectively the "MSG Networks."

The Company was incorporated on July 29, 2009 as an indirect, wholly-owned subsidiary of Cablevision Systems Corporation ("Cablevision"). On February 9, 2010, Cablevision spun off the Company and the Company thereby acquired the subsidiaries of Cablevision that owned, directly and indirectly, all of the partnership interests in MSGN Holdings, L.P., formerly MSG Holdings L.P. ("MSGN L.P."). MSGN L.P. was the indirect, wholly-owned subsidiary of Cablevision through which Cablevision held the Madison Square Garden businesses. MSGN L.P. is now a wholly-owned subsidiary of the Company, through which the Company conducts substantially all of its operations.

On September 30, 2015 (the "Distribution Date"), the Company distributed to its stockholders all of the outstanding common stock of The Madison Square Garden Company (formerly MSG Spinco, Inc., and referred to herein as "MSG") (the "Distribution"). MSG owns, directly or indirectly, the sports and entertainment businesses previously owned and operated by the Company's sports and entertainment segments, owns, leases or operates the arenas and other venues previously owned, leased or operated by the Company and owns the joint venture interests previously owned by the Company. In the Distribution, each holder of the Company's Class A common stock, par value $0.01 per share, ("Class A Common Stock"), of record as of the close of business, New York City time, on September 21, 2015 (the "Record Date"), received one share of MSG Class A common stock, par value $0.01 per share, for every three shares of the Company's Class A Common Stock held on the Record Date. Each record holder of the Company's Class B common stock, par value $0.01 per share, ("Class B Common Stock") received one share of MSG Class B common stock, par value $0.01 per share, for every three shares of the Company's Class B Common Stock held on the Record Date. Following the Distribution, the Company no longer consolidates the financial results of MSG for purposes of its own financial reporting and the historical financial results of MSG have been reflected in the Company's consolidated financial statements as discontinued operations for all periods presented through the Distribution Date.

After giving effect to the Distribution, the Company operates and reports financial information in one segment. Substantially all revenues and assets of the Company are attributed to or located in the United States and are primarily concentrated in the New York City metropolitan area.

Unaudited Interim Financial Statements

The accompanying interim consolidated unaudited 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, 2016. The financial statements as of December 31, 2016 and for the three and six months ended December 31, 2016 and 2015 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.

Note 2. Accounting Policies

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of MSG Networks Inc. and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. See Note 3 for a discussion of media rights prior to the Distribution Date recognized as revenues by MSG from the licensing of team-related programming to the Company.

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, income tax expense, performance and share-based compensation, depreciation and amortization, litigation matters and other matters. Management believes its use of estimates in the consolidated financial statements to be reasonable.

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

Recently Adopted Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-05, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract and expense the cost as the services are received. This standard was adopted by the Company in the first quarter of fiscal year 2017 and will be applied prospectively to all arrangements entered into or materially modified after the effective date. There was no impact to the financial statements as a result of this adoption.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which changes several aspects of accounting for share-based payment transactions. This standard was early adopted by the Company in the first quarter of fiscal year 2017. The adoption of this standard resulted in: (i) all excess tax benefits and tax deficiencies being recognized in the income statement, rather than additional paid-in capital, on a prospective basis (ii) excess tax benefits or tax deficiencies no longer being classified on the Consolidated Statement of Cash Flows as a financing activity, on a prospective basis (as such prior period amounts have not been adjusted) and (iii) the Company's election to account for forfeitures as they occur, rather than estimate expected forfeitures over the course of a vesting period, on a modified retrospective basis. There was no material impact to the financial statements as a result of this adoption.

Recently Issued Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in FASB Accounting Standards Codification ("ASC") Topic 605, *Revenue Recognition*. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU No. 2014-09 for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Consideration*s, which provides clarification on the implementation guidance on principal versus agent considerations outlined in ASU No. 2014-09. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which finalized amendments to identifying performance obligations and accounting for licenses of intellectual property. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, which clarifies assessing collectibility, noncash consideration, presentation of sales taxes, completed contracts and contract modifications at transition. Early adoption is permitted and the Company can early adopt ASU No. 2014-09 and the related updates beginning in the first quarter of fiscal year 2018. If the Company does not apply the early adoption provision, ASU No. 2014-09 will be effective for the Company beginning in the first quarter of fiscal year 2019 using one of two retrospective application methods. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02*, Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. The amended guidance also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an organization's leasing activities. This standard will be effective for the Company beginning in the first quarter of fiscal year 2020, with early adoption permitted. This standard will be adopted using a modified retrospective approach. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which amends ASC 230 to eliminate the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows by adding or clarifying guidance on eight specific cash flow issues. This standard will be effective for the Company beginning in the first quarter of fiscal year 2019, with early adoption permitted and the retrospective approach required. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses, which will effect various areas of accounting including, but not limited to, goodwill and consolidation. This standard will be effective for the Company beginning in the first quarter of fiscal year 2019, with early adoption permitted. The standard is to be applied prospectively. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies the measurement of goodwill impairment by eliminating the requirement of performing a hypothetical purchase price allocation. Instead, impairment will be measured using the difference between the carrying amount and fair value of the reporting unit. The amended guidance also eliminates the requirement for any reporting unit with a zero or a negative carrying amount to perform a qualitative assessment and will require disclosure of the amount of goodwill allocated to each reporting unit with a zero or a negative carrying amount of net assets. This standard will be effective for the Company beginning in the first quarter of fiscal year 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The standard is to be applied prospectively. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

Note 3. Discontinued Operations

As a result of the Distribution, the results of the Company's MSG operations through the Distribution Date, as well as transaction costs related to the Distribution, have been classified in the consolidated statements of operations as discontinued operations for all periods presented. No gain or loss was recognized in connection with the Distribution. Operating results of discontinued operations for the three and six months ended December 31, 2016 and 2015 are summarized below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Revenues [(a)]	$ —	$ —	$ —	$ 150,381
Direct operating expenses	—	—	—	71,320
Selling, general and administrative expenses	—	137	120	57,824
Depreciation and amortization	—	—	—	23,772
Operating loss	—	(137)	(120)	(2,535)
Equity in earnings of equity-method investments	—	—	—	2,679
Interest income	—	—	—	635
Interest expense	—	—	—	(540)
Income (loss) from discontinued operations before income taxes	—	(137)	(120)	239
Income tax expense	—	—	—	(161,393)
Loss from discontinued operations, net of taxes	$ —	$ (137)	$ (120)	$ (161,154)

(a) Includes rights fees for New York Knicks ("Knicks") and New York Rangers ("Rangers") programming prior to the Distribution Date, which were previously eliminated in consolidation. However, the pre-Distribution Date amounts are presented as revenues in the loss from discontinued operations line with the offsetting expense in direct operating expenses, within continuing operations, in the accompanying consolidated statement of operations for the six months ended December 31, 2015.

Prior to the Distribution, the Company's collections for ticket sales, sponsorships and suite rentals in advance were recorded as deferred revenue and were recognized as revenues when earned for both accounting and tax purposes. In connection with the reorganization transactions related to the Distribution, the tax recognition on most of these deferred revenues was accelerated to the date of the reorganization. The impact of the acceleration of such deferred revenue is reflected in income tax expense of discontinued operations for the six months ended December 31, 2015.

The net impact of the Distribution to the Company's stockholders' equity (deficiency) includes cash distributed with MSG of $1,467,093.

Note 4. Computation of Earnings (Loss) per Common Share

Basic earnings (loss) per common share ("EPS") is based upon net income (loss) 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 vesting of restricted stock units ("RSUs") and exercise of stock options only in the periods in which such effect would have been dilutive.

MSG NETWORKS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Weighted-average number of shares for basic EPS	75,215	74,959	75,159	75,240
Dilutive effect of shares issuable under share-based compensation plans	246	414	277	399
Weighted-average number of shares for diluted EPS	75,461	75,373	75,436	75,639
Anti-dilutive shares	535	—	317	—

Note 5. Goodwill and Intangible Assets

During the first quarter of fiscal year 2017, the Company performed its annual impairment test of goodwill, and there was no impairment of goodwill identified.

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

	December 31, 2016	June 30, 2016
Affiliate relationships	$ 83,044	$ 83,044
Less accumulated amortization	(40,651)	(38,921)
	$ 42,393	$ 44,123

Affiliate relationships have an estimated useful life of 24 years. Amortization expense for intangible assets for continuing operations was $865 for the three months ended December 31, 2016 and 2015, respectively, and $1,730 six months ended December 31, 2016 and 2015, respectively.

Note 6. Property and Equipment

As of December 31, 2016 and June 30, 2016, property and equipment consisted of the following assets:

	December 31, 2016	June 30, 2016
Equipment	$ 46,893	$ 44,508
Furniture and fixtures	1,746	1,744
Leasehold improvements	19,566	19,561
Construction in progress	423	966
	68,628	66,779
Less accumulated depreciation and amortization	(56,015)	(52,625)
	$ 12,613	$ 14,154

Depreciation and amortization expense on property and equipment was $1,715 and $2,226 for the three months ended December 31, 2016 and 2015, respectively, and $3,428 and $6,040 for the six months ended December 31, 2016 and 2015, respectively, which for the fiscal 2016 first quarter included depreciation expense on certain corporate property and equipment that was transferred to MSG in connection with the Distribution, but which did not qualify for discontinued operations reporting.

Note 7. Debt

On September 28, 2015, MSGN L.P., MSGN Eden, LLC, an indirect subsidiary of the Company and the general partner of MSGN L.P., Regional MSGN Holdings LLC, a direct subsidiary of the Company and the limited partner of MSGN L.P. (collectively with MSGN Eden, LLC, the “Holdings Entities”), and certain subsidiaries of MSGN L.P. entered into a credit

agreement (the “Credit Agreement”) with a syndicate of lenders.

The Credit Agreement provides MSGN L.P. with senior secured credit facilities (the “Senior Secured Credit Facilities”) consisting of: (a) an initial $1,550,000 term loan facility (the “Term Loan Facility”) and (b) a $250,000 revolving credit facility (the “Revolving Credit Facility”), each with a term of five years. In connection with the Distribution, $1,450,000 of the proceeds from the Term Loan Facility was contributed to MSG immediately following the closing of the Senior Secured Credit Facilities. Up to $35,000 of the Revolving Credit Facility is available for the issuance of letters of credit.

Subject to the satisfaction of certain conditions and limitations, the Credit Agreement allows for the addition of incremental term and/or revolving loan commitments and incremental term and/or revolving loans. Borrowings under the Credit Agreement bear interest at a floating rate, which at the option of MSGN L.P. may be either (a) base rate, representing the higher of: (i) the New York Fed Bank Rate plus 0.50%; (ii) the U.S. Prime Rate; or (iii) the one-month London Interbank Offered Rate, or LIBOR, plus 1.00% (the “Base Rate”), plus an additional rate ranging from 0.50% to 1.25% per annum (determined based on a total leverage ratio), or (b) a Eurodollar rate (the “Eurodollar Rate”) plus an additional rate ranging from 1.50% to 2.25% per annum (determined based on a total leverage ratio), provided that for the period until the delivery of the compliance certificate for the period ending March 31, 2016, the additional rate used in calculating both floating rates was (i) 1.00% per annum for borrowings bearing interest at the Base Rate, and (ii) 2.00% per annum for borrowings bearing interest at the Eurodollar Rate. Upon a payment default in respect of principal, interest or other amounts due and payable under the Credit Agreement or related loan documents, default interest will accrue on all overdue amounts at an additional rate of 2.00% per annum. The Credit Agreement requires MSGN L.P. pay a commitment fee of 0.30% in respect of the average daily unused commitments, as well as fronting fees, to banks that issue letters of credit pursuant to the Revolving Credit Facility.

The Credit Agreement generally requires the Holding Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis to comply with a maximum total leverage ratio of 6.00:1.00 from the closing date until September 30, 2016 and a maximum total leverage ratio of 5.50:1.00 from and after October 1, 2016 until maturity, subject, in each case, to upward adjustment during the continuance of certain events. In addition, there is a minimum interest coverage ratio of 2.00:1.00 for the Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis. As of December 31, 2016, the Holding Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis were in compliance with the financial covenants of the Credit Agreement. All borrowings under the Credit Agreement are subject to the satisfaction of customary conditions, including absence of a default and accuracy of representations and warranties. As of December 31, 2016, there were no letters of credit issued and outstanding under the Revolving Credit Facility, which provides full borrowing capacity of $250,000. The Company has made principal payments aggregating $91,250 through December 31, 2016, which reduced the principal amount of the initial Term Loan Facility for subsequent amortization. The Term Loan Facility amortizes quarterly in accordance with its terms from December 31, 2016 through June 30, 2020 with a final maturity date on September 28, 2020.

As of December 31, 2016, the principal repayments required under the Term Loan Facility are as follows:

Remainder of fiscal year ending June 30, 2017	$	37,500
Fiscal year ending June 30, 2018		75,000
Fiscal year ending June 30, 2019		75,000
Fiscal year ending June 30, 2020		114,375
Fiscal year ending June 30, 2021		1,156,875
	$	1,458,750

All obligations under the Credit Agreement are guaranteed by the Holdings Entities and MSGN L.P.’s existing and future direct and indirect domestic subsidiaries that are not designated as excluded subsidiaries or unrestricted subsidiaries (the “Subsidiary Guarantors,” and together with the Holdings Entities, the “Guarantors”). All obligations under the Credit Agreement, including the guarantees of those obligations, are secured by certain of the assets of MSGN L.P. and each Guarantor (collectively, “Collateral”), including, but not limited to, a pledge of the equity interests in MSGN L.P. held directly by the Holdings Entities and the equity interests in each Subsidiary Guarantor held directly or indirectly by MSGN L.P. Subject to customary notice and minimum amount conditions, MSGN L.P. may voluntarily prepay outstanding loans under the Credit Agreement at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurodollar loans). MSGN

L.P. is required to make mandatory prepayments 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, subject to certain exceptions.

In addition to the financial covenants discussed above, 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 the Holding Entities and MSGN 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) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making investments, loans or advances in or to other persons; (iv) paying dividends and distributions or repurchasing capital stock; (v) changing their lines of business; (vi) engaging in certain transactions with affiliates; (vii) amending specified material agreements; (viii) merging or consolidating; (ix) making certain dispositions; and (x) entering into agreements that restrict the granting of liens. The Holdings Entities are also subject to customary passive holding company covenants.

The Company is amortizing its deferred financing costs on a straight-line basis over the five-year term of the Senior Secured Credit Facilities which approximates the effective interest method. The following table summarizes the presentation of the Term Loan Facility and the related deferred financing costs in the accompanying consolidated balance sheet as of December 31, 2016 and June 30, 2016:

	Term Loan Facility	Deferred Financing Costs	Total
December 31, 2016			
Current portion of long-term debt	$ 75,000	$ (2,586)	$ 72,414
Long-term debt, net of current portion	1,383,750	(7,112)	1,376,638
Total	$ 1,458,750	$ (9,698)	$ 1,449,052
June 30, 2016			
Current portion of long-term debt	$ 67,500	$ (2,586)	$ 64,914
Long-term debt, net of current portion	1,421,250	(8,405)	1,412,845
Total	$ 1,488,750	$ (10,991)	$ 1,477,759

In addition, the Company has deferred financing costs related to the Revolving Credit Facility recorded in the accompanying consolidated balance sheets as summarized in the following table:

	December 31, 2016	June 30, 2016
Other current assets	$ 417	$ 417
Other assets	1,147	1,356

The Company made interest payments under the Credit Agreement of $17,625 and $9,118 during the six months ended December 31, 2016 and 2015, respectively.

Note 8. Commitments and Contingencies

Commitments

As more fully described in Notes 9 and 10 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2016, the Company's contractual obligations consist primarily of its obligations under media rights agreements and long-term noncancelable operating lease agreements.

In addition, see Note 7 for the principal repayments required under the Company's Term Loan Facility.

Legal Matters

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 9. Fair Value Measurements

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

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

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

	Level I	Level II	Level III	Total
December 31, 2016				
Assets:				
Money market accounts	$ 45,014	$ —	$ —	$ 45,014
Time deposits	135,173	—	—	135,173
Total assets measured at fair value	$ 180,187	$ —	$ —	$ 180,187
June 30, 2016				
Assets:				
Money market accounts	$ 68,591	$ —	$ —	$ 68,591
Time deposits	50,977	—	—	50,977
Total assets measured at fair value	$ 119,568	$ —	$ —	$ 119,568

Money market accounts and time deposits are classified within Level I 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.

Other Financial Instruments

The fair value of the Company's long-term debt (see Note 7) was approximately $1,451,456 as of December 31, 2016. The Company's long-term debt is classified within Level II of the fair value hierarchy as it is valued using quoted prices of such securities for which fair value can be derived from inputs that are readily observable.

Note 10. Pension Plans and Other Postretirement Benefit Plan

Prior to the Distribution, the Company sponsored a non-contributory qualified cash balance retirement plan covering its non-union employees (the “MSG Cash Balance Pension Plan”) and a non-contributory qualified defined benefit pension plan covering certain of its union employees (the “MSG Union Plan”). Since March 1, 2011, the MSG Cash Balance Pension Plan has also included the assets and liabilities of a frozen (as of December 31, 2007) non-contributory qualified defined pension plan covering non-union employees hired prior to January 1, 2001. The MSG Cash Balance Pension Plan was amended to freeze participation and future benefit accruals effective December 31, 2015. Existing account balances under the MSG Cash Balance Pension Plan will continue to be credited with monthly interest in accordance with the terms of the plan. The MSG Cash Balance Pension Plan and MSG Union Plan are collectively referred to as the “MSG Pension Plans.”

The Company currently sponsors (i) a non-contributory qualified defined benefit pension plan covering certain of its union

employees (the “Union Plan”), (ii) an unfunded non-contributory, non-qualified excess cash balance plan covering certain employees who participated in the MSG Cash Balance Pension Plan (the "Excess Cash Balance Plan"), and (iii) an unfunded non-contributory non-qualified defined benefit pension plan for the benefit of certain employees who participated in an underlying qualified plan, which was merged into the MSG Cash Balance Pension Plan on March 1, 2011 (the “Excess Plan”). The Union Plan, Excess Cash Balance Plan and Excess Plan are collectively referred to as the “MSG Networks Plans.”

As of December 31, 2015, the Excess Cash Balance Plan was amended to freeze participation and future benefit accruals. Therefore, after December 31, 2015, no employee of the Company who was not already a participant may become a participant in the plan and no further annual pay credits will be made for any future year. Existing account balances under the plan will continue to be credited with monthly interest in accordance with the terms of the plan. As of December 31, 2007, the Excess Plan was amended to freeze all benefits earned through December 31, 2007 and to eliminate the ability of participants to earn benefits for future service under this plan. Benefits payable to retirees under the Union Plan are based upon years of service and participants’ compensation.

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

As of the Distribution Date, the Company and MSG entered into an employee matters agreement (the “Employee Matters Agreement”) which determined each company’s obligations after the Distribution with regard to historic liabilities under the Company’s former pension and postretirement plans. Under the Employee Matters Agreement, the assets and liabilities of the MSG Pension Plans have been transferred to MSG. In addition, the following have been transferred to MSG: liabilities related to (i) current MSG employees who are active participants in the Excess Plan and/or the Excess Cash Balance Plan, (ii) current MSG employees who are eligible for participation in the Postretirement Plan, and (iii) former MSG employees who are retired participants in the Postretirement Plan. The Company has retained liabilities related to (i) its current employees and former employees of the Company or MSG who are active participants in the Excess Plan and/or the Excess Cash Balance Plan, (ii) its current employees who are eligible for participation in the Postretirement Plan, (iii) its former employees who are retired participants in the Postretirement Plan, and (iv) the Union Plan.

Components of net periodic benefit cost for the MSG Networks Plans, MSG Pension Plans and Postretirement Plan recognized in direct operating expenses, selling, general and administrative expenses and loss from discontinued operations in the accompanying consolidated statements of operations for the three and six months ended December 31, 2016 and 2015 are as follows:

	Pension Plans		Postretirement Plan	
	Three Months Ended December 31,		Three Months Ended December 31,	
	2016	2015	2016	2015
Service cost	$ 133	$ 121	$ 18	$ 18
Interest cost	332	438	25	32
Expected return on plan assets	(106)	(110)	—	—
Recognized actuarial loss [a]	175	125	—	—
Amortization of unrecognized prior service credit [a]	—	—	(6)	(11)
Settlement gain [a]	(74)	—	—	—
Net periodic benefit cost	$ 460	$ 574	$ 37	$ 39

MSG NETWORKS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)

	Pension Plans		Postretirement Plan	
	Six Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Service cost	$ 266	$ 1,742	$ 36	$ 68
Interest cost	664	2,563	50	123
Expected return on plan assets	(212)	(960)	—	—
Recognized actuarial loss [(a)]	350	501	—	—
Amortization of unrecognized prior service cost (credit) [(a)]	—	14	(12)	(42)
Settlement gain [(a)]	(74)	—	—	—
Net periodic benefit cost	$ 994	$ 3,860	$ 74	$ 149

[(a)] *Reflects amounts reclassified from accumulated other comprehensive loss.*

Amounts presented in the table above include net periodic benefit cost related to continuing operations and discontinued operations as noted in the following table:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Continuing operations	$ 497	$ 613	$ 1,068	$ 2,046
Discontinued operations	—	—	—	1,963
Total Net Periodic Benefit Cost	$ 497	$ 613	$ 1,068	$ 4,009

In addition, prior to the Distribution, the Company sponsored the MSG Holdings, L.P. 401(k) Savings Plan (the "MSG Savings Plan") and the MSG Holdings, L.P. Excess Savings Plan ("Excess Savings Plan"). As a result of the Distribution, the MSG Savings Plan was amended to (i) transfer sponsorship of the plan to MSG, and (ii) become a multiple employer plan in which both MSG and the Company will continue to participate. Pursuant to the Employee Matters Agreement, liabilities relating to current MSG employees who were active participants in the Company's Excess Savings Plan have been transferred to MSG. The Excess Savings Plan has been renamed the MSGN Holdings, L.P. Excess Savings Plan (together with the MSG Savings Plan, the "Savings Plans"). Expenses related to the Savings Plans included in the accompanying consolidated statements of operations for the three and six months ended December 31, 2016 and 2015 are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Continuing operations	$ 222	$ —	$ 399	$ 334
Discontinued operations	—	—	—	652
Total Savings Plan Expense	$ 222	$ —	$ 399	$ 986

Note 11. Share-based Compensation

See Note 14 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2016 for more information regarding the Company's 2010 Employee Stock Plan, as amended (the "Employee Stock Plan") and 2010 Stock Plan For Non-Employee Directors, as amended (the "Non-Employee Director Plan"), as well as certain share-based payment awards granted prior to July 1, 2015. On December 15, 2016, the Company’s stockholders amended the Employee Stock Plan to increase the shares available for issuance thereunder by 5,500 and to extend the expiration date by one year to December 15, 2026.

Share-based compensation expense, presented within selling, general and administrative expenses and direct operating expenses, was $3,273 and $2,652 for the three months ended December 31, 2016 and 2015, respectively, and $5,049 and $6,899 for the six months ended December 31, 2016 and 2015, respectively. Share-based compensation expense for discontinued operations was $808 for the six months ended December 31, 2015.

Stock Options Award Activity

In September 2016, the Company granted 1,069 stock options, of which 50% are subject to three-year ratable vesting and the remaining 50% are subject to three-year cliff vesting and the achievement of certain Company performance criteria. These options have an expiration period of 7.5 years. The exercise price of these options is $17.81.

The Company calculated the fair value of these options on the date of grant using the Black-Scholes option pricing model, which resulted in a grant date fair value of $4.49 per option.

The following were the key assumptions used to calculate the fair value of this award:

Risk-free interest rate	1.24%
Expected term	5.25 years
Expected volatility	25.1%

The Company's computation of expected term was calculated using the simplified method (the average of the vesting period and option term) as prescribed in ASC Topic 718-10-S99. The Company's computation of expected volatility was based on historical volatility of its common stock.

Restricted Share Units Award Activity

The following table summarizes activity relating to holders (including Company and MSG employees) of the Company's RSUs for the six months ended December 31, 2016:

	Number of		
	Nonperformance Based Vesting RSUs	Performance Based Vesting RSUs	Weighted-Average Fair Value Per Share At Date of Grant
Unvested award balance, June 30, 2016	321	431	$ 38.57
Granted	442	262	19.27
Vested	(195)	(103)	38.27
Forfeited	(29)	(14)	35.57
Unvested award balance, December 31, 2016	539	576	$ 26.56

The RSUs granted during the six months ended December 31, 2016 included 476 RSUs that are subject to three-year ratable vesting, 169 RSUs subject to three-year cliff vesting, and 59 RSUs granted under the Non-Employee Director Plan which vested upon date of grant. RSUs granted under the Employee Stock Plan and Non-Employee Director Plan 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. RSU's granted under the Non-Employee Director Plan will settle on the first business day after ninety days from the date the director's service on the Board of Directors ceases or, if earlier, upon the director's death.

The fair value of RSUs that vested during the six months ended December 31, 2016 was $5,601. Upon delivery, RSUs granted under the Employee Stock Plan were net share-settled to cover the required statutory tax withholding obligations and the remaining number of shares were issued from the Company's treasury shares. To fulfill the employees' statutory minimum tax withholding obligations for the applicable income and other employment taxes, 125 of these RSUs, with an aggregate value of $2,271, were retained by the Company and the taxes paid are reflected as a financing activity in the accompanying consolidated statement of cash flows for the six months ended December 31, 2016.

Note 12. Related Party Transactions

As of December 31, 2016, 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 2.4% 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 69.6% of the aggregate voting power of the Company's outstanding common stock. Members of the Dolan family are also the controlling stockholders of MSG and AMC Networks Inc. ("AMC Networks").

On June 16, 2016, the Company entered into an arrangement with the Dolan Family Office, LLC (“DFO”), MSG and AMC Networks providing for the sharing of certain expenses associated with executive office space which is available to Charles F. Dolan (a director of the Company and MSG and the Executive Chairman and a director of AMC Networks), James L. Dolan (the Executive Chairman and a director of the Company and MSG and a director of AMC Networks), and the DFO, which is controlled by Charles F. Dolan.

Beginning in June 2016, the Company agreed to share certain executive support costs, including office space, executive assistants, security and transportation costs for (i) the Company's Executive Chairman with MSG and (ii) for the Company's Vice Chairman with MSG and AMC Networks.

In connection with the Distribution, the Company entered into various agreements with MSG, including media rights agreements covering Knicks and Rangers games, an advertising sales representation agreement, a trademark license agreement, a tax disaffiliation agreement, a transition services agreement ("TSA") and certain other arrangements. The Company has entered into various agreements with AMC Networks with respect to a number of ongoing commercial relationships.

Related party transactions included in continuing operations

Rights fees

The Company's media rights agreements with the Knicks and the Rangers, effective as of July 1, 2015, provide the Company with exclusive media rights to team games in their local markets. Prior to the Distribution, these rights fees were eliminated in consolidation; however the amounts recorded prior to the Distribution are presented as revenues in the loss from discontinued operations line with the offsetting expense in direct operating expenses within continuing operations in the accompanying consolidated statement of operations. Rights fees included in the accompanying consolidated statements of operations for the three months ended December 31, 2016 and 2015 were $33,037 and $32,800, respectively, and $66,837 and $65,300 for the six months ended December 31, 2016 and 2015, respectively.

Origination, master control and technical services

AMC Networks provides certain origination, master control and technical services to the Company. Amounts charged to the Company for the three months ended December 31, 2016 and 2015 were $1,543 and $1,459, respectively, and $2,991 and $2,876 for the six months ended December 31, 2016 and 2015, respectively.

Commission

The Company entered into an advertising sales representation agreement with MSG, which has a seven year term, pursuant to which MSG has the exclusive right and obligation to sell certain advertising availabilities on our behalf for a commission. All of the Company's advertising sales personnel were transferred to MSG in connection with the Distribution. The amount charged to the Company for the three months ended December 31, 2016 and 2015 was $5,169 and $5,498, respectively, and for the six months ended December 31, 2016 and 2015 was $5,594 and $5,498, respectively.

Other operating expenses

The Company and its related parties enter into transactions with each other in the ordinary course of business. In addition, pursuant to the TSA, the Company began outsourcing to MSG certain business functions that were previously performed by internal resources. These services include information technology, accounting, accounts payable, payroll, tax, legal, human resources, insurance and risk management, investor relations, corporate communications, benefit plan administration and reporting, and internal audit. Net amounts charged to the Company pursuant to the TSA, for expenses associated with executive office space and certain support costs, and for other related party transactions amounted to $2,022 and $1,765 for the three months ended December 31, 2016 and 2015, respectively and $4,309 and $557 for the six months ended December 31, 2016 and 2015, respectively.

Related party transactions with Cablevision Systems Corporation

Prior to June 21, 2016, members of the Dolan family were also the controlling stockholders of Cablevision Systems Corporation ("Cablevision"). On June 21, 2016, Cablevision was acquired by a subsidiary of Altice N.V. and a change in control occurred which resulted in members of the Dolan family no longer being controlling stockholders of Cablevision (now known as Altice USA). Accordingly, Altice USA is not a related party of the Company. Revenues (primarily from the distribution of programming networks to subsidiaries of Cablevision) and operating expenses that relate to Cablevision prior to its sale, included in continuing operations in the accompanying consolidated statements of operations for the three months ended December 31, 2015 were $41,669 and $3,517, respectively, and for the six months ended December 31, 2015 were $81,447 and $5,369, respectively.

Related party transactions included in discontinued operations

Related party transactions included in loss from discontinued operations in the accompanying consolidated statement of operations for the three months ended December 31, 2015 include operating expenses charged by related parties of $137. Related party transactions included in loss from discontinued operations in the accompanying consolidated statement of operations for the six months ended December 31, 2015, include the following: (i) revenues from related parties of $33,559, (ii) operating expenses charged by related parties of $964, (iii) interest income from nonconsolidated affiliates of $635, and (iv) equity in earnings of equity-method investments of $2,679.

Note 13. Income Taxes

Income tax expense attributable to continuing operations for the three months ended December 31, 2016 of $27,479 differs from the income tax expense derived from applying the statutory federal rate to pretax income due principally to the impact of state and local income taxes (net of federal benefit) of $4,906 and a tax return to book provision adjustment in connection with the filing of the Company's state and local income tax returns of $414. These increases were partially offset by the impact of the tax benefits related to the domestic production activities deduction of $2,069 and other items of $529.

Income tax expense attributable to continuing operations for the three months ended December 31, 2015 of $29,709 differs from the income tax expense derived from applying the statutory federal rate to pretax income due principally to the impact of state and local income taxes (net of federal benefit) of $4,933 and an increase in state tax rates used to value deferred taxes resulting from the filing of the Company's state and local income tax returns of $4,489. These increases were partially offset by the tax benefits related to the domestic production activities deduction of $1,715 and other items of $313.

Income tax expense attributable to continuing operations for the six months ended December 31, 2016 of $52,737 differs from the income tax expense derived from applying the statutory federal rate to pretax income due principally to the impact of state and local income taxes (net of federal benefit) of $9,594. These increases were partially offset by the impact of the tax benefits related to the domestic production activities deduction of $3,942, a tax return to book provision adjustment in connection with the filing of the Company's federal, state and local income tax returns of $209 and other items of $430.

Income tax expense attributable to continuing operations for the six months ended December 31, 2015 of $29,305 differs from the income tax expense derived from applying the statutory federal rate to pretax income due principally to a reduction in state tax rates used to value deferred taxes resulting from the Distribution of $16,941 and the tax benefits related to the domestic production activities deduction of $2,764. These decreases were partially offset by an increase in state tax rates used to value deferred taxes resulting from the filing of the Company’s state and local income tax returns of $4,489, state and local income taxes (net of federal benefit) of $7,731 and other items of $151.

During the six months ended December 31, 2016 and 2015, income taxes paid by the Company were $41,295 and $193, respectively.

During the third quarter of fiscal year 2015, the Internal Revenue Service notified the Company of its intent to review the federal income tax returns as filed for the tax year ended December 31, 2013. Fieldwork is ongoing. The Company does not expect the examination, when finalized, to result in material changes to the tax returns as filed.

Note 14. Concentration of Risk

Accounts receivable, net on the accompanying consolidated balance sheets as of December 31, 2016 and June 30, 2016 include amounts due from the following individual non-affiliated customers, which accounted for the noted percentages of the gross balance:

	December 31, 2016	June 30, 2016
Customer A	26%	26%
Customer B	26%	25%
Customer C	22%	22%
Customer D	15%	14%

Revenues from continuing operations in the accompanying consolidated statements of operations for the three and six months ended December 31, 2016 and 2015 include amounts from the following individual customers, which accounted for the noted percentages of the total:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Customer A	24%	25%	25%	26%
Customer B	22%	22%	24%	23%
Customer C	19%	19%	21%	20%
Customer D	10%	10%	11%	11%

The accompanying consolidated balance sheets as of December 31, 2016 and June 30, 2016 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, 2016	June 30, 2016
Prepaid expenses	$ 3,000	$ 1,000
Other current assets	2,000	2,000
Other assets	41,000	41,000
	$ 46,000	$ 44,000

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "believes," "estimates," "may," "will," "should," "could," "potential," "continue," "intends," "plans," and similar words and terms used in the discussion of future operating and financial performance and plans identify forward-looking statements. Investors are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to:

- the demand for our programming among cable, satellite, telephone and other platforms ("Distributors") and the subscribers thereto, and our ability to renew affiliation agreements with our Distributors, as well as the impact of consolidation among Distributors;
- the level of our revenues, which depends in part on the popularity and competitiveness of the sports teams whose games are broadcast on our networks and the popularity of other content aired on our networks;
- the ability of our Distributors to maintain subscriber levels;
- the impact of subscribers downgrading their programming packages to levels that do not include our networks;
- the security of our program signal and electronic data;
- general economic conditions especially in the New York City metropolitan area where we conduct the majority of our operations;
- the demand for advertising and sponsorship arrangements and viewer ratings for our networks;
- competition, for example, from other regional sports networks;
- the relocation or insolvency of professional sports teams with which we have a media rights agreement;
- our ability to maintain, obtain or produce content, together with the cost of such content;
- our ability to renew or replace our media rights agreements with professional sports teams;
- the acquisition or disposition of assets and/or the impact of, and our ability to successfully pursue, acquisitions or other strategic transactions, and the operating and financial performance thereof (including those that we do not control);
- the costs associated with, and the outcome of, litigation and other proceedings to the extent uninsured;
- the impact of governmental regulations or laws and changes in such regulations or laws;
- the impact of league rules, league regulations and/or league agreements and changes thereto;
- our substantial debt and high leverage;
- reduced access to capital markets or significant increases in costs to borrow;
- financial community perceptions of our business, operations, financial condition and the industry in which we operate;
- the tax-free treatment of the Distribution; and
- the factors described under "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended June 30, 2016.

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

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

Introduction

MD&A is provided as a supplement to, and should be read in conjunction with, the Company's unaudited consolidated financial statements and accompanying notes thereto included in this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended June 30, 2016 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," or the "Company" refer collectively to MSG Networks Inc., a holding company, and its direct and indirect subsidiaries through which substantially all of its operations are conducted. The Company owns and operates two regional sports and entertainment networks, MSG Network ("MSGN") and MSG+, collectively the "MSG Networks."

On September 30, 2015 (the "Distribution Date"), the Company distributed to its stockholders all of the outstanding common stock of The Madison Square Garden Company (formerly MSG Spinco, Inc., and referred to herein as "MSG") (the "Distribution"). MSG owns, directly or indirectly, the sports and entertainment businesses previously owned and operated by the Company's sports and entertainment segments, owns, leases or operates the arenas and other venues previously owned, leased or operated by the Company and owns the joint venture interests previously owned by the Company. In the Distribution, each holder of the Company's Class A common stock, par value $0.01 per share, ("Class A Common Stock"), of record as of the close of business, New York City time, on September 21, 2015 (the "Record Date"), received one share of MSG Class A common stock, par value $0.01 per share, for every three shares of the Company's Class A Common Stock held on the Record Date. Each record holder of the Company's Class B common stock, par value $0.01 per share, ("Class B Common Stock") received one share of MSG Class B common stock, par value $0.01 per share, for every three shares of the Company's Class B Common Stock held on the Record Date. Following the Distribution, the Company no longer consolidates the financial results of MSG for purposes of its own financial reporting and the historical financial results of MSG have been reflected in the Company's consolidated financial statements as discontinued operations for all periods presented through the Distribution Date.

After giving effect to the Distribution, the Company operates and reports financial information in one segment.

This MD&A is organized as follows:

Results of Operations. This section provides an analysis of our unaudited results of operations for the three and six months ended December 31, 2016 as compared with the three and six months ended December 31, 2015.

Liquidity and Capital Resources. This section provides a discussion of our financial condition and liquidity, an analysis of our cash flows for the six months ended December 31, 2016 as compared with the six months ended December 31, 2015, as well as certain contractual obligations.

Recently Issued Accounting Pronouncements and Critical Accounting Policies. This section discusses recently issued accounting pronouncements, as well as the results of the Company's annual impairment testing of goodwill performed during the first quarter of fiscal year 2017. 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, 2016 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.

Results of Operations

Comparison of the Three Months Ended December 31, 2016 versus the Three Months Ended December 31, 2015

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
	2016		2015		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	$ 175,646	100 %	$ 169,931	100 %	$ 5,715
Direct operating expenses	70,076	40 %	71,547	42 %	1,471
Selling, general and administrative expenses	23,191	13 %	22,370	13 %	(821)
Depreciation and amortization	2,580	1 %	3,091	2 %	511
Operating income	79,799	45 %	72,923	43 %	6,876
Other income (expense):					
Interest expense, net	(9,065)	(5)%	(9,164)	(5)%	99
Income from continuing operations before income taxes	70,734	40 %	63,759	38 %	6,975
Income tax expense	(27,479)	(16)%	(29,709)	(17)%	2,230
Income from continuing operations	43,255	25 %	34,050	20 %	9,205
Loss from discontinued operations, net of taxes	—	NM	(137)	NM	137
Net income	$ 43,255	25 %	$ 33,913	20 %	$ 9,342

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NM – Percentage is not meaningful

Revenues

Revenues for the three months ended December 31, 2016 increased $5,715, or 3%, to $175,646 as compared with the prior year period. The net increase was attributable to the following:

Increase in affiliation fee revenue	$ 4,376
Increase in advertising revenue	1,327
Other net increases	12
	$ 5,715

The increase in affiliation fee revenue was primarily due to higher affiliation rates, partially offset by the impact of a low single-digit percentage decrease in subscribers as compared with the prior year period.

The increase in advertising revenue was primarily due to higher recognition of deferred revenue related to ratings guarantees, partially offset by other net advertising decreases as compared with the prior year period.

Direct operating expenses

Direct operating expenses for the three months ended December 31, 2016 decreased $1,471, or 2%, to $70,076 as compared with the prior year period primarily due to the positive impact of the finalization of a matter related to the sale of Fuse, partially offset by an increase in rights fees expense.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2016 increased $821, or 4%, to $23,191 as compared with the prior year period primarily due to higher employee compensation and related benefits, partially offset by lower marketing costs, commissions and other net decreases.

Depreciation and amortization

Depreciation and amortization for the three months ended December 31, 2016 decreased $511, or 17%, to $2,580 as compared with the prior year period primarily due to the impact of certain property and equipment being fully depreciated during fiscal 2016.

Operating income

Operating income for the three months ended December 31, 2016 increased $6,876, or 9%, to $79,799 as compared with the prior year period primarily due to (as discussed above) higher revenues and, to a lesser extent, lower direct operating expenses and depreciation and amortization, partially offset by higher selling, general and administrative expenses.

Income taxes

Income tax expense attributable to continuing operations for the three months ended December 31, 2016 of $27,479 differs from the income tax expense derived from applying the statutory federal rate to pretax income due principally to the impact of state and local income taxes (net of federal benefit) of $4,906 and a tax return to book provision adjustment in connection with the filing of the Company's state and local income tax returns of $414. These increases were partially offset by the impact of the tax benefits related to the domestic production activities deduction of $2,069 and other items of $529.

Income tax expense attributable to continuing operations for the three months ended December 31, 2015 of $29,709 differs from the income tax expense derived from applying the statutory federal rate to pretax income due principally to the impact of state and local income taxes (net of federal benefit) of $4,933 and an increase in state tax rates used to value deferred taxes resulting from the filing of the Company's state and local income tax returns of $4,489. These increases were partially offset by the tax benefits related to the domestic production activities deduction of $1,715 and other items of $313.

Adjusted operating income

The Company evaluates performance based on several factors, of which the key financial measure is adjusted operating income (which we formerly referred to as adjusted operating cash flow). Although the Company has renamed this non-GAAP measure, the components of adjusted operating income are identical to the components of adjusted operating cash flow. Adjusted operating income is defined as operating income (loss) before (i) depreciation, amortization and impairments of property and equipment and intangible assets, (ii) share-based compensation expense or benefit, (iii) restructuring charges or credits and (iv) gains or losses on sales or dispositions of businesses. The Company has presented the components that reconcile adjusted operating income to operating income, a GAAP measure.

	Three Months Ended December 31,		Increase (Decrease) in AOI
	2016	2015	
Operating income	$ 79,799	$ 72,923	$ 6,876
Share-based compensation	3,273	2,652	621
Depreciation and amortization	2,580	3,091	(511)
Adjusted operating income	$ 85,652	$ 78,666	$ 6,986

Adjusted operating income for the three months ended December 31, 2016 increased $6,986, or 9%, to $85,652 as compared with the prior year period primarily due to (as discussed above) higher revenues and, to a lesser extent, lower direct operating expenses, partially offset by higher selling, general and administrative expenses.

Comparison of the Six Months Ended December 31, 2016 versus the Six Months Ended December 31, 2015

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 (Decrease) in Net Income
	2016		2015		
	Amount	% of Revenues	Amount	% of Revenues	
Revenues	$ 329,224	100 %	$ 318,078	100 %	$ 11,146
Direct operating expenses	131,010	40 %	131,649	41 %	639
Selling, general and administrative expenses	38,750	12 %	63,488	20 %	24,738
Depreciation and amortization	5,158	2 %	7,770	2 %	2,612
Operating income	154,306	47 %	115,171	36 %	39,135
Other income (expense):					
Interest expense, net	(17,953)	(5)%	(10,485)	(3)%	(7,468)
Income from continuing operations before income taxes	136,353	41 %	104,686	33 %	31,667
Income tax expense	(52,737)	(16)%	(29,305)	(9)%	(23,432)
Income from continuing operations	83,616	25 %	75,381	24 %	8,235
Loss from discontinued operations, net of taxes	(120)	NM	(161,154)	(51)%	161,034
Net income (loss)	$ 83,496	25 %	$ (85,773)	(27)%	$ 169,269

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NM – Percentage is not meaningful

For the six months ended December 31, 2015, the reported financial results of the Company reflect the fiscal 2016 first quarter results of the sports and entertainment businesses of MSG as discontinued operations. In addition, results from continuing operations for the first quarter of fiscal year 2016 include certain corporate overhead expenses that the Company did not incur during the six months ending December 31, 2016 and does not expect to incur in future periods, but which did not meet the criteria for inclusion in discontinued operations.

Revenues

Revenues for the six months ended December 31, 2016 increased $11,146, or 4%, to $329,224 as compared with the prior year period. The net increase was attributable to the following:

Increase in affiliation fee revenue	$ 10,105
Increase in advertising revenue	1,573
Other net decreases	(532)
	$ 11,146

The increase in affiliation fee revenue was primarily due to higher affiliation rates, partially offset by the impact of a low single-digit percentage decrease in subscribers as compared with the prior year period.

The increase in advertising revenue was primarily due to higher recognition of deferred revenue related to ratings guarantees, partially offset by other net advertising decreases as compared with the prior year period.

Direct operating expenses

Direct operating expenses for the six months ended December 31, 2016 decreased $639 to $131,010 as compared with the prior year period primarily due to the positive impact of the finalization of a matter related to the sale of Fuse, and other programming-related cost decreases, totaling to $2,333, partially offset by an increase in rights fees expense of $1,694.

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended December 31, 2016 decreased $24,738, or 39%, to $38,750 as compared with the prior year period primarily due to the absence of certain corporate overhead expenses included in the results of the prior year period. As noted above, the fiscal 2016 first quarter results included certain corporate expenses that the Company did not incur during the six months ending December 31, 2016 and does not expect to incur in future periods. Partially offsetting this decrease are corporate costs which were incurred during fiscal 2017 by MSG Networks Inc. as a standalone public company, including higher employee compensation and related benefits.

Depreciation and amortization

Depreciation and amortization for the six months ended December 31, 2016 decreased $2,612, or 34%, to $5,158 as compared with the prior year period primarily due to the absence of depreciation expense included in the fiscal 2016 first quarter results on certain corporate property and equipment that was transferred to MSG in connection with the Distribution, but which did not meet the criteria for inclusion in discontinued operations, as well as the impact of certain property and equipment being fully depreciated during fiscal 2016.

Operating income

Operating income for the six months ended December 31, 2016 increased $39,135, or 34%, to $154,306 as compared with the prior year period primarily due to (as discussed above) lower selling, general and administrative expenses and, to a lesser extent, higher revenues, lower depreciation and amortization and lower direct operating expenses.

Interest expense, net

Net interest expense for the six months ended December 31, 2016 increased $7,468 to $17,953 as compared with the prior year period primarily due to higher interest expense incurred under the Company's Senior Secured Credit Facilities, which were entered into on September 28, 2015, and accordingly did not begin to accrue interest until that date. Partially offsetting this increase is the absence of the write-off of a portion of the deferred financing costs associated with the Company's former credit facility recorded in the prior year period.

Income taxes

Income tax expense attributable to continuing operations for the six months ended December 31, 2016 of $52,737 differs from the income tax expense derived from applying the statutory federal rate to pretax income due principally to the impact of state and local income taxes (net of federal benefit) of $9,594. These increases were partially offset by the impact of the tax benefits related to the domestic production activities deduction of $3,942, a tax return to book provision adjustment in connection with the filing of the Company's federal, state and local income tax returns of $209 and other items of $430.

Income tax expense attributable to continuing operations for the six months ended December 31, 2015 of $29,305 differs from the income tax expense derived from applying the statutory federal rate to pretax income due principally to a reduction in state tax rates used to value deferred taxes resulting from the Distribution of $16,941 and the tax benefits related to the domestic production activities deduction of $2,764. These decreases were partially offset by an increase in state tax rates used to value deferred taxes resulting from the filing of the Company’s state and local income tax returns of $4,489, state and local income taxes (net of federal benefit) of $7,731 and other items of $151.

Adjusted operating income

The Company has presented the components that reconcile adjusted operating income to operating income, a GAAP measure.

	Six Months Ended December 31,		Increase (Decrease) in AOI
	2016	2015	
Operating income	$ 154,306	$ 115,171	$ 39,135
Share-based compensation	5,049	6,899	(1,850)
Depreciation and amortization	5,158	7,770	(2,612)
Adjusted operating income	$ 164,513	$ 129,840	$ 34,673

Adjusted operating income for the six months ended December 31, 2016 increased $34,673, or 27%, to $164,513 as compared with the prior year period primarily due to (as discussed above) lower selling, general and administrative expenses and, to a lesser extent, higher revenues and lower direct operating expenses.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash and cash equivalents, cash flows from the operations of our business and available borrowing capacity under our $250,000 revolving credit facility with a syndicate of lenders, which was undrawn as of December 31, 2016 (see "*Financing Agreements - Senior Secured Credit Facilities*" below). Our principal uses of cash include working capital-related items, capital spending, taxes and debt service. The Company's use of its available liquidity will be based upon the ongoing review of the funding needs of the business, the optimal allocation of cash resources and the timing of cash flow generation.

We believe we have sufficient liquidity, including approximately $185,000 in cash and cash equivalents as of December 31, 2016, as well as the available borrowing capacity under our revolving credit facility and our anticipated operating cash flows to fund our business operations and service our outstanding term loan (see "*Financing Agreements - Senior Secured Credit Facilities*" below) over the next twelve months. However, potential subscriber reductions of our Distributors, changes in the demand for our programming, advertising revenue declines, our ability to maintain or obtain content and other factors could adversely impact our business and results of operations, which might require that we seek alternative sources of funding through the capital and credit markets that may or may not be available to us.

Financing Agreements

Senior Secured Credit Facilities

On September 28, 2015, MSGN L.P., MSGN Eden, LLC, an indirect subsidiary of the Company and the general partner of MSGN L.P., Regional MSGN Holdings LLC, a direct subsidiary of the Company and the limited partner of MSGN L.P. (collectively with MSGN Eden, LLC, the "Holdings Entities"), and certain subsidiaries of MSGN L.P. entered into a credit agreement (the "Credit Agreement") with a syndicate of lenders.

The Credit Agreement provides MSGN L.P. with senior secured credit facilities (the "Senior Secured Credit Facilities") consisting of: (a) an initial $1,550,000 term loan facility (the "Term Loan Facility") and (b) a $250,000 revolving credit facility (the "Revolving Credit Facility"), each with a term of five years. In connection with the Distribution, $1,450,000 of the proceeds from the Term Loan Facility was contributed to MSG immediately following the closing of the Senior Secured Credit Facilities. The remainder of the proceeds from the Term Loan Facility were used by MSGN L.P. to pay for certain fees and expenses associated with the Distribution and the Senior Secured Credit Facilities and the balance was designated for use to fund working capital needs and other general corporate purposes of MSGN L.P. The Revolving Credit Facility was undrawn as of December 31, 2016 and is available to fund working capital needs and other general corporate purposes of MSGN L.P. Up to $35,000 of the Revolving Credit Facility is available for the issuance of letters of credit.

The Credit Agreement generally requires the Holding Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis to comply with a maximum total leverage ratio of 6.00:1.00 from the closing date until September 30, 2016 and a maximum total leverage ratio of 5.50:1.00 from and after October 1, 2016 until maturity, subject, in each case, to upward adjustment during the continuance of certain events. In addition, there is a minimum interest coverage ratio of 2.00:1.00 for the Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis. As of December 31, 2016, the Holding Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis were in compliance with the financial covenants of the Credit Agreement. All borrowings under the Credit Agreement are subject to the satisfaction of customary conditions, including absence of a default and accuracy of representations and warranties. As of December 31, 2016, there were no letters of credit issued and outstanding under the Revolving Credit Facility, which provides full borrowing capacity of $250,000. The Company has made principal payments aggregating $91,250 through December 31, 2016, which reduced the principal amount of the initial Term Loan Facility for subsequent amortization. The Term Loan Facility amortizes quarterly in accordance with its terms from December 31, 2016 through June 30, 2020 with a final maturity date on September 28, 2020.

In addition to the financial covenants discussed above, 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 the Holding Entities and MSGN 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) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making investments, loans or advances in or to other persons; (iv) paying dividends and distributions or repurchasing capital stock; (v) changing their lines of business; (vi) engaging in certain transactions with affiliates; (vii) amending specified material agreements; (viii) merging or consolidating;

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(ix) making certain dispositions; and (x) entering into agreements that restrict the granting of liens. The Holdings Entities are also subject to customary passive holding company covenants.

See Note 7 to the consolidated financial statements included in "Part I - Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for more information on the Credit Agreement.

Contractual Obligations

As more fully described in Notes 9 and 10 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2016, the Company's contractual obligations consist primarily of its obligations under media rights agreements and long-term noncancelable operating lease agreements.

In addition, see Note 7 to the consolidated financial statements included in "Part I - Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for the principal repayments required under the Company's Term Loan Facility.

Cash Flow Discussion

Operating Activities from continuing operations

Net cash provided by operating activities from continuing operations for the six months ended December 31, 2016 decreased by $17,836 to $101,024 as compared with the prior year period. This decrease is primarily driven by an increase in income taxes paid and, to a lesser extent, an unfavorable working capital adjustment as compared with the prior year period. These declines were partially offset by an increase in income from continuing operations before income taxes as compared with the prior year period. The unfavorable working capital adjustment primarily represents the absence of a prior period positive working capital contribution relating to the timing of the fiscal 2016 rights payments to MSG under the Knicks and Rangers media rights agreements which was partially offset by other items, including the timing of certain receipts.

Investing Activities from continuing operations

Net cash used in investing activities from continuing operations for the six months ended December 31, 2016 increased by $292 to $2,242 as compared with the prior year period due to higher capital expenditures in the current year period.

Financing Activities from continuing operations

Net cash used in financing activities from continuing operations for the six months ended December 31, 2016 decreased by $1,322 to $32,254 as compared with the prior year period primarily due to the cash distributed with MSG in connection with the Distribution and, to a lesser extent, the impact of cash used in the prior year period for repurchases of the Company’s Class A Common Stock under a share repurchase program which was terminated effective as of the Distribution Date and other net decreases. These decreases in net cash used in financing activities from continuing operations were largely offset by the proceeds from the Term Loan Facility received in the prior year period and principal payments on our Term Loan Facility during the current year period.

Recently Issued Accounting Pronouncements and Critical Accounting Policies

Recently Issued Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in FASB Accounting Standards Codification ("ASC") Topic 605, *Revenue Recognition*. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU No. 2014-09 for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Consideration*s, which provides clarification on the implementation guidance on principal versus agent considerations outlined in ASU No. 2014-09. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which finalized amendments to identifying performance obligations and accounting for licenses of intellectual property. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, which clarifies assessing collectibility, noncash consideration, presentation of sales taxes, completed contracts and contract modifications at transition. Early adoption is permitted and the Company can early adopt ASU No. 2014-09 and the related updates beginning in the first quarter of fiscal year 2018. If the Company does not apply the early adoption provision, ASU No. 2014-09 will be effective for the Company beginning in the first quarter of fiscal year 2019 using one of two retrospective application methods. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02*, Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. The amended guidance also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an organization's leasing activities. This standard will be effective for the Company beginning in the first quarter of fiscal year 2020, with early adoption permitted. This standard will be adopted using a modified retrospective approach. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which amends ASC 230 to eliminate the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows by adding or clarifying guidance on eight specific cash flow issues. This standard will be effective for the Company beginning in the first quarter of fiscal year 2019, with early adoption permitted and the retrospective approach required. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses, which will effect various areas of accounting including, but not limited to, goodwill and consolidation. This standard will be effective for the Company beginning in the first quarter of fiscal year 2019, with early adoption permitted. The standard is to be applied prospectively. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies the measurement of goodwill impairment by eliminating the requirement of performing a hypothetical purchase price allocation. Instead, impairment will be measured using the difference between the carrying amount and fair value of the reporting unit. The amended guidance also eliminates the requirement for any reporting unit with a zero or a negative carrying amount to perform a qualitative assessment and will require disclosure of the amount of goodwill allocated to each reporting unit with a zero or a negative carrying amount of net assets. This standard will be effective for the Company beginning in the first quarter of fiscal year 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The standard is to be applied prospectively. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

Critical Accounting Policies

The following discussion has been included to provide the results of our annual impairment testing of goodwill performed during the first quarter of fiscal year 2017. There have been no material changes to the Company's critical accounting policies from those set forth in our Annual Report on Form 10-K for the year ended June 30, 2016.

Goodwill

The goodwill balance reported on the Company's balance sheet as of December 31, 2016 is $424,508. Goodwill is tested annually for impairment as of August 31st and at any time upon the occurrence of certain events or substantive changes in circumstances. After giving effect to the Distribution, the Company has one reporting unit for evaluating goodwill impairment. 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, the Company would not need to perform the two-step impairment test for that reporting unit.

During the first quarter of fiscal year 2017, the Company performed its annual impairment test of goodwill. The Company elected to perform the qualitative assessment of impairment. This assessment considered factors such as:

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

Based on this impairment test, there was no impairment of goodwill 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, 2016.

Item 4. Controls and Procedures

The Company’s principal executive officer and principal financial officer have performed an evaluation of 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”)) as of the end of the period covered by this report. Based on that evaluation the principal executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2016.

In addition, no changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15 or 15d-15 of the Exchange Act) occurred during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company’s 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
10.1	Employment Agreement, dated September 16, 2016 between James L. Dolan and MSG Networks Inc.
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 2nd day of February, 2017.

MSG Networks Inc.

By: /S/ BRET RICHTER

Name: Bret Richter

Title: Executive Vice President,
Chief Financial Officer and Treasurer

Exhibit 10.1

September 16, 2016

Mr. James L. Dolan
MSG Networks Inc.
11 Pennsylvania Plaza
New York, NY 10121

Dear Jim:

This letter agreement (the "Agreement"), effective as of July 1, 2016 (the "Effective Date") will confirm the terms of your employment with MSG Networks Inc. (the "Company") following the Effective Date.

1. Your title continues to be Executive Chairman and it is expected that you will continue to be nominated for election as a director of the Company during the period you serve as Executive Chairman. Subject to the provisions of this paragraph, you agree to devote your business time and attention to the business and affairs of the Company. The Company understands that you are entering into an Employment Agreement with The Madison Square Garden Company ("MSG") contemporaneous with your entry into this Agreement and recognizes and agrees that your responsibilities to MSG will preclude you from devoting substantially all of your time and attention to the Company's affairs. However, the Company understands, and you agree, that you will not take on another significant and substantial employment role outside of these two entities and/or their respective subsidiaries,, and that you will devote to the Company's affairs a sufficiently substantial portion of your time and attention as may be reasonably necessary to accomplish the objectives of your strategic role for the Company as identified in this Agreement and as mutually agreed between yourself and the Company from time to time. In addition, as recognized in Article Tenth of the Company's Amended and Restated Certificate of Incorporation (the "Overlap Policy"), there may be certain potential conflicts of interest and fiduciary duty issues associated with your dual roles at the Company and MSG. The Company recognizes and agrees that none of (i) your dual responsibilities at the Company and MSG, (ii) your inability to devote substantially all of your time and attention to the Company's affairs, (iii) the actual or potential conflicts of interest and fiduciary duty issues that are waived in the Overlap Policy or (iv) any actions taken, or omitted to be taken, by you in good faith to comply with your duties and responsibilities to the Company in light of your dual responsibilities to the Company and MSG, shall be deemed to be a breach by you of your obligations under this Agreement (including your obligations under Annex A) nor shall any of the foregoing constitute "Cause" as such term is defined herein.

2. Your annual base salary will be not less than $1,000,000 annually, paid bi-weekly, subject to annual review and potential increase by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") in its discretion. The Compensation

of the Company (the “Compensation Committee”) in its discretion. The Compensation Committee will continue to review your compensation package on an annual basis to ensure you are paid consistently with the market for other similarly situated executives as well as external peers.

3. You will also participate in our discretionary annual bonus program with an annual target bonus opportunity equal to not less than 200% of your annual base salary (with such target bonus opportunity effective for the current fiscal year). Bonus payments are based on actual salary dollars paid during the year and depend on a number of factors including Company, unit and individual performance. However, the decision of whether or not to pay a bonus, and the amount of that bonus, if any, is made by the Compensation Committee in its sole discretion. Annual bonuses are typically paid in the first fiscal quarter of the subsequent fiscal year. Except as otherwise provided herein, in order to receive a bonus, you must be employed by the Company at the time bonuses are being paid. Notwithstanding the foregoing, if your employment with the Company ends on the Scheduled Expiration Date (as defined below), you shall be paid your bonus for the fiscal year ending June 30, 2019, if any, even if such payment is not made to you prior to the Scheduled Expiration Date, which bonus shall be subject to Company and your business unit performance for that fiscal year as determined by the Company in its sole discretion, but without adjustment for your individual performance. You and the Company agree that, for purposes of the discretionary annual bonus in respect of the fiscal year ending June 30, 2016, the salary paid to you by the Company prior to October 1, 2015 shall be treated as salary paid by The Madison Garden Company and not salary paid by the Company.

4. You will also, subject to your continued employment by the Company and actual grant by the Compensation Committee, participate in such equity and other long-term incentive programs that are made available in the future to similarly situated executives at the Company but subject to the terms of this Paragraph. It is expected that such awards will consist of annual grants of stock options with a grant date fair value of not less than $4,800,000, as determined by the Compensation Committee in its discretion. All awards described in this Paragraph, in addition to being subject to actual grant by the Compensation Committee, would be pursuant to the applicable plan document subject to the terms and conditions thereof. The Company agrees, subject to applicable plan limitations, that (i) 50% of the stock option awards will be subject to time-based vesting in three equal tranches on the 1st, 2nd and 3rd anniversary of the grant date; (ii) the remaining 50% of the stock option awards will be subject to the same performance criteria as awards made to other executives of the Company under the Company’s long-term incentive programs; and (iii) the options will expire not later than seven years six months after the date of grant. You and the Company acknowledge that any amounts payable pursuant to outstanding long-term cash awards that were granted to you under the plans of the Company prior to October 1, 2015 (as adjusted in connection with the Company’s spinoff of MSG) shall be the sole responsibility and liability of MSG.

5. While you are employed by MSG, you will not be eligible to participate in the Company’s benefits program except as provided below. If your employment with MSG terminates while you remain employed by the Company, you will be eligible to participate in our standard benefits program, subject to meeting the relevant eligibility requirements, payment of the required

premiums, and the terms of the plans themselves. Notwithstanding the first sentence of this Paragraph 5, you will continue to be eligible to participate in the Company's Excess Savings Plan and your full Company base salary will be used to determine the applicable benefits under the Company's Excess Savings Plan. Any Company provided life and accidental death and dismemberment insurance will continue to be based on your Company base salary. You will also be eligible for four (4) weeks of vacation to be accrued and used in accordance with Company policy.

6. If your employment with the Company is terminated on or prior to December 31, 2019 (the "Scheduled Expiration Date"): (i) by the Company (other than for "Cause"); or (ii) by you for "Good Reason" (other than if "Cause" then exists); then, subject to your execution and delivery, within 60 days after the date of termination of your employment, and non-revocation (within any applicable revocation period) of the Separation Agreement (as defined below), the Company will provide you with the following:

(a) Subject to Annex B of this Agreement, severance in an amount to be determined by the Company (the "Severance Amount"), but in no event less than two (2) times the sum of your annual base salary and your annual target bonus as in effect at the time your employment terminates. Sixty percent (60%) of the Severance Amount will be payable to you on the six-month anniversary of the date your employment so terminates (the "Termination Date") and the remaining forty percent (40%) of the Severance Amount will be payable to you on the twelve-month anniversary of the Termination Date;

(b) Any unpaid annual bonus for the Company's fiscal year prior to the fiscal year which includes your Termination Date, and a *pro-rated* bonus based on the amount of your base salary actually earned by you during the Company's fiscal year through the Termination Date, each of which will be paid to you when such bonuses are generally paid to similarly situated active executives and will be based on your then current annual target bonus as well as Company and your business unit performance for the applicable fiscal year (which performance will be evaluated on the same business unit performance standards as are applied to other executive officers of the Company in respect of the payment of bonuses for such year) as determined by the Compensation Committee in its sole discretion, but without adjustment for your individual performance;

(c) Each of your then-outstanding and not yet vested long-term cash awards (including any deferred compensation awards under the long-term cash award programs) granted under the plans of the Company, if any, shall immediately vest in full and shall be payable to you at the same time as such awards are paid to active executives of the Company, and the payment amount of such award shall be to the same extent that other similarly situated active executives receive payment as determined by the Compensation Committee (subject to satisfaction of any applicable performance criteria but without adjustment for your individual performance);

(d) (i) All of the time-based restrictions on each of your then-outstanding and not yet vested restricted stock or restricted stock unit awards granted to you under the plans of the Company, if any, shall immediately be eliminated, (ii) payment and deliveries with respect to your restricted stock that are not subject to performance criteria or are subject to performance criteria that have previously been satisfied (as certified by the Compensation Committee) shall be made immediately after the effective date of the Separation Agreement, (iii) payment and deliveries with respect to your restricted stock units that are not subject to performance criteria or are subject to performance criteria that have previously been satisfied (as certified by the Compensation Committee) shall be made on the 90th day after the termination of your employment and (iv) payments or deliveries with respect to your restricted stock and restricted stock units that are subject to performance criteria that have not yet been satisfied shall be made on the 90th day after the applicable performance criteria is certified by the Compensation Committee as having been satisfied; and

(e) Each of your then-outstanding and not yet vested stock options and stock appreciation awards, if any, under the plans of the Company shall immediately vest and become exercisable, and you shall have the right to exercise each of those options and stock appreciation awards for the remainder of the term of such option or award.

If you die after a termination of your employment that is subject to this Paragraph 6, your estate or beneficiaries will be provided with any remaining benefits and rights under this Paragraph 6.

7. (a) If you cease to be an employee of the Company prior to the Scheduled Expiration Date as a result of your death or your Disability (as defined in the Company's Long Term Disability Plan), and at such time Cause does not exist, then, subject (other than in the case of death) to your execution and delivery, within 60 days after the date of termination of your employment, and non-revocation (within any applicable revocation period) of the Separation Agreement, you or your estate or beneficiary shall be provided with the benefits and rights set forth in Paragraphs 6(b), (d) and (e) above, and each of your outstanding long-term cash awards granted under the plans of the Company shall immediately vest in full, whether or not subject to performance criteria and shall be payable on the 90th day after the termination of your employment; provided, that if any such award is subject to any performance criteria, then (i) if the measurement period for such performance criteria has not yet been fully completed, then the payment amount shall be at the target amount for such award and (ii) if the measurement period for such performance criteria has already been fully completed, then the payment of such award shall be at the same time and to the extent that other similarly situated executives receive payment as determined by the Compensation Committee (subject to satisfaction of the applicable performance criteria).

(b) If, prior to or after the Scheduled Expiration Date, you cease to be employed by the Company for any reason other than your being terminated for Cause, you shall have three years

to exercise outstanding stock options and stock appreciation awards, unless you are afforded a longer period for exercise pursuant to another provision of this Agreement or any applicable award letter, but in no event exercisable after the end of the applicable regularly scheduled term (except in the case of death, as may otherwise be permitted under the applicable Employee Stock Plan or award letter).

(c) If, after the Scheduled Expiration Date, your employment with the Company is terminated (i) by the Company, (ii) by you for Good Reason, or (iii) as a result of your death or Disability, and at the time of any such termination described in clause (i), (ii) or (iii), Cause does not exist, then, subject (other than in the case of your death) to your execution and delivery, within 60 days after the date of termination of your employment, and non-revocation (within any applicable revocation period) of the Separation Agreement, each of your then outstanding long term cash awards and equity awards (including restricted stock, restricted stock units, options and stock appreciation rights) that was awarded prior to the Scheduled Expiration Date shall vest and/or be payable as set forth in Paragraphs 6(c), (d), and (e) above.

(d) Upon the termination of your employment with the Company, the Company shall pay you any unpaid base salary through the date of termination by no later than the next payroll period, and shall reimburse you for any unreimbursed expenses incurred through the date of termination in accordance with the Company's reimbursement policy. Except as otherwise specifically provided in this Agreement, your rights to benefits and payments under the Company's pension and welfare plans (other than severance benefits) and any outstanding long-term cash or equity awards shall be determined in accordance with the then current terms and provisions of such plans, agreements and awards under which such benefits and payments (including such long-term cash or equity awards) were granted.

8. For purposes hereof, "Separation Agreement" shall mean the Company's standard severance agreement (modified to reflect the terms of this Agreement) which will include, without limitation, the provisions set forth in Paragraphs 6, 7 and 9 hereof and Annex A hereto regarding non-compete (limited to one year), non-disparagement, non-hire/non-solicitation, confidentiality (including, without limitation, the last paragraph of Section 3 of Annex A), and further cooperation obligations and restrictions on you (with Company reimbursement of your associated expenses and payment for your services as described in Annex A in connection with any required post-employment cooperation) as well as a general release by you of the Company and its affiliates (and their respective directors and officers), but shall otherwise contain no post-employment covenants unless agreed to by you. The Company shall provide you with the form of Separation Agreement within seven days of your termination of employment. For avoidance of doubt, your rights of indemnification under the Company's Amended and Restated Certificate of Incorporation, under your indemnification agreement with the Company and under any insurance policy, or under any other resolution of the Board of Directors of the Company shall not be released, diminished or affected by any Separation Agreement or release or any termination of your employment.

9. Except as otherwise set forth in Paragraphs 6 and 7 hereof, in connection with any termination of your employment, your then outstanding equity and cash incentive awards shall

be treated in accordance with their terms and, other than as provided in this Agreement, you shall not be eligible for severance benefits under any other plan, program or policy of the Company. Nothing in this Agreement is intended to limit any more favorable rights that you may be entitled to under your equity and cash incentive award agreements, including, without limitation, your rights in the event of a termination of your employment, a "Going Private Transaction" or a "Change in Control" (as those terms are defined in the applicable award agreement).

10. For purposes of this Agreement, "*Cause*" means your (i) commission of an act of fraud, embezzlement, misappropriation, willful misconduct, gross negligence or breach of fiduciary duty against the Company or an affiliate thereof, or (ii) commission of any act or omission that results in a conviction, plea of no contest, plea of *nolo contendere*, or imposition of unadjudicated probation for any crime involving moral turpitude or any felony.

For purposes of this Agreement, "*Good Reason*" means that (1) without your written consent and other than by your own causation, (A) your annual base salary or annual target bonus (as each may be increased from time to time in the Compensation Committee's sole discretion) is reduced, (B) you are no longer the Executive Chairman of the Company, (C) you no longer report directly to the Board of Directors of the Company, (D) the Company requires that your principal office be located outside of Nassau County or the Borough of Manhattan, (E) the Company materially breaches its obligations to you under this Agreement; or (F) your responsibilities are materially diminished, (2) you have given the Company written notice, referring specifically to this Agreement and definition, that you do not consent to such action, (3) the Company has not corrected such action within 30 days of receiving such notice, and (4) you voluntarily terminate your employment with the Company within 90 days following the happening of the action described in subsection (1) above.

11. This Agreement does not constitute a guarantee of employment for any definite period. Your employment is at will and may be terminated by you or the Company at any time, with or without notice or reason.

12. The Company may withhold from any payment due to you any taxes required to be withheld under any law, rule or regulation. If any payment otherwise due to you hereunder would result in the imposition of the excise tax imposed by Section 4999 of the Code, the Company will instead pay you either (i) such amount or (ii) the maximum amount that could be paid to you without the imposition of the excise tax, depending on whichever amount results in your receiving the greater amount of after-tax proceeds. In the event that the payments and benefits payable to you would be reduced as provided in the previous sentence, then such reduction will be determined in a manner which has the least economic cost to you and, to the extent the economic cost is equivalent, such payments or benefits will be reduced in the inverse order of when the payments or benefits would have been made to you (*i.e.* later payments will be reduced first) until the reduction specified is achieved. If the Company elects to retain any accounting or similar firm to provide assistance in calculating any such amounts, the Company shall be responsible for the costs of any such firm.

13. It is intended that this Agreement will comply with Section 409A to the extent this Agreement is subject thereto, and that this Agreement shall be interpreted on a basis consistent with such intent. If and to the extent that any payment or benefit under this Agreement, or any plan, award or arrangement of the Company or its affiliates, constitutes "non-qualified deferred compensation" subject to Section 409A and is payable to you by reason of your termination of employment, then (a) such payment or benefit shall be made or provided to you only upon a "separation from service" as defined for purposes of Section 409A under applicable regulations and (b) if you are a "specified employee" (within the meaning of Section 409A as determined by the Company), (i) any payments will not be made to you and instead will be made to a trust in compliance with Rev. Proc. 92-64 (the "Rabbi Trust"), provided, however, that no payment will be made to the Rabbi Trust if it would be contrary to law or cause you to incur additional tax under Section 409A, (ii) any benefits will be delayed, and (iii) such payments or benefits shall not be made or provided to you before the date that is six months after the date of your separation from service (or your earlier death). Any amount not paid or benefit not provided in respect of the six month period specified in the preceding sentence will be paid to you, together with interest on such delayed amount at a rate equal to the average of the one-year LIBOR fixed rate equivalent for the ten business days prior to the date of your employment termination, in a lump sum or provided to you as soon as practicable after the expiration of such six month period. Each payment or benefit provided under this Agreement shall be treated as a separate payment for purposes of Section 409A to the extent Section 409A applies to such payment. If the Rabbi Trust has not been established at the time of the termination of your employment, you may select an institution to serve as the trustee of the Rabbi Trust (so long as the institution is reasonably acceptable to the Company). You may negotiate such terms with the trustee as are customary for such arrangements and reasonably acceptable to the Company. The Company will bear all costs related to the establishment and operation of the Rabbi Trust, including your attorney's fees.

14. To the extent you are entitled to any expense reimbursement from the Company that is subject to Section 409A, (i) the amount of any such expenses eligible for reimbursement in one calendar year shall not affect the expenses eligible for reimbursement in any other taxable year (except under any lifetime limit applicable to expenses for medical care), (ii) in no event shall any such expense be reimbursed after the last day of the calendar year following the calendar year in which you incurred such expense, and (iii) in no event shall any right to reimbursement be subject to liquidation or exchange for another benefit.

15. The Company will not take any action, or omit to take any action, that would expose any payment or benefit to you to the additional tax of Section 409A, unless (i) the Company is obligated to take the action under an agreement, plan or arrangement to which you are a party, (ii) you request the action, (iii) the Company advises you in writing that the action may result in the imposition of the additional tax and (iv) you subsequently request the action in a writing that acknowledges you will be responsible for any effect of the action under Section 409A. The Company will hold you harmless for any action it may take or omission in violation of this Paragraph 15, including any attorney's fees you may incur in enforcing your rights.

16. It is our intention that the benefits and rights to which you could become entitled in connection with termination of employment be exempt from or comply with Section 409A. If

you or the Company believes, at any time, that any of such benefit or right is not exempt or does not comply, it will promptly advise the other and will negotiate reasonably and in good faith to amend the terms of such arrangement such that it complies (with the most limited possible economic effect on you and on the Company).

17. This Agreement is personal to you and without the prior written consent of the Company shall not be assignable by you. This Agreement shall inure to the benefit of and be enforceable by your legal representatives. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. The rights or obligations of the Company under this Agreement may only be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of Company; provided, however, that the assignee or transferee is the successor to all or substantially all of the assets of Company and such assignee or transferee assumes the liabilities and duties of Company, as contained in this Agreement, either contractually or as a matter of law.

18. **To the extent permitted by law, you and the Company waive any and all rights to a jury trial with respect to any matter relating to this Agreement (including the covenants set forth in Annex A and Annex B hereof). This Agreement will be governed by and construed in accordance with the law of the State of New York applicable to contracts made and to be performed entirely within that State.**

19. Both the Company and you hereby irrevocably submit to the jurisdiction of the courts of the State of New York and the federal courts of the United States of America in each case located in the City of New York, Borough of Manhattan, solely in respect of the interpretation and enforcement of the provisions of this Agreement, and each party hereby waives, and agrees not to assert, as a defense that either party, as appropriate, is not subject thereto or that the venue thereof may not be appropriate. You and the Company each agree that mailing of process or other papers in connection with any such action or proceeding in any manner as may be permitted by law shall be valid and sufficient service thereof.

20. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. It is the parties' intention that this Agreement not be construed more strictly with regard to you or the Company.

21. This Agreement reflects the entire understanding and agreement of you and the Company with respect to the subject matter hereof and supersedes all prior understandings or agreements relating thereto, including but not limited to the December 24, 2009 Employment Agreement with Madison Square Garden, Inc.; provided, however, that you shall be entitled to the benefits under the indemnification agreement between you and the Company.

22. This Agreement will automatically terminate, and be of no further force or effect, on the Scheduled Expiration Date; provided, however, that the provisions of Paragraphs 6 through 10,

12 through 22, Annex A and Annex B, and any amounts earned but not yet paid to you pursuant to the terms of this Agreement as of the Scheduled Expiration Date shall survive the termination of the Agreement and remain binding on you and the Company in accordance with their terms.

[Signature Page Follows]

Sincerely,

MSG NETWORKS INC.

/s/ Andrea Greenberg
By: Andrea Greenberg
Title: President & Chief Executive Officer

Accepted and Agreed:

/s/ James L. Dolan
James L. Dolan

ANNEX A
ADDITIONAL COVENANTS
(This Annex constitutes part of the Agreement)

You agree to comply with the following covenants in addition to those set forth in the Agreement.

1. CONFIDENTIALITY

You agree to retain in strict confidence and not divulge, disseminate, copy or disclose to any third party any Confidential Information, other than for legitimate business purposes of the Company and its subsidiaries. As used herein, "Confidential Information" means any non-public information that is material or of a confidential, proprietary, commercially sensitive or personal nature of, or regarding, the Company or any of its subsidiaries or any current or former director, officer or member of senior management of any of the foregoing (collectively "Covered Parties"). The term Confidential Information includes information in written, digital, oral or any other format and includes, but is not limited to (i) information designated or treated as confidential; (ii) budgets, plans, forecasts or other financial or accounting data; (iii) subscriber, customer, guest, fan, vendor, sponsor, marketing affiliate or shareholder lists or data; (iv) financial, technical or strategic information regarding the Covered Parties' programming, carriage agreements and arrangements, affiliation and/or other distribution arrangements, live streaming, advertising, sports, entertainment, or other businesses; (v) advertising, sponsorship, business, sales or marketing tactics, strategies or information; (vi) policies, practices, procedures or techniques; (vii) trade secrets or other intellectual property; (viii) information, theories or strategies relating to litigation, arbitration, mediation, investigations or matters relating to governmental authorities; (ix) terms of agreements with third parties and third party trade secrets; (x) information regarding employees, talent, announcers and commentators, players, coaches, agents, consultants, advisors or representatives, including their compensation or other human resources policies and procedures; (xi) information or strategies relating to any potential or actual business development transactions and/or any potential or actual business acquisition, divestiture or joint venture, and (xii) any other information the disclosure of which may have an adverse effect on the Covered Parties' business reputation, operations or competitive position, reputation or standing in the community.

If disclosed, Confidential Information or Other Information could have an adverse effect on the Company's standing in the community, its business reputation, operations or competitive position or the standing, reputation, operations or competitive position of any of its affiliates, subsidiaries, officers, directors, employees, consultants or agents or any of the Covered Parties.

Notwithstanding the foregoing, the obligations of this section, other than with respect to subscriber information, shall not apply to Confidential Information which is:

a) already in the public domain or which enters the public domain other than by your breach of this Paragraph 1;

b) disclosed to you by a third party with the right to disclose it in good faith; or

c) specifically exempted in writing by the Company from the applicability of this Agreement.

Notwithstanding anything elsewhere in this Agreement, including this Paragraph 1 and Paragraph 3 below, you are authorized to make any disclosure required of you by any federal, state and local laws or judicial, arbitral or governmental agency proceedings (including making truthful statements in connection with a judicial or arbitral proceeding to enforce your rights under this Agreement, to the extent reasonably required and made in good faith), after, to the extent legal and practicable, providing the Company with prior written notice and an opportunity to respond prior to such disclosure. In addition, this Agreement in no way restricts or prevents you from providing truthful testimony concerning the Company to judicial, administrative, regulatory or other governmental authorities.

2. NON-COMPETE

You acknowledge that due to your executive position in the Company and your knowledge of the Company's confidential and proprietary information, your employment or affiliation with certain entities would be detrimental to the Company. You agree that, without the prior written consent of the Company, you will not represent, become employed by, consult to, advise in any manner or have any material interest in any business directly or indirectly in any Competitive Entity (as defined below). A "Competitive Entity" shall mean any person or entity that (i) owns or operates any regional sports programming network or other online or mobile sports programming platform, in any case, primarily distributed in the New York metropolitan area, or (ii) directly competes with any other business of the Company or one of its subsidiaries that produced greater than 10% of the Company's revenues in the calendar year immediately preceding the year in which the determination is made. An entity shall be deemed to compete with the on-line content business of the Company, or any of its affiliates only if the entity directly competes against the television programming and/or on-line content business of the Company or its affiliate(s); provided, however, that an entity's business shall not be deemed to directly compete merely by the fact that the business sells ads on-line, unless the business specifically targets such ads to the same customers or potential customers as being targeted by the on-line content business of the Company, its subsidiary or affiliate. Ownership of not more than 1% of the outstanding stock of any publicly traded company shall not be a violation of this Paragraph. This agreement not to compete will expire upon the one year anniversary of the date of a termination of your employment with the Company.

3. ADDITIONAL UNDERSTANDINGS

You agree, for yourself and others acting on your behalf, that you (and they) have not disparaged and will not disparage, make negative statements about, or act in any manner which is intended to or does damage to the good will of, or the business or personal reputations of the Company or

any of its incumbent officers, directors, agents, consultants, employees, successors and assigns or any of the Covered Parties.

The Company agrees that, except as necessary to comply with applicable law or the rules of the New York Stock Exchange or any other stock exchange on which the Company's stock may be traded (and any public statements made in good faith by the Company in connection therewith), it and its corporate officers and directors, employees in its public relations department or third party public relations representatives retained by the Company will not disparage you or make negative statements in the press or other media which are damaging to your business or personal reputation. In the event that the Company so disparages you or makes such negative statements, then notwithstanding the "Additional Understandings" provision to the contrary, you may make a proportional response thereto.

In addition, you agree that the Company is the owner of all rights, title and interest in and to all documents, tapes, videos, designs, plans, formulas, models, processes, computer programs, inventions (whether patentable or not), schematics, music, lyrics and other technical, business, financial, advertising, sales, marketing, customer or product development plans, forecasts, strategies, information and materials (in any medium whatsoever) developed or prepared by you or with your cooperation in connection with your employment by the Company (the "Materials"). For purposes of clarity, Materials shall not include any music or lyrics written (in the past or in the future) by you, and shall not include any documents, tapes or videos that relate to such music or lyrics or the performance of such music or lyrics other than music or lyrics written in connection with your employment. The Company will have the sole and exclusive authority to use the Materials in any manner that it deems appropriate, in perpetuity, without additional payment to you.

If requested by the Company, you agree to deliver to the Company upon the termination of your employment, or at any earlier time the Company may request, all memoranda, notes, plans, files, records, reports, and software and other documents and data (and copies thereof regardless of the form thereof (including electronic copies)) containing, reflecting or derived from Confidential Information or the Materials of the Company or any of its affiliates which you may then possess or have under your control. If so requested, you shall provide to the Company a signed statement confirming that you have fully complied with this Paragraph. Notwithstanding the foregoing, you shall be entitled to retain your contacts, calendars and personal diaries and any materials needed for your tax return preparation or related to your compensation.

4. FURTHER COOPERATION

Following the date of termination of your employment with the Company (the "Expiration Date"), you will no longer provide any regular services to the Company or represent yourself as a Company agent. If, however, the Company so requests, you agree to cooperate fully with the Company in connection with any matter with which you were involved prior to the Expiration Date, or in any litigation or administrative proceedings or appeals (including any preparation therefore) where the Company believes that your personal knowledge, attendance and participation could be beneficial to the Company. This cooperation includes, without limitation,

participation on behalf of the Company in any litigation or administrative proceeding brought by any former or existing Company employees, representatives, agents or vendors. The Company will pay you for your services rendered under this provision at the rate of $8,400 per day for each day or part thereof, within 30 days of the approval of the invoice therefor.

The Company will provide you with reasonable notice in connection with any cooperation it requires in accordance with this section and will take reasonable steps to schedule your cooperation in any such matters so as not to materially interfere with your other professional and personal commitments. The Company will reimburse you for any reasonable out-of-pocket expenses you reasonably incur in connection with the cooperation you provide hereunder as soon as practicable after you present appropriate documentation evidencing such expenses. You agree to provide the Company with an estimate of such expense before you incur the same.

5. NON-HIRE OR SOLICIT

You agree not to hire, seek to hire, or cause any person or entity to hire or seek to hire (without the prior written consent of the Company), directly or indirectly (whether for your own interest or any other person or entity's interest) any person who is or was in the prior six months an employee of the Company, or any of its subsidiaries, until the first anniversary of the date of your termination of employment with the Company. This restriction does not apply to any former employee who was discharged by the Company or any of its affiliates. In addition, this restriction will not prevent you from providing references.

6. ACKNOWLEDGMENTS

You acknowledge that the restrictions contained in this Annex A, in light of the nature of the Company's business and your position and responsibilities, are reasonable and necessary to protect the legitimate interests of the Company. You acknowledge that the Company has no adequate remedy at law and would be irreparably harmed if you breach or threaten to breach the provisions of this Annex A, and therefore agree that the Company shall be entitled to injunctive relief, to prevent any breach or threatened breach of any of those provisions and to specific performance of the terms of each of such provisions in addition to any other legal or equitable remedy it may have. You further agree that you will not, in any equity proceeding relating to the enforcement of the provisions of this Annex A, raise the defense that the Company has an adequate remedy at law. Nothing in this Annex A shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that it may have or any other rights that it may have under any other agreement. If it is determined that any of the provisions of this Annex A or any part thereof, is unenforceable because of the duration or scope (geographic or otherwise) of such provision, it is the intention of the parties that the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

7. SURVIVAL

The provisions of this Annex A shall survive any termination of your employment by the Company or the expiration of the Agreement except as otherwise provided herein.

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ANNEX B
MSG NETWORKS QUALIFYING TERMINATION
(This Annex constitutes part of the Agreement)

1. Qualifying MSG Networks Termination While You Remain Employed with MSG.

   (a) Notwithstanding anything in the Agreement to the contrary, if you experience a Qualifying MSG Networks Termination (as defined below) while you remain employed with MSG, then you will not be entitled to the severance payment set forth in Section 6(a) of this Agreement.

   (b) For purposes of this Annex B, a "Qualifying MSG Networks Termination" means a termination of your employment with the Company by the Company without Cause or by you for Good Reason (other than if Cause then exists) prior to the Scheduled Expiration Date and while you remain employed with MSG.

Exhibit 31.1

Certification

I, Andrea Greenberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MSG Networks Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2017

/s/ Andrea Greenberg

Andrea Greenberg
President and Chief Executive Officer

Exhibit 31.2

Certification

I, Bret Richter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MSG Networks Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2017

/s/ Bret Richter

Bret Richter
Executive Vice President, Chief Financial Officer and Treasurer

Exhibit 32.1

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of MSG Networks Inc. (the “Company”), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2016 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 2, 2017

/s/ Andrea Greenberg

Andrea Greenberg

President and Chief Executive Officer

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

Exhibit 32.2

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of MSG Networks Inc. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2016 (the "Report") fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 2, 2017

/s/ Bret Richter

Bret Richter
Executive Vice President, Chief Financial Officer and Treasurer

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