AMC Networks Inc.
Form 10-Q
November 08, 2012

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

FORM 10-Q

(Mark One)
þ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2012
or
¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission File Number: 1-35106

AMC Networks Inc.
(Exact name of registrant as specified in its charter)

Delaware	27-5403694
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11 Penn Plaza, New York, NY	10001
(Address of principal executive offices)	(Zip Code)

(212) 324-8500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Exchange Act Rule 12b-2).

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer þ	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 þ
The number of shares of common stock outstanding as of November 1, 2012:

Class A Common Stock par value $0.01 per share	59,909,223
Class B Common Stock par value $0.01 per share	11,784,408

AMC NETWORKS INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
AMC NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)
(unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$313,252	$215,836
Accounts receivable, trade (less allowance for doubtful accounts of $1,325 and $3,092)	254,895	286,810
Amounts due from related parties, net	7,753	5,540
Program rights, net	242,402	235,171
Prepaid expenses and other current assets	37,352	67,370
Deferred tax asset, net	19,724	59,272
Total current assets	875,378	869,999
Property and equipment, net of accumulated depreciation of $148,051 and $132,745	65,105	63,814
Program rights, net	773,101	765,609
Amounts due from related parties, net	3,282	3,214
Deferred carriage fees, net	40,756	47,304
Intangible assets, net	253,706	305,673
Goodwill	79,963	83,173
Other assets	61,585	45,148
Total assets	$2,152,876	$2,183,934
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable	$62,604	$61,605
Accrued liabilities:		
Interest	14,862	31,254
Employee related costs	63,858	57,160
Other accrued expenses	24,127	11,385
Amounts due to related parties, net	1,066	5,336
Program rights obligations	162,557	146,339
Deferred revenue	32,975	23,853
Credit facility debt	5,950	5,950
Capital lease obligations	1,520	1,314
Total current liabilities	369,519	344,196
Program rights obligations	392,566	472,690
Senior notes	687,169	686,434
Credit facility debt	1,496,529	1,598,896
Capital lease obligations	14,508	14,363
Deferred tax liability, net	41,435	51,905
Other liabilities	66,574	52,445
Total liabilities	3,068,300	3,220,929
Commitments and contingencies		
Stockholders' deficiency:		
	606	586

Class A Common Stock, $0.01 par value, 360,000,000 shares authorized, 60,554,932 and 58,628,764 shares issued and 59,914,043 and 58,434,704 shares outstanding, respectively		
Class B Common Stock, $0.01 par value, 90,000,000 shares authorized, 11,784,408 and 13,534,408 shares issued and 11,784,408 and 13,534,408 shares outstanding, respectively	118	135
Preferred stock, $0.01 par value, 45,000,000 shares authorized; none issued	—	—
Paid-in capital	25,523	5,942
Accumulated deficit	(908,615)	(1,029,954)
Treasury stock, at cost (640,889 and 194,060 shares Class A Common Stock, respectively)	(17,666)	(1,677)
Accumulated other comprehensive loss	(15,390)	(12,027)
Total stockholders' deficiency	(915,424)	(1,036,995)
Total liabilities and stockholders' deficiency	$2,152,876	$2,183,934

See accompanying notes to consolidated financial statements.

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AMC NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Three and Nine Months Ended September 30, 2012 and 2011
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues, net (including revenues, net from related parties of $8,106, $7,901, $24,281 and $23,869, respectively)	$332,056	$283,914	$985,865	$848,782
Operating expenses:				
Technical and operating (excluding depreciation and amortization shown below and including charges from related parties of $155, $1,292, $465 and $3,893, respectively)	129,627	96,420	348,906	282,714
Selling, general and administrative (including charges (credits) from related parties of $(1,174), $3,184, $1,930 and $53,934, respectively)	97,202	68,229	287,302	243,714
Restructuring credit	—	(191)	(3)	(240)
Depreciation and amortization	18,368	25,012	67,486	75,197
	245,197	189,470	703,691	601,385
Operating income	86,859	94,444	282,174	247,397
Other income (expense):				
Interest expense	(29,962)	(31,789)	(89,190)	(65,492)
Interest income	100	318	307	938
Write-off of deferred financing costs	(334)	—	(646)	(5,703)
Loss on extinguishment of debt	—	(17)	—	(14,535)
Miscellaneous, net	1	(199)	(631)	(120)
	(30,195)	(31,687)	(90,160)	(84,912)
Income from continuing operations before income taxes	56,664	62,757	192,014	162,485
Income tax expense	(20,121)	(22,440)	(70,989)	(65,388)
Income from continuing operations	36,543	40,317	121,025	97,097
Income (loss) from discontinued operations, net of income taxes	105	(314)	314	(121)
Net income	$36,648	$40,003	$121,339	$96,976
Basic net income per share:				
Income from continuing operations	$0.52	$0.58	$1.72	$1.40
Income (loss) from discontinued operations	$—	$—	$—	$—
Net income	$0.52	$0.58	$1.73	$1.40
Diluted net income per share:				
Income from continuing operations	$0.51	$0.56	$1.68	$1.38
Income (loss) from discontinued operations	$—	$—	$—	$—
Net income	$0.51	$0.55	$1.68	$1.38

Weighted average common shares:				
Basic weighted average common shares	70,506	69,284	70,286	69,203
Diluted weighted average common shares	72,265	72,268	72,194	70,209

See accompanying notes to consolidated financial statements.

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AMC NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Three and Nine Months Ended September 30, 2012 and 2011
(Dollars in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	$36,648	$40,003	$121,339	$96,976
Other comprehensive loss:				
Unrealized loss on interest rate swaps	(890)	(17,290)	(5,338)	(17,290)
Other comprehensive loss, before income taxes	(890)	(17,290)	(5,338)	(17,290)
Income tax benefit	329	6,397	1,975	6,397
Other comprehensive loss, net of income taxes	(561)	(10,893)	(3,363)	(10,893)
Comprehensive income	$36,087	$29,110	$117,976	$86,083

See accompanying notes to consolidated financial statements.

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AMC NETWORKS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended September 30, 2012 and 2011
(Dollars in thousands)
(unaudited)

	Nine Months Ended September 30, 2012	2011
Cash flows from operating activities:		
Income from continuing operations	$121,025	$97,097
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	67,486	75,197
Share-based compensation expense related to equity classified awards	12,846	12,663
Amortization and write-off of program rights	234,894	174,216
Amortization of deferred carriage fees	6,550	17,972
Amortization and write-off of financing and other costs	7,064	9,566
Loss on extinguishment of debt	—	14,535
(Recovery of) provision for doubtful accounts	(635)	670
Deferred income taxes	29,645	53,275
Excess tax benefits from share-based compensation arrangements	(7,259)	—
Other, net	(99)	—
Changes in assets and liabilities:		
Accounts receivable, trade	32,550	9,419
Amounts due from/to related parties, net	(6,203)	(9,333)
Prepaid expenses and other assets	10,487	(11,279)
Program rights and obligations, net	(313,523)	(224,949)
Deferred carriage fees and deferred carriage fees payable, net	(434)	(3,204)
Accounts payable, accrued expenses and other liabilities	29,608	(13,484)
Net cash provided by operating activities	224,002	202,361
Cash flows from investing activities:		
Capital expenditures	(13,673)	(7,129)
Acquisition of investment securities	(750)	—
Payment for acquisition of a business	(185)	(270)
Proceeds from sale of equipment, net of costs of disposal	100	13
Net cash used in investing activities	(14,508)	(7,386)
Cash flows from financing activities:		
Capital contributions from Cablevision	—	20,813
Capital distributions to Cablevision	—	(20,813)
Repayment of credit facility debt	(104,463)	(826,488)
Redemption of senior notes	—	(300,000)
Redemption of senior subordinated notes, including tender premium and fees	—	(338,365)
Payments for financing costs	(393)	(26,599)
Proceeds from credit facility debt	—	1,442,364
Purchase of treasury stock	(15,989)	(83)
Proceeds from stock option exercises	2,074	2,460
Excess tax benefits from share-based compensation arrangements	7,259	—
Principal payments on capital lease obligations	(1,047)	(3,417)
Net cash used in financing activities	(112,559)	(50,128)

Net increase in cash and cash equivalents from continuing operations	96,935	144,847
Cash flows from discontinued operations:		
Net cash provided by (used in) operating activities	481	(410)
Net cash provided by investing activities	—	562
Net increase in cash and cash equivalents from discontinued operations	481	152
Cash and cash equivalents at beginning of period	215,836	79,960
Cash and cash equivalents at end of period	$313,252	$224,959

See accompanying notes to consolidated financial statements.

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AMC NETWORKS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)
(unaudited)

Note 1. Description of Business and Basis of Presentation

Description of Business

AMC Networks Inc. ("AMC Networks") and collectively with its subsidiaries (the "Company") own and operate entertainment businesses and assets. The Company is comprised of two reportable segments:

- National Networks: Includes four nationally distributed programming networks: AMC, WE tv, IFC and Sundance Channel. These programming networks are distributed throughout the United States ("U.S.") via cable and other multichannel video programming distribution platforms, including direct broadcast satellite ("DBS") and platforms operated by telecommunications providers (we refer collectively to these cable and other multichannel video programming distributors as "multichannel video programming distributors" or "distributors"); and
- International and Other: Principally includes AMC/Sundance Channel Global, the Company's international programming business; IFC Films, the Company's independent film distribution business; and AMC Networks Broadcasting & Technology, the Company's network technical services business, which primarily services the programming networks of the Company. AMC and Sundance Channel are distributed in Canada and Sundance Channel and WE tv are distributed in other countries throughout Europe and Asia. The International and Other reportable segment also includes VOOM HD Holdings LLC ("VOOM HD"), which the Company is winding down, and which continues to sell certain limited amounts of programming through program license agreements.

On June 30, 2011, Cablevision Systems Corporation (Cablevision Systems Corporation and its subsidiaries are referred to as "Cablevision") spun-off the Company (the "Distribution") and AMC Networks became an independent public company. In connection with the Distribution, Cablevision contributed all of the membership interests of Rainbow Media Holdings LLC ("RMH") to AMC Networks, which was an indirect wholly-owned subsidiary of Cablevision immediately prior to the Distribution. RMH owned, directly or indirectly, the businesses included in Cablevision's Rainbow segment. On June 30, 2011, Cablevision effected the Distribution of all of AMC Networks' outstanding common stock to its shareholders. Both Cablevision and the Company continue to be controlled by Charles F. Dolan, certain members of his immediate family and certain family related entities (collectively the "Dolan Family").

Basis of Presentation

These unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and Article 10 of Regulation S-X of the Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, these unaudited consolidated financial statements do not include all the information and notes required for complete annual financial statements.

These unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2011 contained in the Company's 2011 Annual Report on Form 10-K ("2011 Form 10-K") filed with the SEC.

The consolidated financial statements as of September 30, 2012 and for the three and nine months ended September 30, 2012 and 2011 are unaudited; however, in the opinion of management, such consolidated financial statements include all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the results for the periods presented. All intercompany transactions and balances have been eliminated in consolidation.

The results of operations for the interim periods are not necessarily indicative of the results that might be expected for future interim periods or for the full year ending December 31, 2012.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Significant estimates and judgments inherent in the preparation of the consolidated financial statements include the determination of ultimate revenues as it relates to accounting for amortization of owned original programming costs, valuation and recoverability of long-lived assets, income taxes and contingencies and litigation matters.

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AMC NETWORKS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollars in thousands, except per share amounts)
(unaudited)

The Company's consolidated financial statements for periods prior to the Distribution have been derived from the consolidated financial statements and accounting records of Cablevision and reflect certain assumptions and allocations. The results of operations and cash flows of the Company for those periods could differ from those that might have resulted had the Company been operated autonomously or as an entity independent of Cablevision. The Company's consolidated financial statements after the Distribution reflect certain revenues and expenses related to transactions with or charges from Cablevision and The Madison Square Garden Company and its subsidiaries ("MSG") as described in Note 11.

Discontinued Operations

Discontinued operations consists of receipts related to the sale of the Lifeskool and Sportskool video-on-demand services in September and October 2008, respectively, which were recorded under the installment sales method.

Recently Adopted Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-08, Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment (ASU 2011-08), to allow entities to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The Company adopted ASU 2011-08 effective January 1, 2012 and applied it to the Company's annual impairment test as of the end of February 2012 (see Note 3).

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU 2011-05). The provisions of ASU 2011-05 provide that an entity that reports items of other comprehensive income has the option to present comprehensive income as (i) a single statement that presents the components of net income and total net income, the components of other comprehensive income and total other comprehensive income and a total for comprehensive income or (ii) in a two-statement approach, whereby an entity must present the components of net income and total net income in the first statement and that statement is immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income and a total for comprehensive income. The previous option under GAAP that permitted the presentation of other comprehensive income in the statement of stockholders' equity has been eliminated.

In December 2011, the FASB issued ASU No. 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 (ASU 2011-12). ASU 2011-12 defers the requirement in ASU 2011-05 to present reclassification adjustments for each component of accumulated other comprehensive income ("AOCI") in both other comprehensive income and net income on the face of the financial statements, and the presentation of reclassification adjustments is not required in interim periods. The Company adopted ASU 2011-05 and ASU 2011-12 effective January 1, 2012 and presents comprehensive income using the two-statement approach.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and IFRSs (ASU 2011-04). ASU 2011-04 provides amendments to Topic 820 that change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. The Company adopted ASU 2011-04 effective January 1, 2012. The adoption of this authoritative guidance did not have any impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements

In October 2012, the FASB issued ASU No. 2012-07, Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs (ASU 2012-07), which eliminates the rebuttable presumption that the conditions leading to the write-off of unamortized film costs after the balance sheet date existed as of the balance sheet date. ASU 2012-07 also eliminates the requirement that an entity incorporate into fair value measurements used in the impairment tests the effects of any changes in estimates resulting from the consideration of subsequent evidence if the information would not have been considered by market participants at the measurement date. ASU 2012-07 does not change an entity's responsibility to analyze and consider any relevant subsequent events and information to assess whether the fair value measurement reflects all relevant information and assumptions that market participants would have considered under the current conditions at the measurement date. This authoritative guidance will be effective for the Company's programming usefulness impairment assessments performed on or after December 15, 2012 and earlier application is permitted.

AMC NETWORKS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollars in thousands, except per share amounts)
(unaudited)

In July 2012, the FASB issued ASU No. 2012-02, Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (ASU 2012-02), to allow entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. ASU 2012-02 permits an entity to first perform a qualitative assessment to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If it is concluded that this is the case, an entity is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount in accordance with Subtopic 350-30. Otherwise, the quantitative impairment test is not required. This authoritative guidance will be effective for the Company's 2013 annual impairment test and earlier adoption is permitted. The Company will evaluate performing a qualitative assessment in 2013.

Note 2. Net Income per Share

The consolidated statements of income present basic and diluted net income per share ("EPS"). Basic EPS is based upon net income divided by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the dilutive effects of AMC Networks stock options (including those held by directors and employees of related parties of the Company) and AMC Networks restricted shares/units (including those held by employees of related parties of the Company).

The following is a reconciliation between basic and diluted weighted average shares outstanding:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Basic weighted average shares outstanding	70,506,000	69,284,000	70,286,000	69,203,000
Effect of dilution:				
Stock options	821,000	1,083,000	847,000	365,000
Restricted shares/units	938,000	1,901,000	1,061,000	641,000
Diluted weighted average shares outstanding	72,265,000	72,268,000	72,194,000	70,209,000

The number of shares used to compute basic and diluted EPS includes the number of shares of AMC Networks common stock issued to Cablevision shareholders on the Distribution date, and excludes unvested outstanding restricted shares, based on a distribution ratio of one share of AMC Networks common stock for every four shares of Cablevision common stock outstanding. The dilutive effect of the Company's share-based awards that were issued in connection with the adjustment or conversion of Cablevision's share-based awards upon the Distribution (including Cablevision stock options and restricted share awards granted prior to the Distribution) and subsequent Company grants, are included in the computation of diluted EPS in periods subsequent to the Distribution.

Approximately 231,000 restricted shares/units for the three and nine months ended September 30, 2012 and approximately 149,000 restricted shares/units for the three and nine months ended September 30, 2011 have been excluded from diluted weighted average common shares outstanding since the performance criteria on these awards has not yet been satisfied.

AMC NETWORKS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollars in thousands, except per share amounts)
(unaudited)

Note 3. Goodwill and Other Intangible Assets
The carrying amount of goodwill, by reporting unit and reportable segment is as follows:

	September 30, 2012	December 31, 2011
Reporting Unit and Segment		
AMC	$34,251	$34,251
WE tv	5,214	5,214
IFC	13,582	13,582
Sundance Channel	25,720	28,930
Total National Networks	78,767	81,977
AMC Networks Broadcasting & Technology	1,196	1,196
Total International and Other	1,196	1,196
	$79,963	$83,173

The reduction of $3,210 in the carrying amount of goodwill for Sundance Channel is due to the realization of a tax benefit for the amortization of "second component" goodwill. Second component goodwill is the amount of tax deductible goodwill in excess of goodwill for financial reporting purposes. In accordance with the authoritative guidance at the time of the Sundance Channel acquisition, the tax benefits associated with this excess are applied to first reduce the amount of goodwill, and then other intangible assets for financial reporting purposes, if and when such tax benefits are realized in the Company's tax returns.
The following tables summarize information relating to the Company’s identifiable intangible assets:

	September 30, 2012		
	Gross	Accumulated Amortization	Net
Amortizable intangible assets:			
Affiliation agreements and affiliate relationships	$840,757	$(612,986)	$227,771
Advertiser relationships	74,248	(68,370)	5,878
Other amortizable intangible assets	644	(487)	157
Total amortizable intangible assets	915,649	(681,843)	233,806
Indefinite-lived intangible assets:			
Trademarks	19,900	—	19,900
Total intangible assets	$935,549	$(681,843)	$253,706

	December 31, 2011		
	Gross	Accumulated Amortization	Net
Amortizable intangible assets:			
Affiliation agreements and affiliate relationships	$911,357	$(637,394)	$273,963
Advertiser relationships	103,723	(92,166)	11,557
Other amortizable intangible assets	644	(391)	253
Total amortizable intangible assets	1,015,724	(729,951)	285,773
Indefinite-lived intangible assets:			
Trademarks	19,900	—	19,900
Total intangible assets	$1,035,624	$(729,951)	$305,673

During the nine months ended September 30, 2012, the Company retired $29,475 and $70,600 of fully amortized advertiser relationships and affiliation agreements, respectively.

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AMC NETWORKS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollars in thousands, except per share amounts)
(unaudited)

Aggregate amortization expense for amortizable intangible assets for the nine months ended September 30, 2012 and 2011 was $51,967 and $59,332, respectively. The Company expects its future aggregate amortization expense for existing intangible assets subject to amortization to be as follows:

Years Ending December 31,	
2012	$64,489
2013	31,631
2014	9,759
2015	9,746
2016	9,746

Impairment of Goodwill and Identifiable Indefinite-Lived Intangible Assets

In accordance with the accounting guidance adopted on January 1, 2012, the annual goodwill impairment test allows for the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. An entity may choose to perform the qualitative assessment on none, some or all of its reporting units or an entity may bypass the qualitative assessment for any reporting unit and proceed directly to step one of the quantitative impairment test. If it is determined, on the basis of qualitative factors, that the fair value of a reporting unit is, more likely than not, less than its carrying value, the quantitative impairment test is required. The quantitative impairment test is a two-step process. The first step compares the carrying amount of a reporting unit, including goodwill, with its fair value utilizing an enterprise-value based approach. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of the goodwill impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination.

In assessing the recoverability of goodwill and other long-lived assets, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Estimates of fair value are primarily determined using discounted cash flows and comparable market transactions. These valuations are based on estimates and assumptions including projected future cash flows, discount rate and determination of appropriate market comparables and determination of whether a premium or discount should be applied to comparables. These valuations also include assumptions for renewals of affiliation agreements, the projected number of subscribers and the projected average rates per basic and viewing subscribers and growth in fixed price contractual arrangements used to determine affiliation fee revenue, access to program rights and the cost of such program rights, amount of programming time that is advertiser supported, number of advertising spots available and the sell through rates for those spots, average fee per advertising spot and operating margins, among other assumptions. If these estimates or material related assumptions change in the future, we may be required to record impairment charges related to our long-lived assets.

The impairment test for identifiable indefinite-lived intangible assets consists of a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Significant judgments inherent in a valuation include the selection of appropriate discount and royalty rates, estimating the amount and timing of estimated future cash flows and identification of appropriate continuing growth rate assumptions. The discount rates used in the analysis are intended to reflect the risk inherent in the projected future cash flows generated by the respective intangible assets.

Based on the Company’s annual impairment test for goodwill and identifiable indefinite-lived intangible assets as of the end of February 2012, no impairment charge was required for any of the reporting units. The Company performed a qualitative assessment for the AMC, WE tv, IFC and AMC Networks Broadcasting and Technology reporting units, which included, but was not limited to, consideration of the historical significant excesses of the estimated fair value of each reporting unit over its respective carrying value (including allocated goodwill), macroeconomic conditions, industry and market considerations, cost factors and historical and projected cash flows. The Company performed a quantitative assessment for the Sundance Channel reporting unit. Based on the quantitative assessment, if the fair value of the Sundance Channel reporting unit decreased by 11%, the Company would be required to perform step-two of the quantitative assessment.

The Company’s indefinite-lived trademark intangible assets relate to Sundance Channel trademarks, which were valued using a relief-from-royalty method in which the expected benefits are valued by discounting estimated royalty revenue over projected revenues covered by the trademarks. In order to evaluate the sensitivity of the fair value calculations for the Company’s identifiable indefinite-lived intangible assets, the Company applied a hypothetical 20% decrease to the estimated fair value of the identifiable indefinite-lived intangible assets. This hypothetical decrease in estimated fair value would not result in an impairment.

Note 4. Income Taxes

For the three and nine months ended September 30, 2012, income tax expense attributable to continuing operations was $20,121 and $70,989, respectively, representing an effective tax rate of 36% and 37%, respectively. The effective tax rate differs from the federal statutory rate of 35% due primarily to state and local income tax expense of $1,147 and $4,210, for the three and nine months ended September 30, 2012, respectively, and tax expense of $1,544 related to uncertain tax positions, including accrued interest, for the nine months ended September 30, 2012, partially offset by a tax benefit of $570 and $2,370 resulting from a decrease in the valuation allowance with regard to certain local income tax credit carry forwards, for the three and nine months ended September 30, 2012, respectively.

For the three and nine months ended September 30, 2011, income tax expense attributable to continuing operations was $22,440 and $65,388, respectively, representing an effective tax rate of 36% and 40%, respectively. The effective tax rate differs from the federal statutory rate of 35% due primarily to state and local income tax expense of $1,272 and $6,562, tax expense of $839 and $2,908 related to uncertain tax positions, including accrued interest, partially offset by a tax benefit of $2,674 and $2,182 resulting from a decrease in the valuation allowance with regard to certain local income tax credit carry forwards, for the three and nine months ended September 30, 2011, respectively.

At September 30, 2012, the Company had foreign tax credit carry forwards of approximately $17,000, expiring on various dates from 2014 through 2022. For the nine months ended September 30, 2012, the utilization of the remaining federal net operating loss carry forwards (“NOLs”) and alternative minimum tax credit carry forwards reduced current deferred income tax assets by $50,000 and $2,300, respectively. In addition, for the nine months ended September 30, 2012, excess tax benefits of $7,259 relating to share-based compensation awards and $3,210 relating to amortization of tax deductible second component goodwill were realized as a reduction in tax liability (as determined on a 'with-and-without' approach) and recorded as an increase to paid-in capital and a decrease in goodwill, respectively.

Under the Company's Tax Disaffiliation Agreement with Cablevision, Cablevision is liable for all income taxes of the Company for periods prior to the Distribution except for New York City Unincorporated Business Tax. A deemed capital distribution, net of $2,596 was recorded for the nine months ended September 30, 2012 to reflect true-ups as of the Distribution date for utilization of Cablevision's NOLs and for adjustments to deferred tax assets and liabilities as a result of the Distribution. The City of New York is currently auditing the Company's Unincorporated Business Tax Returns for the years 2006 through 2008.

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(Dollars in thousands, except per share amounts)

Note 5. Debt

Long-term debt consists of:

	September 30, 2012	December 31, 2011
Credit facility debt: (a) (b)		
Term A Facility	$926,016	$1,025,065
Term B Facility	576,463	579,781
Senior notes (b)	687,169	686,434
	2,189,648	2,291,280
Less: current portion	5,950	5,950
Total	$2,183,698	$2,285,330

(a) The Company's $500,000 revolving credit facility remains undrawn at September 30, 2012. Total undrawn revolver commitments are available to be drawn for general corporate purposes of the Company.

(b) The carrying amount of credit facility debt and senior notes is net of unamortized discounts.

In each of March, July and November 2012, the Company voluntarily prepaid $50,000 under the Term A Facility. These voluntary prepayments were applied to the earliest required quarterly installments due, and were in addition to the regularly scheduled quarterly principal payments made under the Term B Facility. As a result of these voluntary prepayments, the next required quarterly installment under the Term A Facility will be due on December 31, 2014 in the amount of $4,250. The Company wrote-off $334 and $646 of deferred financing costs associated with the voluntary prepayments that were made during the three and nine months ended September 30, 2012, respectively.

Pursuant to a registration rights agreement, dated as of June 30, 2011, among AMC Networks, the Subsidiary Guarantors (as defined in the agreement) and the initial purchasers of the $700,000 of AMC Networks 7.75% Senior Notes due July 15, 2021 (the "Notes"), AMC Networks filed a registration statement with the SEC on April 24, 2012 with respect to an offer to exchange the Notes for registered notes (the "Exchange Offer") with terms identical in all material respects to the Notes except that the registered notes do not contain terms that provide for restrictions on transfer (the "Registered Notes"), which was declared effective by the SEC on June 7, 2012. On July 10, 2012, the Exchange Offer was completed and all of AMC Networks' original Notes were exchanged for Registered Notes.

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Note 6. Derivative Financial Instruments
To manage interest rate risk, the Company enters into interest rate swap contracts to adjust the amount of total debt that is subject to variable interest rates. Such contracts effectively fix the borrowing rates on floating rate debt to limit the exposure against the risk of rising interest rates. The Company does not enter into interest rate swap contracts for speculative or trading purposes and it has only entered into interest rate swap contracts with financial institutions that it believes are creditworthy counterparties. The Company monitors the financial institutions that are counterparties to its interest rate swap contracts and to the extent possible diversifies its swap contracts among various counterparties to mitigate exposure to any single financial institution.
The Company's risk management objective and strategy with respect to interest rate swap contracts is to protect the Company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows relating to interest payments on a portion of its outstanding debt. The Company is meeting its objective by hedging the risk of changes in its cash flows (interest payments) attributable to changes in the LIBOR index rate, the designated benchmark interest rate being hedged (the "hedged risk"), on an amount of the Company's debt principal equal to the then-outstanding swap notional. The forecasted interest payments are deemed to be probable of occurring.
The Company's interest rate swap contracts are designated as cash flow hedges for accounting and tax purposes. The Company assesses, both at the hedge's inception and on an ongoing basis, hedge effectiveness based on the overall changes in the fair value of the interest rate swap contracts. Hedge effectiveness of the interest rate swap contracts is based on a hypothetical derivative methodology. Any ineffective portion of the interest rate swap contracts is recorded in current-period earnings.
As of September 30, 2012, the Company had interest rate swap contracts outstanding with notional amounts aggregating $849,406. The Company's outstanding interest rate swap contracts have varying maturities ranging from September 2015 to July 2017. At September 30, 2012, the Company's interest rate cash flow hedges were highly effective, in all material respects.
The fair values of the Company's derivative financial instruments included in the consolidated balance sheets are as follows:

	Liability Derivatives		
	Balance Sheet Location	Fair Value	
		September 30, 2012	December 31, 2011
Derivatives designated as hedging instruments:			
Interest rate swap contracts	Other liabilities	$24,429	$19,091
Total derivatives		$24,429	$19,091

The amounts of the gains and losses related to the Company's derivative financial instruments designated as hedging instruments are as follows:

	Amount of Loss Recognized in Other Comprehensive Income ("OCI") on Derivatives (Effective Portion)		Location of Loss Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Earnings (Effective Portion)(a)	
	Three Months Ended September 30,			Three Months Ended September 30,	
	2012	2011		2012	2011
Derivatives in Cash Flow Hedging Relationships:					
Interest rate swap contracts	$3,618	$19,666	Interest expense	$2,728	$2,376

(a) There were no gains or losses recognized in earnings related to any ineffective portion of the hedging relationship or related to any amount excluded from the assessment of hedge effectiveness for the three months ended September 30, 2012 and 2011.

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	Amount of Loss Recognized in OCI on Derivatives (Effective Portion)		Location of Loss Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Earnings (Effective Portion)(b)	
	Nine Months Ended September 30,			Nine Months Ended September 30,	
	2012	2011		2012	2011
Derivatives in Cash Flow Hedging Relationships:					
Interest rate swap contracts	$ 12,346	$ 19,666	Interest expense	$ 7,008	$ 2,376

(b) There were no gains or losses recognized in earnings related to any ineffective portion of the hedging relationship or related to any amount excluded from the assessment of hedge effectiveness for the nine months ended September 30, 2012 and 2011.

Note 7. Commitments and Contingencies

Commitments

As of September 30, 2012, the Company’s off-balance sheet arrangements not reflected on the Company’s consolidated balance sheet decreased approximately $26,000 to approximately $317,600 as compared to approximately $343,600 at December 31, 2011. The decrease relates primarily to future program rights obligations.

Legal Matters

DISH Network Contract Dispute

In 2005, subsidiaries of the Company entered into agreements with EchoStar Communications Corporation and its affiliates by which EchoStar Media Holdings Corporation acquired a 20% interest in VOOM HD and EchoStar Satellite L.L.C. (the predecessor to DISH Network L.L.C. (“DISH Network”)) agreed to distribute VOOM on the satellite delivered programming of DISH Network for a 15-year term. The affiliation agreement with DISH Network for such distribution provides that if VOOM HD fails to spend $100,000 per year (subject to reduction to the extent that the number of offered channels is reduced to fewer than 21), up to a maximum of $500,000 in the aggregate, on VOOM, DISH Network may seek to terminate the agreement under certain circumstances. On January 30, 2008, DISH Network purported to terminate the affiliation agreement, effective February 1, 2008, based on its assertion that VOOM HD had failed to comply with this spending provision in 2006. On January 31, 2008, VOOM HD sought and obtained a temporary restraining order from the New York State Supreme Court for New York County prohibiting DISH Network from terminating the affiliation agreement. In conjunction with its request for a temporary restraining order, VOOM HD also requested a preliminary injunction and filed a lawsuit against DISH Network asserting that DISH Network did not have the right to terminate the affiliation agreement. In a decision filed on May 5, 2008, the court denied VOOM HD’s motion for a preliminary injunction. On or about May 13, 2008, DISH Network ceased distribution of VOOM on its DISH Network. On May 27, 2008, VOOM HD amended its complaint to seek damages for DISH Network’s improper termination of the affiliation agreement. On June 24, 2008, DISH Network answered VOOM HD’s amended complaint and asserted counterclaims alleging breach of contract and breach of the duty of good faith and fair dealing with respect to the affiliation agreement. On July 14, 2008, VOOM HD replied to DISH Network’s counterclaims. VOOM HD and DISH Network each filed cross-motions for summary judgment. In November 2010, the court denied both parties’ cross-motions for summary judgment but granted VOOM HD’s motion for sanctions based on DISH Network’s spoliation of evidence as well as its motion to exclude DISH Network’s principal damages expert. DISH Network appealed these latter two rulings. On January 31, 2012, the Appellate Division of the New York State Supreme Court issued a decision affirming (i) the trial court’s finding of spoliation and imposition of the sanction of an adverse inference at trial; and (ii) the trial court’s decision to exclude DISH Network’s damages expert. On February 6, 2012, DISH Network filed a motion seeking leave from the Appellate Division to appeal the order. On April 26, 2012, the Appellate Division denied DISH Network’s motion, thereby precluding any further appeal of the trial court rulings. The stay of the pending trial court proceedings was lifted on May 1, 2012. A trial before the New York State Supreme Court began on September 28, 2012. On October 21, 2012, VOOM HD and CSC Holdings, LLC ("CSC Holdings"), a wholly owned subsidiary of Cablevision, entered into a confidential settlement agreement and release (the “Settlement Agreement”) with DISH Network, and for certain limited purposes, MSG Holdings, L.P., The Madison Square Garden Company and EchoStar Corporation, to settle the litigation between VOOM HD and DISH Network. On October 24, 2012, VOOM HD and DISH Network filed a stipulation of discontinuance with prejudice with the New York State Supreme Court with respect to the litigation.

The principal terms of the Settlement Agreement are as follows: 1) DISH Network paid $700 million to an account for the benefit of Cablevision and the Company, $80 million of which is in consideration for the purchase by DISH Network from a subsidiary of Cablevision of certain MVDDS spectrum licenses; 2) simultaneously with the execution of the Settlement Agreement, DISH Network entered into a long-term affiliation agreement with AMC Network Entertainment LLC, WE: Women's Entertainment LLC, The Independent Film Channel LLC, The Sundance Channel L.L.C. and Fuse Network LLC, a subsidiary of The Madison Square Garden Company, that provided for resumption of carriage of all of the Company's networks by no later than November 1, 2012; and 3) an affiliate of DISH Network agreed to convey its 20% membership interest in VOOM HD to Rainbow Programming Holdings LLC ("Rainbow Programming Holdings"), a wholly owned subsidiary of AMC Networks.

In connection with the Distribution, AMC Networks and Rainbow Programming Holdings (collectively, the “AMC Parties”) and CSC Holdings entered into an agreement, pursuant to which, CSC Holdings had full control over the litigation with DISH Network and the decision with respect to settlement was made jointly by CSC Holdings and the AMC Parties. In addition, pursuant to this agreement CSC Holdings and the AMC Parties will share equally in the proceeds (including in the value of any non-cash consideration) of the settlement in the litigation with DISH Network. The AMC Parties were responsible for the legal fees and costs until such costs reached an agreed upon threshold, which occurred in the third quarter of 2012, subsequent to which CSC Holdings and the AMC Parties bear such fees and expenses equally. The allocation of the settlement proceeds between Cablevision and the AMC Parties is being determined pursuant to this existing agreement. Once the AMC Parties' share of the proceeds are determined, such amount will be allocated to the AMC Parties' related elements of the arrangement and will be recorded commencing in the fourth quarter of 2012.

Other Legal Matters

On April 15, 2011, Thomas C. Dolan, a director of the Company and Executive Vice President, Strategy and Development, in the Office of the Chairman and a director of Cablevision, filed a lawsuit against Cablevision and RMH in New York Supreme Court. The lawsuit raises compensation-related claims (seeking approximately $11,000) related to events in 2005. The matter is being handled under the direction of an independent committee of the board of directors of Cablevision. In connection with the Distribution Agreement, Cablevision indemnified the Company and RMH against any liabilities and expenses related to this lawsuit. Based on the indemnification and Cablevision’s and the Company’s assessment of this possible loss contingency, no provision has been made for this matter in the consolidated financial statements.

In addition to the matters discussed above, the Company is party to various lawsuits and claims in the ordinary course of business. Although the outcome of these other matters cannot be predicted with certainty and the impact of the final resolution of these other matters on the Company’s results of operations in a particular subsequent reporting period is not known, management does not believe that the resolution of these matters will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

Note 8. Equity and Long-Term Incentive Plans

In connection with the Distribution, the Company adopted the AMC Networks Inc. 2011 Employee Stock Plan (the “2011 Employee Stock Plan”), the AMC Networks Inc. 2011 Stock Plan for Non-Employee Directors (the “2011 Non-Employee Director Plan”) and the AMC Networks Inc. 2011 Cash Incentive Plan (the “2011 Cash Incentive Plan”). All Plans were amended and restated and approved by the Company’s shareholders on June 5, 2012.

On March 15, 2012, AMC Networks granted 441,111 restricted share units to certain executive officers and employees under the 2011 Employee Stock Plan that vest on the third anniversary of the grant date. The vesting criteria for 97,915 of those restricted share units include the achievement of certain performance targets by the Company. Also in March 2012, AMC Networks granted three-year performance based awards to certain executive officers and employees under the 2011 Cash Incentive Plan.

On June 5, 2012, AMC Networks granted 30,393 restricted share units under the 2011 Non-Employee Director Plan to non-employee directors that vested on the date of grant.

Share-based compensation expense included in continuing operations, a component of selling, general and administrative expense, for the three and nine months ended September 30, 2012 was $4,362 and $12,846, respectively, related to equity classified awards. For the three and nine months ended September 30, 2011, share-based compensation expense was $4,320 and $12,663, respectively, related to equity classified awards. For the nine months ended September 30, 2012, there was no share-based compensation expense included in continuing operations for liability classified awards (stock appreciation rights). For the three and nine months ended September 30, 2011, there was $623 and $476, respectively, of share-based compensation credits included in continuing operations for liability classified awards. For periods prior to the Distribution, the Company's share-based compensation expense includes amounts related to Company employees participating in the Cablevision equity awards programs, as well as amounts related to Cablevision corporate employees and non-employee directors to the extent allocated to the Company. For periods after the Distribution, the Company no longer receives an allocation of share-based compensation expense for Cablevision corporate employees and non-employee directors, including expense related to the Company's Executive Chairman with respect to his participation in the Cablevision equity awards program (since he remained an executive officer of Cablevision).

As of September 30, 2012, there was $29,083 of total unrecognized share-based compensation cost related to Company employees who held unvested AMC Networks and Cablevision restricted shares/units. The unrecognized compensation cost is expected to be recognized over a weighted-average remaining period of approximately 2.0 years.

During the nine months ended September 30, 2012, 1,032,018 shares of AMC Networks Class A common stock previously issued to employees of Cablevision, MSG and the Company vested. In connection with the employees' satisfaction of the statutory minimum tax withholding obligations for the applicable income and other employment taxes, 352,910 of these shares, with an aggregate value of $15,988, were surrendered to the Company. These acquired shares, as well as 93,919 forfeited unvested restricted shares, have been classified as treasury stock.

Long-term incentive plan compensation expense included in continuing operations for the three and nine months ended September 30, 2012 was $2,987 and $8,057, respectively. For the three and nine months ended September 30, 2011, long-term incentive plan compensation expense was $2,166 and $9,451, respectively. Such amount is accrued for performance-based awards for which the performance criteria had not yet been met as the awards are based on achievement of certain performance criteria through December 31, 2014. The Company has accrued the pro-rata amount earned that it currently believes will ultimately be paid based upon the performance criteria established for these performance-based awards. If the Company subsequently determines that the performance criteria for the awards are not probable of being achieved, the Company would reverse the accrual in respect of the award at that time.

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Note 9. Fair Value Measurement
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 financial assets and liabilities that are measured at fair value on a recurring basis:

	Level I	Level II	Level III	Total
At September 30, 2012:				
Assets:				
Cash equivalents [(a)]	$287,100	$—	$—	$287,100
Liabilities:				
Interest rate swap contracts	$—	$24,429	$—	$24,429
At December 31, 2011:				
Assets:				
Cash equivalents [(a)]	$202,276	$—	$—	$202,276
Liabilities:				
Interest rate swap contracts	$—	$19,091	$—	$19,091

(a) Represents the Company's investment in money market funds.

The Company's cash equivalents are classified within Level I of the fair value hierarchy because they are valued using quoted market prices.

The Company's interest rate swap contracts are classified within Level II of the fair value hierarchy and their fair values are determined based on a market approach valuation technique that uses readily observable market parameters and the consideration of counterparty risk.

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Credit Facility Debt and Senior Notes

The fair values of each of the Company's debt instruments are based on quoted market prices for the same or similar issues or on the current rates offered to the Company for instruments of the same remaining maturities.

The carrying values and estimated fair values of the Company's financial instruments, excluding those that are carried at fair value in the consolidated balance sheets are summarized as follows:

	September 30, 2012	
	Carrying Amount	Estimated Fair Value
Debt instruments:		
Credit facility debt	$1,502,479	$1,495,866
Senior notes	687,169	791,000
	$2,189,648	$2,286,866

	December 31, 2011	
	Carrying Amount	Estimated Fair Value
Debt instruments:		
Credit facility debt	$1,604,846	$1,550,960
Senior notes	686,434	761,250
	$2,291,280	$2,312,210

Fair value estimates related to the Company's debt instruments presented above are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Note 10. Concentration of Risk

Financial Instruments

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. Cash is invested in money market funds and bank time deposits. The Company monitors the financial institutions and money market funds where it invests its cash and cash equivalents with diversification among counterparties to mitigate exposure to any single financial institution. The Company's emphasis is primarily on safety of principal and liquidity and secondarily on maximizing the yield on its investments.

Customers

Two customers accounted for the following percentages of the Company's revenues, net:

	Nine Months Ended September 30,	
	2012	2011
Customer 1	*	11 %
Customer 2	12 %	13 %

*Less than 10%

Failure to renew affiliation agreements with the Company's largest customers, or renewal on less favorable terms, or the termination of those agreements could have a material adverse effect on the Company's business. A reduced distribution of the Company's programming networks would adversely affect the Company's affiliation fee revenue, and impact the Company's ability to sell advertising or the rates the Company charges for such advertising.

At September 30, 2012, Customer 2 represented 10% of the Company's net trade receivable balances.

Note 11. Related Party Transactions

Members of the Dolan Family, for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, including trusts for the benefit of the Dolan Family, collectively beneficially own all of the Company's outstanding Class B Common Stock and own approximately 3% 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 67% of the aggregate voting power of the Company's outstanding common stock. Members of the Dolan Family are also the controlling stockholders of both Cablevision and MSG.

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

The Company provides services to and receives services from Cablevision and MSG. Until the Distribution date, the consolidated financial statements of the Company reflect the application of certain cost allocation policies of Cablevision. Management believes that these allocations were made on a reasonable basis. However, it is not practicable to determine whether the charged amounts represent amounts that might have been incurred on a stand-alone basis, including as a separate independent publicly owned company, as there are no company-specific or comparable industry benchmarks with which to make such estimates. Further, as many of these transactions are conducted between subsidiaries under common control of the Dolan Family, amounts charged for these services may not represent amounts that might have been received or incurred if the transactions were based upon arm's-length negotiations. Through the Distribution date, the Company paid Cablevision a management fee pursuant to a consulting agreement between Cablevision and certain of the Company's subsidiaries. The consulting agreement was terminated on the Distribution date and the Company did not replace it.

The Company records revenues, net from subsidiaries of Cablevision and MSG. Revenues, net from related parties amounted to $8,106 and $7,901 for the three months ended September 30, 2012 and 2011, respectively. Revenues, net from related parties amounted to $24,281 and $23,869 for the nine months ended September 30, 2012 and 2011, respectively.

In addition, the Company and its related parties routinely enter into transactions with each other in the ordinary course of business. Amounts charged to the Company, included in technical and operating expenses, pursuant to transactions with its related parties amounted to $155 and $1,292 for the three months ended September 30, 2012 and 2011, respectively, and $465 and $3,893 for the nine months ended September 30, 2012 and 2011, respectively. Amounts charged (credited) to the Company, included in selling, general and administrative expenses, pursuant to the transition services agreement and for other transactions, including management fees allocated by Cablevision for periods through the Distribution date, with its related parties amounted to $(1,174) and $3,184 for the three months ended September 30, 2012 and 2011, respectively, and $1,930 and $53,934 for the nine months ended September 30, 2012 and 2011, respectively. Amounts charged to the Company for the three and nine months ended September 30, 2012 are net of shared legal fees charged to Cablevision associated with the DISH Network Contract Dispute (see Note 7).

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Note 12. Cash Flows
The Company's non-cash investing and financing activities and other supplemental data were as follows:

	Nine Months Ended September 30,	
	2012	2011
Non-Cash Investing and Financing Activities:		
Continuing Operations:		
Deemed capital (distribution) contribution related to the utilization of Cablevision tax losses (see Note 4)	$(1,448)	$37,912
Deemed capital (distribution) contribution, net related to adjustments to the liability for uncertain tax positions and net deferred tax assets as a result of the Distribution (see Note 4)	(1,148)	44,508
Capital distribution for the transfer of a promissory note receivable to Cablevision (see Promissory Note discussion below)	—	(17,113)
Deemed capital distribution to Cablevision related to employee benefit plans as a result of the Distribution (see Employee Matters Agreement discussion below)	—	(6,602)
Deemed capital distribution associated with the issuance of debt to Cablevision (see Issuance of Debt to Cablevision discussion below)	—	(1,250,000)
Deemed capital contribution related to the allocation of Cablevision share-based compensation expense	—	8,343
Leasehold improvements paid by landlord	2,071	150
Increase in capital lease obligations and related assets	1,399	39
Supplemental Data:		
Cash interest paid — continuing operations	99,193	64,300
Income taxes paid, net — continuing operations (see Income Taxes Paid, Net discussion below)	19,892	8,289

Promissory Note
In September 2009, RMH and one of its subsidiaries that was transferred by the Company to Cablevision on December 31, 2010 agreed to the terms of a promissory note having an initial principal amount of $0 and increasing from time to time by advances made by RMH, with an interest rate of 8.625%. Interest income recognized by RMH related to this note amounted to $0 and $120 for the three and nine months ended September 30, 2011, respectively. On January 31, 2011, RMH distributed to a subsidiary of Cablevision all of its rights, title and interest in and to the promissory note. This distribution, which amounted to $17,113, including principal and accrued and unpaid interest, is reflected as a non-cash capital distribution for the nine months ended September 30, 2011.
Employee Matters Agreement
In connection with the Distribution, AMC Networks entered into an Employee Matters Agreement with Cablevision which allocated assets, liabilities and responsibilities with respect to certain employee compensation and benefit plans and programs and certain other related matters. As a result of such agreement, as of June 30, 2011, AMC Networks recorded a net receivable from Cablevision of $876, an increase in accrued employee related costs of $7,478 and a capital distribution of $6,602 which decreased additional paid-in capital for the transfer to the Company from Cablevision of the obligations related to the Company's employees' participant accounts in the Cablevision Excess Savings Plan $(3,616) and the Cablevision Excess Cash Balance Pension Plan $(3,862) and for the Company's obligation to Cablevision for the $6,193 unfunded liability associated with Company employee participants in Cablevision's Cash Balance Pension Plan. In addition, the Company reduced its long-term incentive plan and stock appreciation rights liabilities and increased amounts due to related parties by $6,742 for its obligation to pay

Cablevision for its allocated share of the related expense for Cablevision corporate employees through June 30, 2011. As of December 31, 2011, these related party balances were settled.

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(Dollars in thousands, except per share amounts)
(unaudited)

Issuance of Debt to Cablevision

In connection with the Distribution, as partial consideration for Cablevision's contribution of the membership interests in RMH to the Company, $1,250,000, net of discount, of AMC Networks debt was issued to CSC Holdings, which was reflected as a deemed capital distribution in the consolidated statement of stockholders' deficiency for the year ended December 31, 2011.

Income Taxes Paid, Net

Income taxes paid, net increased by $11,603 primarily due to federal estimated tax payments during the nine months ended September 30, 2012, which were based on annualized taxable income after utilization of NOLs.

Note 13. Segment Information

As discussed in Note 1, the Company classifies its operations into two reportable segments: National Networks, and International and Other. These reportable segments are strategic business units that are managed separately.

The Company generally allocates all corporate overhead costs to the Company's two reportable segments based upon their proportionate estimated usage of services, including such costs as executive salaries and benefits, costs of maintaining corporate headquarters, facilities and common support functions (such as human resources, legal, finance, tax, accounting, audit, treasury, risk management, strategic planning and information technology) as well as sales support functions and creative and production services.

The Company evaluates segment performance based on several factors, of which the primary financial measure is business segment adjusted operating cash flow (defined as operating income (loss) before depreciation and amortization, share-based compensation expense or benefit and restructuring expense or credit), a non-GAAP measure. The Company has presented the components that reconcile adjusted operating cash flow to operating income, an accepted GAAP measure. Information as to the continuing operations of the Company's reportable segments is set forth below.

	Three Months Ended September 30, 2012			
	National Networks	International and Other	Inter-segment eliminations	Consolidated
Revenues, net				
Advertising	$107,453	$5	$—	$107,458
Affiliation fee and other	198,775	29,302	(3,479)	224,598
Consolidated revenues, net	$306,228	$29,307	$(3,479)	$332,056
Adjusted operating cash flow (deficit)	$116,440	$(8,117)	$1,266	$109,589
Depreciation and amortization	(14,449)	(3,919)	—	(18,368)
Share-based compensation expense	(3,463)	(899)	—	(4,362)
Operating income (loss)	$98,528	$(12,935)	$1,266	$86,859

	Three Months Ended September 30, 2011			
	National Networks	International and Other	Inter-segment eliminations	Consolidated
Revenues, net				
Advertising	$98,482	$5	$—	$98,487
Affiliation fee and other	159,865	30,715	(5,153)	185,427
Consolidated revenues, net	$258,347	$30,720	$(5,153)	$283,914
Adjusted operating cash flow (deficit)	$123,228	$(21)	$(245)	$122,962
Depreciation and amortization	(21,453)	(3,559)	—	(25,012)
Share-based compensation expense	(3,053)	(644)	—	(3,697)
Restructuring credit	—	191	—	191
Operating income (loss)	$98,722	$(4,033)	$(245)	$94,444

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AMC NETWORKS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollars in thousands, except per share amounts)
(unaudited)

	Nine Months Ended September 30, 2012			
	National Networks	International and Other	Inter-segment eliminations	Consolidated
Revenues, net				
Advertising	$366,218	$15	$—	$366,233
Affiliation fee and other	549,417	81,907	(11,692)	619,632
Consolidated revenues, net	$915,635	$81,922	$(11,692)	$985,865
Adjusted operating cash flow (deficit)	$385,435	$(25,738)	$2,806	$362,503
Depreciation and amortization	(56,281)	(11,205)	—	(67,486)
Share-based compensation expense	(10,111)	(2,735)	—	(12,846)
Restructuring credit	—	3	—	3
Operating income (loss)	$319,043	$(39,675)	$2,806	$282,174
Capital Expenditures	$4,271	$9,402	$—	$13,673
	Nine Months Ended September 30, 2011			
	National Networks	International and Other	Inter-segment eliminations	Consolidated
Revenues, net				
Advertising	$312,318	$15	$—	$312,333
Affiliation fee and other	464,602	86,312	(14,465)	536,449
Consolidated revenues, net	$776,920	$86,327	$(14,465)	$848,782
Adjusted operating cash flow (deficit)	$346,476	$(11,883)	$(52)	$334,541
Depreciation and amortization	(64,505)	(10,692)	—	(75,197)
Share-based compensation expense	(9,838)	(2,349)	—	(12,187)
Restructuring credit	—	240	—	240
Operating income (loss)	$272,133	$(24,684)	$(52)	$247,397
Capital Expenditures	$2,256	$4,873	$—	$7,129

Inter-segment eliminations are primarily revenues recognized by the International and Other segment for transmission revenues recognized by AMC Networks Broadcasting & Technology and the licensing of its program rights by the national programming networks.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Inter-segment revenues				
National Networks	$(6)	$(125)	$(510)	$(380)
International and Other	(3,473)	(5,028)	(11,182)	(14,085)
	$(3,479)	$(5,153)	$(11,692)	$(14,465)

Substantially all revenues and assets of the Company are attributed to or located in the U.S.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains statements that constitute forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. In this Management's Discussion and Analysis of Financial Condition and Results of Operations there are statements concerning our future operating results and future financial performance. 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 results and future financial performance identify forward-looking statements. You are cautioned that any such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to:

- the level of our revenues;
- market demand for new programming services;
- demand for advertising inventory;
- the demand for our programming among cable and other multichannel video programming distribution platforms, including direct broadcast satellite ("DBS") and platforms operated by telecommunications providers (we refer collectively to these cable and other multichannel video programming distributors as "multichannel video programming distributors" or "distributors") and our ability to maintain and renew affiliation agreements with multichannel video programming distributors;
- the cost of, and our ability to obtain or produce, desirable programming content for our networks and film distribution businesses;
- market demand for our services internationally and for our film distribution business, and our ability to profitably provide those services;
- the security of our program rights and other electronic data;
- the loss of any of our key personnel and artistic talent;
- the highly competitive nature of the cable programming industry;
- changes in both domestic and foreign laws or regulations under which we operate;
- the outcome of litigation and other proceedings, including the matters described in the notes to our consolidated financial statements;
- general economic conditions in the areas in which we operate;
- our substantial debt and high leverage;
- reduced access to capital markets or significant increases in costs to borrow;
- the level of our expenses;
- the level of our capital expenditures;
- future acquisitions and dispositions of assets;
- whether pending uncompleted transactions, if any, are completed on the terms and at the times set forth (if at all);
- other risks and uncertainties inherent in our programming businesses;
- financial community and rating agency perceptions of our business, operations, financial condition and the industry in which we operate, and the additional factors described herein;
- allocation of the proceeds from the settlement of the litigation with DISH Network, as described in Note 7, Commitments and Contingencies in the unaudited consolidated financial statements included elsewhere herein; and
- the factors described under Item 1A, "Risk Factors" in our 2011 Annual Report on Form 10-K (the "2011 Form 10-K"), as filed with the Securities and Exchange Commission ("SEC").

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

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All dollar amounts and subscriber data included in the following Management’s Discussion and Analysis of Financial Condition and Results of Operations are presented in thousands.

Introduction

Management’s discussion and analysis, or MD&A, of our results of operations and financial condition is provided as a supplement to, and should be read in conjunction with, the unaudited consolidated financial statements and notes thereto included elsewhere herein and our 2011 Form 10-K to enhance the understanding of our financial condition, changes in financial condition and results of our operations. Unless the context otherwise requires, all references to “we,” “us,” “our,” “AMC Networks” or the “Company” refer to AMC Networks Inc., together with its direct and indirect subsidiaries. Our MD&A is organized as follows:

Business Overview. This section provides a general description of our business, as well as other matters that we believe are important in understanding our results of operations and financial condition and in anticipating future trends.

Results of Operations. This section provides an analysis of our results of operations for the three and nine months ended September 30, 2012 compared to the three and nine months ended September 30, 2011. Our discussion is presented on both a consolidated and segment basis. Our two segments are: (i) National Networks and (ii) International and Other.

Liquidity and Capital Resources. This section provides a discussion of our financial condition as of September 30, 2012, as well as an analysis of our cash flows for the nine months ended September 30, 2012 and 2011. The discussion of our financial condition and liquidity includes summaries of (i) our primary sources of liquidity and (ii) our off-balance sheet arrangements that existed at September 30, 2012 and December 31, 2011.

Critical Accounting Policies. This section provides an update to, and should be read in conjunction with, the critical accounting policies and estimates summarized in our 2011 Form 10-K under “Item 7- Management's Discussion and Analysis of Financial Condition and Results of Operations.” Specifically, our goodwill and identifiable indefinite-lived intangible assets policy is updated in order to provide the results of our annual impairment testing performed as of the end of February 2012. In addition, our program rights policy is updated to provide additional clarification regarding the role this policy has in understanding our results of operations.

Business Overview

We manage our business through the following two reportable segments:

- National Networks: Includes four nationally distributed programming networks: AMC, WE tv, IFC and Sundance Channel. These programming networks are distributed throughout the United States (“U.S.”) via multichannel video programming distributors;
- International and Other: Principally includes AMC/Sundance Channel Global, our international programming business; IFC Films, our independent film distribution business; and AMC Networks Broadcasting & Technology, our network technical services business, which primarily services the programming networks of the Company. AMC and Sundance Channel are distributed in Canada and Sundance Channel and WE tv are distributed in other countries throughout Europe and Asia. The International and Other reportable segment also includes VOOM HD, which we are winding down, and which continues to sell certain limited amounts of programming through program license agreements.

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The tables presented below set forth our consolidated revenues, net, operating income (loss) and adjusted operating cash flow ("AOCF"), defined below, for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues, net				
National Networks	$306,228	$258,347	$915,635	$776,920
International and Other	29,307	30,720	81,922	86,327
Inter-segment eliminations	(3,479)	(5,153)	(11,692)	(14,465)
Consolidated revenues, net	$332,056	$283,914	$985,865	$848,782
Operating income (loss)				
National Networks	$98,528	$98,722	$319,043	$272,133
International and Other	(12,935)	(4,033)	(39,675)	(24,684)
Inter-segment eliminations	1,266	(245)	2,806	(52)
Consolidated operating income	$86,859	$94,444	$282,174	$247,397
AOCF (deficit)				
National Networks	$116,440	$123,228	$385,435	$346,476
International and Other	(8,117)	(21)	(25,738)	(11,883)
Inter-segment eliminations	1,266	(245)	2,806	(52)
Consolidated AOCF	$109,589	$122,962	$362,503	$334,541

We evaluate segment performance based on several factors, of which the primary financial measure is business segment AOCF. We define AOCF, which is not a generally accepted accounting principles ("GAAP") financial measure, as operating income (loss) before depreciation and amortization, share-based compensation expense or benefit and restructuring expense or credit.

We believe that AOCF is an appropriate measure for evaluating the operating performance on both a business segment and consolidated basis. AOCF and similar measures with similar titles are common performance measures used by investors, analysts and peers to compare performance in the industry.

Internally, we use revenues, net and AOCF measures as the most important indicators of our business performance, and evaluate management's effectiveness with specific reference to these indicators. AOCF should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), cash flows from operating activities and other measures of performance and/or liquidity presented in accordance with GAAP. Since AOCF is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with similar titles used by other companies.

The following is a reconciliation of consolidated operating income to AOCF for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Operating income	$86,859	$94,444	$282,174	$247,397
Share-based compensation expense	4,362	3,697	12,846	12,187
Restructuring credit	—	(191)	(3)	(240)
Depreciation and amortization	18,368	25,012	67,486	75,197
AOCF	$109,589	$122,962	$362,503	$334,541

National Networks

In our National Networks segment, which accounted for 93% of our consolidated revenues for the nine months ended September 30, 2012, we earn revenues in two principal ways. First, we receive distribution revenue from affiliation fees paid by distributors. These revenues are generally based on a per subscriber fee under multi-year contracts, commonly referred to as "affiliation agreements," which generally provide for annual affiliation rate increases. The specific affiliation fee revenues we earn vary from period to period, distributor to distributor and also vary among our networks, but are generally based upon the number of each distributor’s subscribers who receive our programming, referred to as “viewing subscribers.” The terms of certain other affiliation agreements provide that the affiliation fee revenues we earn are a fixed contractual monthly fee, which could be adjusted for acquisitions and dispositions of multichannel video programming systems by the distributor. Other sources of revenue are primarily derived from the licensing of original programming for distribution, including digital, foreign and home video distribution.

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Advertising is our second principal source of revenues. Under our affiliation agreements with our distributors, we have the right to sell a specified amount of national advertising time on certain of our programming networks. Our advertising revenues are more variable than affiliation fee revenues because virtually all of our advertising is sold on a short-term basis, not under long-term contracts. Our advertising arrangements with advertisers provide for a set number of advertising units to air over a specific period of time at a negotiated price per unit. In certain advertising sales arrangements, our programming networks guarantee specified viewer ratings for their programming. If these guaranteed viewer ratings are not met, we are generally required to provide additional advertising units to the advertiser at no charge. For these types of arrangements, a portion of the related revenue is deferred if the guaranteed viewer ratings are not met and is subsequently recognized either when we provide the required additional advertising time, the guarantee obligation contractually expires or performance requirements become remote. Most of our advertising revenues vary based upon the popularity of our programming as measured by Nielsen Media Research ("Nielsen"). As of September 30, 2012, our national programming networks had approximately 1,000 advertisers representing companies in a broad range of sectors, including the health, insurance, food, automotive and retail industries. Our AMC, WE tv and IFC programming networks use a traditional advertising sales model, while Sundance Channel principally sells sponsorships. Prior to December 2010, IFC principally sold sponsorships.
Changes in revenue are primarily derived from changes in contractual affiliation rates charged for our services, changes in the number of subscribers, changes in the prices and level of advertising on our networks and changes in the revenue earned from the distribution of our original programming. We seek to grow our revenues by increasing the number of viewing subscribers of the distributors that carry our services. We refer to this as our "penetration." AMC, which is widely distributed, has a more limited ability to increase its penetration than WE tv, IFC and Sundance Channel. WE tv, IFC and Sundance Channel, although carried by substantially all of the larger distributors, have higher growth opportunities due to their current penetration levels with those distributors. IFC and Sundance Channel are currently carried primarily on digital tiers, while WE tv is carried on either analog expanded basic or digital tiers. Therefore, WE tv, IFC and Sundance Channel penetration rates may increase if distributors are successful in converting their analog subscribers to digital tiers of service that include those networks. Our revenues may also increase over time through contractual rate increases stipulated in most of our affiliation agreements. In negotiating for increased or extended carriage, we have in some instances made upfront payments in exchange for additional subscribers or extended carriage, which we record as deferred carriage fees and which are amortized as a reduction to revenue over the period of the related affiliation agreements, or agreed to waive for a specified period or accept lower per subscriber fees if certain additional subscribers are provided. We also may help fund the distributors' efforts to market our channels. We believe that these transactions generate a positive return on investment over the contract period. We seek to increase our advertising revenues by increasing the number of minutes of national advertising sold and by increasing the rates we charge for such advertising, but, ultimately, the level of our advertising revenues, in most cases, is directly related to the overall distribution of our programming, penetration of our services and the popularity (including within desirable demographic groups) of our services as measured by Nielsen. Other revenues vary based on the timing of availability of our programming to distributors.
Programming expense, including the amortization and impairments of programming rights, such as those for original programming, feature films and licensed series, included in technical and operating expense, represents the largest expense of the National Networks segment. The other components of technical and operating expense primarily include participation and residual costs, distribution and production related costs and program operating costs, such as origination, transmission, uplinking and encryption.
Our principal goal is to increase our revenues by increasing distribution and penetration of our services, and increasing our ratings. To do this, we must continue to contract for and produce high-quality, attractive programming. As competition for programming from programming services increases and alternative distribution technologies continue to emerge and develop in the industry, costs for content acquisition and original programming may increase. There is a concentration of subscribers in the hands of a few distributors, which could create disparate bargaining power between the largest distributors and us by giving those distributors greater leverage in negotiating the price and other terms of affiliation agreements.

To an increasing extent, the success of our business depends on original programming, both scripted and unscripted, across all of our networks. In recent years, we have introduced a number of scripted original series, primarily on AMC, the majority of which have been critically acclaimed, award winning and commercially successful. These successful series have resulted in higher audience ratings for our networks. Historically, in periods when we air original programming, our ratings have increased. During 2012, AMC aired five scripted original series. This resulted in higher audience ratings for AMC. Among other things, higher audience ratings drive increased revenues particularly through higher advertising revenues. The timing of exhibition and distribution of original programming varies from period to period, which results in greater variability in our revenues, earnings and cash flows from operating activities.

Scripted original series require us to make up-front investments, which are often significant amounts. Not all of our programming efforts are commercially successful, which could result in a write-off of program rights. If it is determined that programming rights have no future programming usefulness based on actual demand or market conditions, a write-off of the unamortized cost is recorded in technical and operating expense.

See “ — Critical Accounting Policies and Estimates” for a discussion of the amortization and write-off of program rights.

DISH Network

Effective May 20, 2012 with regard to Sundance Channel and July 1, 2012 with regard to AMC, WE tv and IFC, DISH Network L.L.C. (“DISH Network”) terminated carriage of our national networks. At the time of the termination, DISH Network's termination reduced the Company's total subscribers under affiliation agreements by approximately 13%. This termination had a material impact on revenues, net for the three months ended September 30, 2012; however, it did not have a material impact on revenues, net for the nine months ended September 30, 2012. Additionally, the termination had a material impact on the Company's and the National Network's AOCF and operating income for both the three and nine months ended September 30, 2012.

On October 21, 2012, DISH Network, VOOM HD, and Cablevision entered into a confidential settlement agreement and release (the “Settlement Agreement”) to settle litigation between VOOM HD and DISH Network involving various claims arising out of a joint venture between the parties. See Note 7, Commitments and Contingencies in the unaudited consolidated financial statements included elsewhere herein for a description of the principal terms of this settlement agreement. Simultaneously with the execution of the Settlement Agreement, DISH Network entered into a long-term affiliation agreement with AMC Network Entertainment LLC, WE: Women's Entertainment LLC, The Independent Film Channel LLC, The Sundance Channel L.L.C. and Fuse Network LLC, a subsidiary of The Madison Square Garden Company that provided for resumption of carriage of all the networks by no later than November 1, 2012.

Cablevision and the Company entered into an agreement which provides that Cablevision and the Company will share equally in the proceeds (including in the value of any non-cash consideration) of any settlement of the litigation with DISH Network. As such, the allocation between Cablevision and the Company of the proceeds from the settlement will be determined pursuant to this agreement.

International and Other

Our International and Other segment primarily includes the operations of AMC/Sundance Channel Global, IFC Films, AMC Networks Broadcasting & Technology and VOOM HD.

VOOM HD historically offered a suite of channels, produced exclusively in high definition (“HD”) and marketed for distribution to DBS and other multichannel video programming distributors. VOOM was available in the U.S. only on the cable television systems of Cablevision Systems Corporation (Cablevision Systems Corporation and its subsidiaries are referred to as “Cablevision”) and on the satellite delivered programming of DISH Network. VOOM HD, which we are winding down, continues to sell certain limited amounts of programming through program license agreements. See also Note 7, Commitments and Contingencies in the unaudited consolidated financial statements included elsewhere herein.

Although we view our international expansion as an important long-term strategy, our international operations are currently expected to represent only a small percentage of our projected overall financial results over the next five years. However, international expansion could provide a benefit to our financial results if we are able to grow this portion of our business faster than expected. Similar to our domestic businesses, the most significant business challenges we expect to encounter in our international business include programming competition (from both foreign and domestic programmers), limited channel capacity on distributors’ platforms, the growth of subscribers on those platforms and economic pressures on affiliation fees. Other significant business challenges unique to international expansion include increased programming costs for international rights and translation (i.e., dubbing and subtitling), a lack of availability of international rights for a portion of our domestic programming content, increased distribution costs for cable, satellite or fiber feeds and a limited physical presence in each territory.

Spin-off from Cablevision

On June 30, 2011, Cablevision spun-off the Company (the “Distribution”) and we became an independent public company. In connection with the Distribution, Cablevision contributed all of the membership interests of Rainbow Media Holdings LLC (“RMH”) to us. Both Cablevision and the Company continue to be controlled by the Dolan family.

Corporate Expenses

Our historical results of operations reflected in our consolidated financial statements, for periods prior to the Distribution, include management fee charges and the allocation of expenses related to certain corporate functions historically provided by Cablevision. Our results of operations after the Distribution reflect certain revenues and expenses related to transactions with or charges from related parties as described in Note 11 in the unaudited consolidated financial statements included elsewhere herein. As a separate, stand-alone public company, we have expanded our financial, administrative and other staff to support the related new requirements. In addition, we continue to add staff and are adding systems to replace some of the functions previously provided by Cablevision. However, our corporate operating costs as a separate company subsequent to the Distribution, including those associated with being a publicly-traded company, through September 30, 2012 have been, and are expected to continue to be, lower than the historical allocation of expenses related to certain corporate functions (including management fee charges). Pursuant to a consulting agreement with Cablevision, until the Distribution date, the Company paid a management fee calculated based on

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certain of our subsidiaries gross revenues (as defined under the terms of the consulting agreement) on a monthly basis. We terminated the consulting agreement on the Distribution date and did not replace it.

We allocate corporate overhead to each segment based upon their proportionate estimated usage of services. The segment financial information set forth below, including the discussion related to individual line items, does not reflect inter-segment eliminations unless specifically indicated.

Cautionary Note Concerning Historical Financial Statements

As noted above, our consolidated financial statements for periods prior to the Distribution have been derived from the consolidated financial statements and accounting records of Cablevision and reflect certain assumptions and allocations. Our results of operations and cash flows could differ from those that might have resulted had we operated autonomously or as an entity independent of Cablevision.

Our capital structure after the Distribution is different from the capital structure presented in the historical consolidated financial statements for periods prior to the Distribution and, accordingly, our interest expense in periods after June 30, 2011 as a separate independent entity is, and we expect will continue to be, materially higher than the interest expense reflected in our historical consolidated financial statements in periods prior to June 30, 2011.

Impact of Economic Conditions

Our future performance is dependent, to a large extent, on general economic conditions including the impact of direct competition, our ability to manage our businesses effectively, and our relative strength and leverage in the marketplace, both with suppliers and customers.

Additional capital and credit market disruptions could cause economic downturns, which may lead to lower demand for our products, such as lower demand for television advertising and a decrease in the number of subscribers receiving our programming networks from our distributors. We have experienced some of the effects of the recent economic downturn. Continuation of events such as these may adversely impact our results of operations, cash flows and financial position.

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Consolidated Results of Operations

Three Months Ended September 30, 2012 Compared to Three Months Ended September 30, 2011

The following table sets forth our consolidated results of operations for the periods indicated.

	Three Months Ended September 30,					
	2012		2011			
	Amount	% of Revenues, net	Amount	% of Revenues, net	$ change	% change
Revenues, net	$332,056	100 %	$283,914	100 %	$48,142	17 %
Operating expenses:						
Technical and operating (excluding depreciation and amortization)	129,627	39	96,420	34	33,207	34
Selling, general and administrative	97,202	29	68,229	24	28,973	42
Restructuring credit	—	—	(191)	—	191	(100)
Depreciation and amortization	18,368	6	25,012	9	(6,644)	(27)
Total operating expenses	245,197	74	189,470	67	55,727	29
Operating income	86,859	26	94,444	33	(7,585)	(8)
Other income (expense):						
Interest expense, net	(29,862)	(9)	(31,471)	(11)	1,609	(5)
Write-off of deferred financing costs	(334)	—	—	—	(334)	—
Loss on extinguishment of debt	—	—	(17)	—	17	(100)
Miscellaneous, net	1	—	(199)	—	200	(101)
Total other income (expense)	(30,195)	(9)	(31,687)	(11)	1,492	(5)
Income from continuing operations before income taxes	56,664	17	62,757	22	(6,093)	(10)
Income tax expense	(20,121)	(6)	(22,440)	(8)	2,319	(10)
Income from continuing operations	36,543	11	40,317	14	(3,774)	(9)
Income (loss) from discontinued operations, net of income taxes	105	—	(314)	—	419	(133)
Net Income	$36,648	11 %	$40,003	14 %	$(3,355)	(8)%

The following is a reconciliation of our consolidated operating income to AOCF:

	Three Months Ended September 30,			
	2012	2011	$ change	% change
Operating income	$86,859	$94,444	$(7,585)	(8)%
Share-based compensation expense	4,362	3,697	665	18
Restructuring credit	—	(191)	191	(100)
Depreciation and amortization	18,368	25,012	(6,644)	(27)
Consolidated AOCF	$109,589	$122,962	$(13,373)	(11)%

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National Networks Segment Results

The following table sets forth our National Networks segment results for the periods indicated.

	Three Months Ended September 30,					
	2012		2011			
	Amount	% of Revenues, net	Amount	% of Revenues, net	$ change	% change
Revenues, net	$306,228	100 %	$258,347	100 %	$47,881	19 %
Operating expenses:						
Technical and operating (excluding depreciation and amortization)	115,366	38	82,159	32	33,207	40
Selling, general and administrative	77,885	25	56,013	22	21,872	39
Depreciation and amortization	14,449	5	21,453	8	(7,004)	(33)
Operating income	$98,528	32 %	$98,722	38 %	$(194)	— %

The following is a reconciliation of our National Networks segment operating income to AOCF:

	Three Months Ended September 30,			
	2012	2011	$ change	% change
Operating income	$98,528	$98,722	$(194)	— %
Share-based compensation expense	3,463	3,053	410	13
Depreciation and amortization	14,449	21,453	(7,004)	(33)
AOCF	$116,440	$123,228	$(6,788)	(6)%

International and Other Segment Results

The following table sets forth our International and Other segment results for the periods indicated.

	Three Months Ended September 30,					
	2012		2011			
	Amount	% of Revenues, net	Amount	% of Revenues, net	$ change	% change
Revenues, net	$29,307	100 %	$30,720	100 %	$(1,413)	(5)%
Operating expenses:						
Technical and operating (excluding depreciation and amortization)	18,944	65	18,968	62	(24)	—
Selling, general and administrative	19,379	66	12,417	40	6,962	56
Restructuring credit	—	—	(191)	(1)	191	(100)
Depreciation and amortization	3,919	13	3,559	12	360	10
Operating loss	$(12,935)	(44)%	$(4,033)	(13)%	$(8,902)	221 %

The following is a reconciliation of our International and Other segment operating loss to AOCF deficit:

	Three Months Ended September 30,			
	2012	2011	$ change	% change
Operating loss	$(12,935)	$(4,033)	$(8,902)	221 %
Share-based compensation expense	899	644	255	40
Restructuring credit	—	(191)	191	(100)

Depreciation and amortization	3,919	3,559	360	10
AOCF deficit	$(8,117)	$(21)	$(8,096)	n/m

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Revenues, net

Revenues, net increased $48,142 to $332,056 for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. The net change by segment was as follows:

	Three Months Ended September 30,					
	2012	% of total	2011	% of total	$ change	% change
National Networks	$306,228	92 %	$258,347	91 %	$47,881	19 %
International and Other	29,307	9	30,720	11	(1,413)	(5)
Inter-segment eliminations	(3,479)	(1)	(5,153)	(2)	1,674	(32)
Consolidated revenues, net	$332,056	100 %	$283,914	100 %	$48,142	17 %

National Networks

The increase in National Networks revenues, net is attributable to the following:

	Three Months Ended September 30,					
	2012	% of total	2011	% of total	$ change	% change
Advertising	$107,453	35 %	$98,482	38 %	$8,971	9 %
Affiliation fee and other	198,775	65	159,865	62	38,910	24
	$306,228	100 %	$258,347	100 %	$47,881	19 %

- Advertising revenues increased $8,971 primarily at AMC resulting from higher pricing per unit sold due to an increased demand for our programming by advertisers and an increased number of original programming series, as compared to the number of original programming series that aired on AMC during the three months ended September 30, 2011, partially offset by a decrease associated with the DISH Network carriage termination. As previously discussed, most of our advertising revenues vary based on the timing of our original programming series and the popularity of our programming as measured by Nielsen; and
- Affiliation fee and other revenues increased $38,910 primarily due to an increase of $43,024 from digital and licensing distribution revenues derived from our National Networks original programming, primarily at AMC, partially offset by a decrease in affiliation fee revenues. The decrease in affiliation fee revenues was primarily attributable to a net decrease in subscribers (see discussion below) and a contractual adjustment from a distributor that increased revenue in the three months ended September 30, 2011, partially offset by the impact of lower amortization of deferred carriage fees. As previously discussed, other revenues can vary based on the timing of availability of our programming to distributors. Due to this variability, the increase in affiliation fee and other revenues at AMC for the three months ended September 30, 2012 as compared to the same period in 2011 is not necessarily indicative of what we expect for the remainder of 2012.

The following table presents certain subscriber information at September 30, 2012, June 30, 2012 and September 30, 2011:

	Estimated Domestic Subscribers		
National Programming Networks:	September 30, 2012	June 30, 2012	September 30, 2011
AMC (1)	84,300	96,900	96,000
WE tv (1)	66,600	78,500	76,500
IFC (1)	55,200	66,900	61,600
Sundance Channel (2)	40,600	40,400	41,100

(1) Estimated U.S. subscribers as measured by Nielsen.

(2) Subscriber counts are based on internal management reports and represent viewing subscribers.

The decline in AMC, WE tv and IFC subscribers as of September 30, 2012 as compared to June 30, 2012 and Sundance Channel subscribers as of September 30, 2012 as compared to September 30, 2011 principally reflects the impact of carriage being terminated by DISH Network on July 1, 2012 and May 20, 2012, respectively. On October 21, 2012, AMC WE tv, IFC and Sundance Channel entered into a long-term affiliation agreement with DISH Network to resume distribution of each network. For AMC, such distribution resumed effective as of October 21, 2012 and for WE tv, IFC and Sundance Channel, distribution resumed as of October 31, 2012.

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The Company believes the WE tv, IFC and Sundance Channel programming services would benefit from increased distribution, especially on the digital tiers of cable television distributors as digital penetration increases, and increased advertising/sponsorship revenues as cable networks, including advertiser-supported niche programming networks (such as WE tv and IFC), attract a greater advertising market share. These increases could potentially be offset by lower net effective rates per viewing subscriber for our programming services due to the consolidation of distributors. Opportunities are more limited for increases in distribution in the U.S. for our substantially fully penetrated AMC programming service.

International and Other

The decrease in International and Other revenues, net is attributable to the following:

	Three Months Ended September 30,					
	2012	% of total	2011	% of total	$ change	% change
Advertising	$5	— %	$5	— %	$—	— %
Affiliation fee and other	29,302	100	30,715	100	(1,413)	(5)
	$29,307	100 %	$30,720	100 %	$(1,413)	(5)%

- Affiliation fee and other revenues (excluding VOOM HD) decreased $1,024 primarily related to decreased transmission revenue at AMC Networks Broadcasting & Technology due to the expiration of certain agreements and a net decrease in revenue at IFC Films, partially offset by increased foreign affiliation fee revenues from our international distribution of Sundance and WE tv channels due to expanded distribution in Asia and Europe; and
- Affiliation fees and other revenues at VOOM HD decreased $389 primarily related to lower foreign licensing revenues.

Technical and operating expense (excluding depreciation and amortization)

The components of technical and operating expense primarily include the amortization of program rights, such as those for original programming, feature films and licensed series, participation and residual costs, distribution and production related costs and program operating costs, such as origination, transmission, uplinking and encryption.

Technical and operating expense (excluding depreciation and amortization) increased $33,207 to $129,627 for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. The net increase by segment was as follows:

	Three Months Ended September 30,			
	2012	2011	$ change	% change
National Networks	$115,366	$82,159	$33,207	40 %
International and Other	18,944	18,968	(24)	—
Inter-segment eliminations	(4,683)	(4,707)	24	(1)
Total	$129,627	$96,420	$33,207	34 %
Percentage of revenues, net	39 %	34 %		

National Networks

The increase in the National Networks segment is attributable to the increased amortization of program rights of $32,366 which includes a write-off of $8,323 based on management's assessment of programming usefulness and increased participation and residual costs at AMC. There may be significant changes in the level of our technical and operating expenses due to content acquisition and/or original programming costs and/or the impact of management’s periodic assessment of programming usefulness. Such costs will also fluctuate with the level of revenues derived from owned original programming in each period. As additional competition for programming increases from programming services and alternate distribution technologies continue to develop in the industry, costs for content acquisition and original programming may increase. As we continue to increase our investment in original programming, we expect the amortization of program rights to increase for the fourth quarter and full year of 2012 over the prior year comparable period.

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Selling, general and administrative expense

The components of selling, general and administrative expense primarily include sales, marketing and advertising expenses, administrative costs and costs of facilities.

Selling, general and administrative expenses increased $28,973 to $97,202 for the three months ended September 30, 2012, as compared to the three months ended September 30, 2011. The increase by segment was as follows:

	Three Months Ended September 30,			
	2012	2011	$ change	% change
National Networks	$77,885	$56,013	$21,872	39 %
International and Other	19,379	12,417	6,962	56
Inter-segment eliminations	(62)	(201)	139	(69)
Total	$97,202	$68,229	$28,973	42 %
Percentage of revenues, net	29 %	24 %		

National Networks

The $21,872 increase in the National Networks segment consists of a $18,537 increase for sales and marketing expenses principally attributable to increased costs for subscriber retention marketing efforts associated with the DISH Network carriage termination and an increase at AMC due to the airing of a higher number of original programming series during the three months ended September 30, 2012 compared to the same period in 2011, increased general and administrative costs of $2,339 primarily due to higher employee related expenses and costs incurred in connection with becoming a stand-alone public company and an increase of $996 in expenses relating to long-term incentive plans and share-based compensation expense.

There may be significant changes in the level of our selling, general and administrative expenses from quarter to quarter and year to year due to the timing of promotion and marketing of original programming.

International and Other

The increase in the International and Other segment consists of an increase of $1,144 for selling, marketing and advertising costs primarily due to an increase at AMC/Sundance Channel Global due to increased distribution in Asia and Europe, and an increase of $631 for general and administrative costs incurred in connection with becoming a stand-alone public company. In addition, selling, general and administrative expense increased due to an increase of $4,697 related to VOOM HD principally due to increased legal fees and other related costs and expenses in connection with the DISH Network contract dispute and an increase in share-based compensation expense and expenses relating to long-term incentive plans of $490.

Depreciation and amortization

Depreciation and amortization decreased $6,644 to $18,368 for the three months ended September 30, 2012, as compared to the three months ended September 30, 2011. The net decrease by segment was as follows:

	Three Months Ended September 30,			
	2012	2011	$ change	% change
National Networks	$14,449	$21,453	$(7,004)	(33)%
International and Other	3,919	3,559	360	10
	$18,368	$25,012	$(6,644)	(27)%

The decrease in depreciation and amortization expense in the National Networks segment is primarily attributable to a decrease in amortization expense at Sundance Channel and at AMC as certain intangible assets became fully amortized in the second and third quarters of 2012.

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AOCF

AOCF decreased $13,373 for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. The decrease by segment was as follows:

	Three Months Ended September 30, 2012	2011	$ change	% change
National Networks	$116,440	$123,228	$(6,788)	(6)%
International and Other	(8,117)	(21)	(8,096)	n/m
Inter-segment eliminations	1,266	(245)	1,511	(617)
AOCF	$109,589	$122,962	$(13,373)	(11)%

National Networks AOCF decreased due to an increase in technical and operating expenses of $33,207 resulting primarily from an increase in amortization of program rights and program rights write-off expense and an increase in selling, general and administrative expense of $21,872 primarily due to an increase in marketing expense as a result of the number of original programming series and subscriber retention marketing efforts associated with the DISH Network carriage termination, partially offset by an increase in revenues, net of $47,881.

International and Other AOCF deficit increased due primarily to a decrease in revenues, net of $1,413 and an increase in legal fees and other costs in connection with the DISH Network contract dispute.

Interest expense, net

The decrease in interest expense, net of $1,609 for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011 was primarily attributable to lower outstanding principal balances under the Term A Facility (as defined below) due to $200,000 of voluntary principal prepayments since the inception of the loan in June 2011 and due to the regularly scheduled quarterly principal payments made under the Term B Facility (as defined below).

Write-off of deferred financing costs

In connection with the $50,000 voluntary prepayment in July 2012 of our Term A Facility (as defined below), deferred financing costs of $334 were written off in the three months ended September 30, 2012.

Income tax expense

For the three months ended September 30, 2012, income tax expense attributable to continuing operations was $20,121, representing an effective tax rate of 36%. The effective tax rate differs from the federal statutory rate of 35% due primarily to state and local income tax expense of $1,147, partially offset by a tax benefit of $570 resulting from a decrease in the valuation allowance with regard to certain local income tax credit carry forwards. We expect our effective tax rate to be approximately 38% for both the fourth quarter and for the year.

For the three months ended September 30, 2011, income tax expense attributable to continuing operations was $22,440, representing an effective tax rate of 36%. The effective tax rate differs from the federal statutory rate of 35% due primarily to state and local income tax expense of $1,272 and tax expense of $839 related to uncertain tax positions, including accrued interest, partially offset by a tax benefit of $2,674 resulting from a decrease in the valuation allowance with regard to certain local income tax credit carry forwards.

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Nine Months Ended September 30, 2012 Compared to Nine Months Ended September 30, 2011

The following table sets forth our consolidated results of operations for the periods indicated.

	Nine Months Ended September 30,					
	2012		2011			
	Amount	% of Revenues, net	Amount	% of Revenues, net	$ change	% change
Revenues, net	$985,865	100 %	$848,782	100 %	$137,083	16 %
Operating expenses:						
Technical and operating (excluding depreciation and amortization)	348,906	35	282,714	33	66,192	23
Selling, general and administrative	287,302	29	243,714	29	43,588	18
Restructuring credit	(3)	—	(240)	—	237	(99)
Depreciation and amortization	67,486	7	75,197	9	(7,711)	(10)
Total operating expenses	703,691	71	601,385	71	102,306	17
Operating income	282,174	29	247,397	29	34,777	14
Other income (expense):						
Interest expense, net	(88,883)	(9)	(64,554)	(8)	(24,329)	38
Write-off of deferred financing costs	(646)	—	(5,703)	(1)	5,057	(89)
Loss on extinguishment of debt	—	—	(14,535)	(2)	14,535	(100)
Miscellaneous, net	(631)	—	(120)	—	(511)	426
Total other income (expense)	(90,160)	(9)	(84,912)	(10)	(5,248)	6
Income from continuing operations before income taxes	192,014	19	162,485	19	29,529	18
Income tax expense	(70,989)	(7)	(65,388)	(8)	(5,601)	9
Income from continuing operations	121,025	12	97,097	11	23,928	25
Income (loss) from discontinued operations, net of income taxes	314	—	(121)	—	435	(360)
Net Income	$121,339	12 %	$96,976	11 %	$24,363	25 %

The following is a reconciliation of our consolidated operating income to AOCF:

	Nine Months Ended September 30,			
	2012	2011	$ change	% change
Operating income	$282,174	$247,397	$34,777	14 %
Share-based compensation expense	12,846	12,187	659	5
Restructuring credit	(3)	(240)	237	(99)
Depreciation and amortization	67,486	75,197	(7,711)	(10)
Consolidated AOCF	$362,503	$334,541	$27,962	8 %

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National Networks Segment Results

The following table sets forth our National Networks segment results for the periods indicated.

	Nine Months Ended September 30,					
	2012		2011			
	Amount	% of Revenues, net	Amount	% of Revenues, net	$ change	% change
Revenues, net	$915,635	100 %	$776,920	100 %	$138,715	18 %
Operating expenses:						
Technical and operating (excluding depreciation and amortization)	304,756	33	237,779	31	66,977	28
Selling, general and administrative	235,555	26	202,503	26	33,052	16
Depreciation and amortization	56,281	6	64,505	8	(8,224)	(13)
Operating income	$319,043	35 %	$272,133	35 %	$46,910	17 %

The following is a reconciliation of our National Networks segment operating income to AOCF:

	Nine Months Ended September 30,			%
	2012	2011	$ change	change
Operating income	$319,043	$272,133	$46,910	17 %
Share-based compensation expense	10,111	9,838	273	3
Depreciation and amortization	56,281	64,505	(8,224)	(13)
AOCF	$385,435	$346,476	$38,959	11 %

International and Other Segment Results

The following table sets forth our International and Other segment results for the periods indicated.

	Nine Months Ended September 30,					
	2012		2011			
	Amount	% of Revenues, net	Amount	% of Revenues, net	$ change	% change
Revenues, net	$81,922	100 %	$86,327	100 %	$(4,405)	(5)%
Operating expenses:						
Technical and operating (excluding depreciation and amortization)	58,381	71	58,706	68	(325)	(1)
Selling, general and administrative	52,014	63	41,853	48	10,161	24
Restructuring credit	(3)	—	(240)	—	237	(99)
Depreciation and amortization	11,205	14	10,692	12	513	5
Operating loss	$(39,675)	(48)%	$(24,684)	(29)%	$(14,991)	61 %

The following is a reconciliation of our International and Other segment operating loss to AOCF deficit:

	Nine Months Ended September 30,			%
	2012	2011	$ change	change
Operating loss	$(39,675)	$(24,684)	$(14,991)	61 %
Share-based compensation expense	2,735	2,349	386	16
Restructuring credit	(3)	(240)	237	(99)
Depreciation and amortization	11,205	10,692	513	5
AOCF deficit	$(25,738)	$(11,883)	$(13,855)	117 %

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Revenues, net

Revenues, net increased $137,083 to $985,865, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. The net increase by segment was as follows:

	Nine Months Ended September 30,					
	2012	% of total	2011	% of total	$ change	% change
National Networks	$915,635	93 %	$776,920	92 %	$138,715	18 %
International and Other	81,922	8	86,327	10	(4,405)	(5)
Inter-segment eliminations	(11,692)	(1)	(14,465)	(2)	2,773	(19)
Consolidated revenues, net	$985,865	100 %	$848,782	100 %	$137,083	16 %

National Networks

The increase in National Networks revenues, net is attributable to the following:

	Nine Months Ended September 30,					
	2012	% of total	2011	% of total	$ change	% change
Advertising	$366,218	40 %	$312,318	40 %	$53,900	17 %
Affiliation fee and other	549,417	60	464,602	60	84,815	18
	$915,635	100 %	$776,920	100 %	$138,715	18 %

- Advertising revenues increased $53,900 primarily at AMC resulting from higher pricing per unit sold due to an increased demand for our programming by advertisers and an increased number of original programming series, as compared to the number of original programming series that aired on AMC during the nine months ended September 30, 2011, partially offset by a decrease associated with the DISH Network carriage termination. Most of our advertising revenues vary based on the timing of our original programming series and the popularity of our programming as measured by Nielsen. Due to this variability, the increase in advertising revenues at AMC for the nine months ended September 30, 2012 as compared to the same period in 2011 is not necessarily indicative of what we expect for the remainder of 2012; and
- Affiliation fee and other revenues increased $84,815 primarily due to an increase of $65,180 from digital, licensing, international and home video distribution revenues derived from our National Networks programming, primarily at AMC, and an increase in affiliation fee revenues primarily attributable to an increase in rates, including the impact of lower amortization of deferred carriage fees, partially offset by the net decrease in subscribers and a contractual adjustment from a distributor that increased revenue in 2011. As previously discussed, other revenues can vary based on the timing of availability of our programming to distributors. Due to this variability, the increase in affiliation fee and other revenues for the nine months ended September 30, 2012 as compared to the same period in 2011 is not necessarily indicative of what we expect for the remainder of 2012.

International and Other

The decrease in International and Other revenues, net is attributable to the following:

	Nine Months Ended September 30,					
	2012	% of total	2011	% of total	$ change	% change
Advertising	$15	— %	$15	— %	$—	— %
Affiliation fee and other	81,907	100	86,312	100	(4,405)	(5)
	$81,922	100 %	$86,327	100 %	$(4,405)	(5)%

- Affiliation fees and other revenues (excluding VOOM HD) decreased $2,401 primarily related to decreased transmission revenue at AMC Networks Broadcasting & Technology due to the expiration of certain agreements and a net decrease in revenue at IFC Films, partially offset by increased foreign affiliation fee revenues from our international distribution of Sundance Channel and WE tv channels due to expanded distribution in Asia and Europe; and
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Affiliation fees and other revenues at VOOM HD decreased $2,004 primarily related to lower foreign affiliation fee and licensing revenue and ceasing distribution of the Rush HD channel in Europe in April 2011.

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Technical and operating expense (excluding depreciation and amortization)

Technical and operating expense (excluding depreciation and amortization) increased $66,192 to $348,906 for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. The net increase by segment was as follows:

	Nine Months Ended September 30,			
	2012	2011	$ change	% change
National Networks	$304,756	$237,779	$66,977	28 %
International and Other	58,381	58,706	(325)	(1)
Inter-segment eliminations	(14,231)	(13,771)	(460)	3
Total	$348,906	$282,714	$66,192	23 %
Percentage of revenues, net	35 %	33 %		

National Networks

The increase in the National Networks segment is attributable to increased amortization of program rights of $67,260 primarily at AMC and WE tv which includes a write-off of $8,323 based on management's assessment of programming usefulness and increased participation and residual costs at AMC, partially offset by a decrease of $283 for programming related costs. There may be significant changes in the level of our technical and operating expenses due to content acquisition and/or original programming costs and/or the impact of management's periodic assessment of programming usefulness. Such costs will also fluctuate with the level of revenues derived from owned original programming in each period. As additional competition for programming from other programming services increases and alternate distribution technologies continue to develop in the industry, costs for content acquisition and original programming may increase. As we continue to increase our investment in original programming, we expect the amortization of program rights to increase for the fourth quarter and full year of 2012 over the prior year comparable period.

International and Other

The International and Other segment (excluding VOOM HD) decreased primarily due to; (i) a decrease of $3,125 in transmission expenses at AMC Networks Broadcasting & Technology due to a reduction in transmission agreements, (ii) a decrease of $3,382 in content acquisition costs at IFC Films, offset by (iii) an increase at AMC/Sundance Channel Global of $4,897 related to programming costs, (iv) an increase of $1,757 in transmission and programming related expenses due to increased distribution in Asia and Europe and (v) an increase of $2,284 in programming expenses for our developing businesses. Technical and operating expenses in the International and Other segment also decreased because programming costs at VOOM HD decreased $2,238 resulting primarily from ceasing distribution of the Rush HD channel in Europe in April 2011.

Selling, general and administrative expense

Selling, general and administrative expense increased $43,588 to $287,302 for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. The increase by segment was as follows:

	Nine Months Ended September 30,			
	2012	2011	$ change	% change
National Networks	$235,555	$202,503	$33,052	16 %
International and Other	52,014	41,853	10,161	24
Inter-segment eliminations	(267)	(642)	375	(58)
Total	$287,302	$243,714	$43,588	18 %
Percentage of revenues, net	29 %	29 %		

National Networks

The increase in the National Networks segment consists of a $44,822 increase for sales and marketing expenses principally due to the airing of a higher number of original programming series during the nine months ended September 30, 2012 and increased marketing costs for subscriber retention marketing efforts associated with the DISH

Network carriage termination as well as a net increase in other general and administrative costs of $3,439 primarily due to higher employee related expenses and costs incurred in connection with becoming a stand-alone public company net of a reduction of corporate allocations from Cablevision following the Distribution. These increases were partially offset by a reduction of $13,958 in management fees as well as a decrease of $1,251 in expenses relating to long-term incentive plans and share-based compensation expense.

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Prior to the Distribution, pursuant to a consulting agreement with Cablevision, we paid a management fee calculated based on certain subsidiaries' gross revenues (as defined under the terms of the consulting agreement) on a monthly basis. We terminated the consulting agreement on the Distribution date and did not replace it.

There may be significant changes in the level of our selling, general and administrative expenses from quarter to quarter and year to year due to the timing of promotion and marketing of original programming and subscriber retention marketing efforts.

International and Other

The increase in the International and Other segment (excluding VOOM HD) primarily consists of an increase of $4,070 for selling, marketing and advertising costs primarily at AMC/Sundance Channel Global and IFC Films due to increased spending on titles being distributed, a net increase of $2,166 for general and administrative costs incurred in connection with becoming a stand-alone public company, net of a reduction of corporate allocations from Cablevision following the Distribution and an increase in share-based compensation expense and expenses relating to long-term incentive plans of $516. Selling, general and administrative expenses in the International and Other segment also increased due to an increase of $3,415 related to VOOM HD due primarily to higher legal fees and other related costs and expenses in connection with the DISH Network contract dispute.

Depreciation and amortization

Depreciation and amortization decreased $7,711 to $67,486 for the nine months ended September 30, 2012, as compared to the nine months ended September 30, 2011. The net decrease by segment was as follows:

	Nine Months Ended September 30,			%
	2012	2011	$ change	change
National Networks	$56,281	$64,505	$(8,224)	(13)%
International and Other	11,205	10,692	513	5
	$67,486	$75,197	$(7,711)	(10)%

The decrease in depreciation and amortization expense in the National Networks segment is primarily attributable to a decrease in amortization expense of $7,366 at Sundance Channel and at AMC as certain intangible assets became fully amortized in the second and third quarters of 2012.

AOCF

AOCF increased $27,962 for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. The net increase by segment was as follows:

	Nine Months Ended September 30,			%
	2012	2011	$ change	change
National Networks	$385,435	$346,476	$38,959	11%
International and Other	(25,738)	(11,883)	(13,855)	117
Inter-segment eliminations	2,806	(52)	2,858	n/m
AOCF	$362,503	$334,541	$27,962	8%

National Networks AOCF increased due to an increase in revenues, net of $138,715 and a decrease in management fees, partially offset by an increase in technical and operating expenses resulting primarily from an increase in amortization of program rights expense which includes program rights write-offs of $8,323 and marketing expense due to the increase in the number of original programming premieres and subscriber retention marketing efforts associated with the DISH Network carriage termination.

International and Other AOCF deficit increased primarily due a decrease in revenues, net of $4,405, an increase in selling, general and administrative expenses and programming and transmission related costs and selling costs at AMC/Sundance Channel Global and an increase in legal fees and other costs in connection with the DISH Network contract dispute.

Interest expense, net

The increase in interest expense, net of $24,329 for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011 is attributable to the following:

	Nine Months Ended September 30, 2012
Indebtedness incurred in connection with the Distribution	$51,715
Repayment of the RNS senior notes in May 2011 and the RNS credit facility and the RNS senior subordinated notes in June 2011	(32,506)
Interest rate swap contracts	4,632
Decrease in interest income	631
Other	(143)
	$24,329

Write-off of deferred financing costs

In connection with the $100,000 of voluntary prepayments in 2012 of our Term A Facility (as defined below), deferred financing costs of $646 were written off in the nine months ended September 30, 2012. The write-off of deferred financing costs of $5,703 for the nine months ended September 30, 2011 represents $1,186 of deferred financing costs written off in connection with the redemption of the Rainbow National Services LLC ("RNS") 8 3/4% senior notes in May 2011, and $2,062 and $2,455 of deferred financing costs written off in connection with the repayment of the outstanding borrowings under the RNS credit facility and the RNS 10 3/8% senior subordinated notes, respectively, in June 2011 in connection with the Distribution.

Loss on extinguishment of debt

The loss on extinguishment of debt of $14,535 for the nine months ended September 30, 2011 primarily represents $14,185 for the excess of the redemption price, premium paid and related fees along with the accretion to principal over the carrying value of the $325,000 RNS 10 3/8% senior subordinated notes redeemed June 30, 2011 associated with the tender offer which occurred in connection with the Distribution.

Income tax expense

For the nine months ended September 30, 2012, income tax expense attributable to continuing operations was $70,989, representing an effective tax rate of 37%. The effective tax rate differs from the federal statutory rate of 35% due primarily to state and local income tax expense of $4,210 and tax expense of $1,544 related to uncertain tax positions, including accrued interest, partially offset by a tax benefit of $2,370 resulting from a decrease in the valuation allowance with regard to certain local income tax credit carry forwards. We expect our effective tax rate to be approximately 38% for both the fourth quarter and for the year.

For the nine months ended September 30, 2011, income tax expense attributable to continuing operations was $65,388, representing an effective tax rate of 40%. The effective tax rate differs from the federal statutory rate of 35% due primarily to state and local income tax expense of $6,562 and tax expense of $2,908 related to uncertain tax positions, including accrued interest, partially offset by a tax benefit of $2,182 resulting from a decrease in the valuation allowance with regard to certain local income tax credit carry forwards.

Liquidity and Capital Resources

Our operations have historically generated positive net cash flow from operating activities. However, each of our programming businesses has substantial programming acquisition and production expenditure requirements.

Sources of cash primarily include cash flow from operations and amounts available under our revolving credit facility. Although we currently believe that amounts available under our revolving credit facility will be available when and if needed, we can provide no assurance that access to such funds will not be impacted by adverse conditions in the financial markets. The obligations of the financial institutions under our revolving credit facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Our principal uses of cash include our debt service, voluntary prepayments of debt and the acquisition and production of programming. We continue to increase our investment in original programming, the funding of which generally occurs six to nine months in advance of a program’s airing. We expect this increased investment to continue for the remainder of 2012. Historically, our businesses have not required significant capital expenditures. However, since the Distribution, as we continue to invest in infrastructure, we expect that our capital expenditures may be higher in future periods. In the nine months ended September 30, 2012, we voluntarily prepaid $100,000 of the outstanding balance of the Term A Facility (as defined below) and also paid quarterly installments of $4,463 under the Term B Facility (as defined below). In November 2012, we voluntarily prepaid an additional

$50,000 of the outstanding balance of the Term A Facility. The required term loan repayments over the next twelve months will be $5,950. We believe that a combination of cash-on-hand, cash generated from operating activities and availability under our revolving credit facility will provide sufficient liquidity to service the principal and interest payments on our indebtedness, along with our other funding and investment requirements over the next twelve months and over the longer term. However, we do not expect to generate sufficient cash from operations to repay at maturity the entirety of the then outstanding balances of our debt. As a result, we will then be dependent upon our ability to access the capital and credit markets in order to repay or refinance the outstanding balances of our indebtedness. Failure to raise significant amounts of funding to repay these obligations at maturity would adversely affect our business. In such a circumstance, we would need to take other actions including selling assets, seeking strategic investments from third parties or reducing other discretionary uses of cash.

Our level of debt could have important consequences for our business including, but not limited to, increasing our vulnerability to general adverse economic and industry conditions, limiting the availability of our cash flow to fund future programming investments, capital expenditures, working capital, business activities and other general corporate requirements, and limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

In addition, economic or market disruptions could lead to lower demand for our services, such as lower levels of advertising. These events would adversely impact our results of operations, cash flows and financial position.

On June 30, 2011 AMC Networks, as Borrower, and substantially all of its subsidiaries, as restricted subsidiaries, entered into a credit agreement (the “Credit Facility”). The Credit Facility provides AMC Networks with senior secured credit facilities consisting of a $1,130,000 term loan A facility (the “Term A Facility”), a $595,000 term loan B facility (the “Term B Facility”) and a $500,000 revolving credit facility (the “Revolving Facility”). The Term A Facility and the Term B Facility were discounted $5,650 and $12,986, respectively, upon original issuance. The Term A Facility matures June 30, 2017, the Term B Facility matures December 31, 2018 and the Revolving Facility matures June 30, 2016. As of September 30, 2012, amounts outstanding, net of discount, under the Term A Facility and Term B Facility were $926,016 and $576,463, respectively.

The Revolving Facility remains undrawn at September 30, 2012. Total undrawn revolver commitments are available to be drawn for our general corporate purposes.

The borrowings under the Term A Facility and Revolving Facility portions of the Credit Facility may be voluntarily prepaid without premiums and penalty at any time. From inception through September 30, 2012, we voluntarily prepaid $200,000 of the outstanding balance under the Term A Facility. In November 2012, we voluntarily prepaid an additional $50,000 of the outstanding balance under the Term A Facility. These voluntary prepayments were applied to the earliest required quarterly installments due. As a result, the next required quarterly installment under the Term A Facility will be due on December 31, 2014 in the amount of $4,250.

AMC Networks was in compliance with all of its covenants under its Credit Facility as of September 30, 2012.

We may request an increase in the Term A Facility and/or Revolving Facility by an aggregate amount not exceeding the greater of $400,000 and an amount, which after giving effect to such increase, would not cause the ratio of senior secured debt to annual operating cash flow, as defined in the Credit Facility, to exceed 4.75:1. As of September 30, 2012, the Company does not have any commitments for an incremental facility.

Cash Flow Discussion

The following table is a summary of cash flows provided by (used in) continuing operations and discontinued operations for the nine months ended September 30:

	2012	2011
Continuing operations:		
Cash flow provided by operating activities	$224,002	$202,361
Cash flow used in investing activities	(14,508)	(7,386)
Cash flow used in financing activities	(112,559)	(50,128)
Net increase in cash from continuing operations	96,935	144,847
Discontinued operations:		

Net increase in cash from discontinued operations	$481	$152

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Continuing Operations
Operating Activities
Net cash provided by operating activities amounted to $224,002 for the nine months ended September 30, 2012 as compared to $202,361 for the nine months ended September 30, 2011. The September 30, 2012 cash provided by operating activities resulted from $471,517 of net income before depreciation and amortization, amortization of program rights and other non-cash items, a decrease in accounts receivable, trade of $32,550 as well as a net increase in other net liabilities of $33,458 partially offset by payments for program rights of $313,523.
Cash flows from operating activities for the nine months ended September 30, 2012 is not necessarily indicative of what we expect for the remainder of 2012 due to various factors, including the timing of our cash investments in our original programming, the impact of the settlement of the DISH Network contract dispute and the impact of the DISH Network termination and subsequent resumption of carriage of our national networks (discussed elsewhere herein).
The September 30, 2011 cash provided by operating activities resulted from $455,191 of net income before depreciation and amortization and other non-cash items, partially offset by a decrease in cash resulting from payments for program rights of $224,949, a decrease in accounts payable, accrued expenses and other liabilities of $13,484, an increase in prepaid expenses and other assets of $11,279 and a decrease of other net liabilities of $3,118.
Investing Activities
Net cash used in investing activities for the nine months ended September 30, 2012 and 2011 was $14,508 and $7,386, respectively, which consisted primarily of capital expenditures of $13,673 and $7,129 for the nine months ended September 30, 2012 and 2011, respectively.
Financing Activities
Net cash used in financing activities amounted to $112,559 for the nine months ended September 30, 2012 as compared to $50,128 for the nine months ended September 30, 2011. For the nine months ended September 30, 2012, financing activities consisted of repayments of credit facility debt of $104,463, treasury stock acquired from the acquisition of restricted shares of $15,989, principal payments on capital leases of $1,047 and payments for financing costs of $393, partially offset by proceeds from stock option exercises of $2,074 and the excess tax benefits from share-based compensation arrangements of $7,259.
Net cash used in financing activities amounted to $50,128 for the nine months ended September 30, 2011. For the nine months ended September 30, 2011, financing activities consisted of proceeds from credit facility debt of $1,442,364 and proceeds from stock option exercises of $2,460, which was more than offset by the repayment of credit facility debt of $826,488, payments for the redemption of senior notes and senior subordinated notes, including tender premiums and fees of $638,365, deferred financing costs of $26,599, principal payments on capital leases of $3,417 and treasury stock acquired from acquisition of restricted shares of $83.
Off-Balance Sheet Arrangements
As of September 30, 2012, our off-balance sheet arrangements not reflected on the consolidated balance sheet decreased approximately $26,000 to approximately $317,600 as compared to approximately $343,600 at December 31, 2011. The decrease relates primarily to future program rights obligations.
Registration Rights Agreement
Pursuant to a registration rights agreement, dated as of June 30, 2011, among AMC Networks, the Subsidiary Guarantors (as defined in the agreement) and the initial purchasers of the $700,000 of AMC Networks 7.75% Senior Notes due July 15, 2021 (the “Notes”), AMC Networks filed a registration statement with the SEC on April 24, 2012 with respect to an offer to exchange the Notes for registered notes (the “Exchange Offer”) with terms identical in all material respects to the Notes except that the registered notes do not contain terms that provide for restrictions on transfer (the “Registered Notes”), which was declared effective by the SEC on June 7, 2012. On July 10, 2012, the Exchange Offer was completed and all of AMC Networks’ original Notes were exchanged for Registered Notes.
Critical Accounting Policies
The following discussion has been included to provide a discussion of our annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the first quarter of 2012 and to further expand our discussion relating to program rights addressing the role this policy has in understanding our results of operations.

Accordingly, we have not repeated herein a discussion of the Company's other critical accounting policies as set forth in our 2011 Form 10-K.

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Impairment of Goodwill and Identifiable Indefinite-Lived Intangible Assets

In accordance with the accounting guidance adopted on January 1, 2012, the annual goodwill impairment test allows for the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. An entity may choose to perform the qualitative assessment on none, some or all of its reporting units or an entity may bypass the qualitative assessment for any reporting unit and proceed directly to step one of the quantitative impairment test. If it is determined, on the basis of qualitative factors, that the fair value of a reporting unit is, more likely than not, less than its carrying value, the quantitative impairment test is required. The quantitative impairment test is a two-step process. The first step compares the carrying amount of a reporting unit, including goodwill, with its fair value utilizing an enterprise-value based approach. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of the goodwill impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination.

For the purpose of evaluating goodwill impairment at the annual impairment test date, we have five reporting units, which recognized goodwill. These reporting units are AMC, WE tv, IFC and Sundance Channel, which are included in the National Networks reportable segment and AMC Networks Broadcasting & Technology, which is included in the International and Other reportable segment.

In assessing the recoverability of goodwill and other long-lived assets, we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Estimates of fair value are primarily determined using discounted cash flows and comparable market transactions. These valuations are based on estimates and assumptions including projected future cash flows, discount rate and determination of appropriate market comparables and determination of whether a premium or discount should be applied to comparables. These valuations also include assumptions for renewals of affiliation agreements, the projected number of subscribers and the projected average rates per basic and viewing subscribers and growth in fixed price contractual arrangements used to determine affiliation fee revenue, access to program rights and the cost of such program rights, amount of programming time that is advertiser supported, number of advertising spots available and the sell through rates for those spots, average fee per advertising spot and operating margins, among other assumptions. If these estimates or material related assumptions change in the future, we may be required to record impairment charges related to our long-lived assets.

The impairment test for identifiable indefinite-lived intangible assets consists of a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Significant judgments inherent in a valuation include the selection of appropriate discount and royalty rates, estimating the amount and timing of estimated future cash flows and identification of appropriate continuing growth rate assumptions. The discount rates used in the analysis are intended to reflect the risk inherent in the projected future cash flows generated by the respective intangible assets.

Based on our annual impairment test for goodwill and identifiable indefinite-lived intangible assets during the first quarter of 2012, no impairment charge was required for any of our reporting units. We performed a qualitative assessment for our AMC, WE tv, IFC and AMC Networks Broadcasting and Technology reporting units, which included, but was not limited to, consideration of the historical significant excesses of the estimated fair value of each reporting unit over its respective carrying value (including allocated goodwill), macroeconomic conditions, industry and market considerations, cost factors and historical and projected cash flows. We performed a quantitative assessment for our Sundance Channel reporting unit. Based on the quantitative assessment, if the fair value of the

Sundance Channel reporting unit decreased by 11%, the Company would be required to perform step-two of the quantitative assessment.

Our indefinite-lived trademark intangible assets relate to Sundance Channel trademarks, which were valued using a relief-from-royalty method in which the expected benefits are valued by discounting estimated royalty revenue over projected revenues covered by the trademarks. In order to evaluate the sensitivity of the fair value calculations for our identifiable indefinite-lived intangible assets, we applied a hypothetical 20% decrease to the estimated fair value of the identifiable indefinite-lived intangible assets. This hypothetical decrease in estimated fair value would have no impact on the impairment analysis.

Program Rights

Rights to programming, including feature films and episodic series, acquired under license agreements are stated at the lower of amortized cost or net realizable value. Such licensed rights along with the related obligations are recorded at the contract value when a license agreement is executed, unless there is uncertainty with respect to either cost, acceptability or availability. If such uncertainty exists, those rights and obligations are recorded at the earlier of when the uncertainty is resolved or when the license period begins. Costs are amortized to technical and operating expense on a straight-line basis over a period not to exceed the respective license periods.

Our owned original programming is primarily produced by independent production companies, with the remainder produced by us. Owned original programming costs, including estimated participation and residual costs, qualifying for capitalization as program rights are amortized to technical and operating expense over their estimated useful lives, commencing upon the first airing, based on attributable revenue for airings to date as a percentage of total projected attributable revenue, or ultimate revenue (film-forecast-computation method). Projected attributable revenue is based on previously generated revenues for similar content in established markets, primarily consisting of affiliation fee and advertising revenues, and may also include licensing and digital distribution revenues. Projected program usage is based on the historical usage of similar content. Estimated attributable revenue can change based upon programming market acceptance, levels of affiliation fee revenue, advertising revenue, distribution revenue and program usage. These calculations require management to make assumptions and to apply judgment regarding revenue and planned usage. We periodically review revenue estimates and planned usage and revise our assumptions if necessary, which could either accelerate or delay the timing of amortization expense or result in a write-down of the program right to net realizable value. We believe the most sensitive factor affecting our estimate of ultimate revenues is the program's audience ratings. A program's strong performance could result in increased usage and increased revenues resulting in accelerated amortization of production costs. Poor ratings may result in the reduction of planned usage or the abandonment of a program, which would require a write-off of any unamortized production costs. A failure to adjust for a downward change in estimates of ultimate revenues could result in the understatement of program rights amortization expense for the period. Historically, actual ultimate revenue amounts have not significantly differed from our estimates of ultimate revenue.

We periodically review the programming usefulness of our licensed and owned original program rights based on a series of factors, including expected future revenue generation from airings on our networks and other exploitation opportunities, ratings, type and quality of program material, standards and practices and fitness for exhibition through various forms of distribution. If it is determined that film or other program rights have no future programming usefulness based on actual demand or market conditions, a write-off of the unamortized cost is recorded in technical and operating expense. Program rights write-offs of $8,323 and $665 were recorded for the nine months ended September 30, 2012 and 2011, respectively.

Recently Issued Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2012-07, Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs (ASU 2012-07), which eliminates the rebuttable presumption that the conditions leading to the write-off of unamortized film costs after the balance sheet date existed as of the balance sheet date. ASU 2012-07 also eliminates the requirement that an entity incorporate into fair value measurements used in the impairment tests the effects of any changes in estimates resulting from the consideration of subsequent evidence if the information would not have been considered by market participants at the measurement date. ASU 2012-07 does not change an entity's responsibility to analyze and consider any relevant subsequent events and information to assess whether the fair value measurement reflects all relevant information and assumptions that market participants would have considered under the current conditions at the measurement date. This authoritative guidance will be effective for our programming usefulness impairment assessments performed on or after December 15, 2012 and earlier application is permitted.

In July 2012, the FASB issued ASU No. 2012-02, Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (ASU 2012-02), to allow entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. ASU 2012-02 permits an entity to first perform a qualitative assessment to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If it is concluded that this is the case, an entity is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount in accordance with Subtopic 350-30. Otherwise, the quantitative impairment test is not required. This authoritative guidance will be effective for our 2013 annual impairment test and earlier adoption is permitted. We will evaluate performing a qualitative assessment in 2013.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

All dollar amounts included in the following discussion under this Item 3 are presented in thousands.

Fair Value of Debt

Based on the level of interest rates prevailing at September 30, 2012, the fair value of our fixed rate debt of $791,000 was more than its carrying value of $687,169 by $103,831. The fair value of these financial instruments is estimated based on reference to quoted market prices for these or comparable securities. A hypothetical 100 basis point decrease in interest rates prevailing at September 30, 2012 would increase the estimated fair value of our fixed rate debt by approximately $27,000 to approximately $820,000.

Managing our Interest Rate Risk

To manage interest rate risk, we enter into interest rate swap contracts from time to time to adjust the amount of total debt that is subject to variable interest rates. Such contracts effectively fix the borrowing rates on floating rate debt to limit the exposure against the risk of rising rates. We do not enter into interest rate swap contracts for speculative or trading purposes and we only enter into interest rate swap contracts with financial institutions that we believe are creditworthy counterparties. We monitor the financial institutions that are counterparties to our interest rate swap contracts and to the extent possible diversify our swap contracts among various counterparties to mitigate exposure to any single financial institution.

As of September 30, 2012, we have $2,189,648 of debt outstanding (excluding capital leases), of which $1,502,479 outstanding under our Credit Facility is subject to variable interest rates. A hypothetical 100 basis point increase in interest rates prevailing at September 30, 2012 could increase our annual interest expense approximately $15,000.

As of September 30, 2012, we have interest rate swap contracts outstanding with notional amounts aggregating $849,406. The aggregate fair value of interest rate swap contracts at September 30, 2012 was a liability of $24,429 (included in other liabilities). Accumulated other comprehensive loss consists of $15,390 of cumulative unrealized losses, net of tax, on the floating-to-fixed interest rate swaps. As a result of these transactions, the interest rate paid on approximately 70% of the Company’s debt (excluding capital leases) as of September 30, 2012 is effectively fixed (31% being fixed rate obligations and 39% effectively fixed through utilization of these interest rate swap contracts). At September 30, 2012, the Company’s interest rate cash flow hedges were highly effective, in all material respects.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company’s management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation as of September 30, 2012, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

This report does not include management’s assessment regarding changes in internal control over financial reporting due to a transition period established by rules of the SEC for newly public companies.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 7, Commitments and Contingencies, in the unaudited consolidated financial statements included elsewhere herein.

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Item 6. Exhibits.

(a) Index to Exhibits.

*	10.1	Settlement Agreement dated as of October 21, 2012 by and between Voom HD Holdings LLC, CSC Holdings, LLC, DISH Network L.L.C., and for certain limited purposes, MSG Holdings, L.P., The Madison Square Garden Company and EchoStar Corporation.
	31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
	31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
	32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
**	101.INS	XBRL Instance Document.
**	101.SCH	XBRL Taxonomy Extension Schema Document.
**	101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
**	101.DEF	XBRL Taxonomy Extension Definition Linkbase.
**	101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
**	101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

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* Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission in accordance with a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise are not subject to liability under those sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

		AMC Networks Inc.
Date: November 8, 2012	By:	/s/ Sean S. Sullivan
		Sean S. Sullivan
		Executive Vice President and Chief Financial Officer