MEDIA GENERAL INC
Form 10-Q
August 07, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC. 20549
Form 10-Q

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

For the quarterly period ended June 30, 2015
OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number:	1-6383

MEDIA GENERAL, INC.
(Exact name of registrant as specified in its charter)

Commonwealth of Virginia	46-5188184
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
333 E. Franklin St., Richmond, VA	23219
(Address of principal executive offices)	(Zip Code)

(804) 887-5000
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report.)

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 X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 X 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 Rule 12b-2 of the Exchange Act).

Larger accelerated filer	X	Accelerated filer
Non-accelerated filer		Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of August 5, 2015.
Voting Common shares (no par value): 127,763,055

MEDIA GENERAL, INC.
TABLE OF CONTENTS
FORM 10-Q REPORT
June 30, 2015

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
Media General, Inc.
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited, in thousands, except shares)

ASSETS

	June 30, 2015	December 31, 2014
Current assets:		
Cash and cash equivalents	$72,078	$43,920
Restricted cash at qualified intermediary	—	119,903
Trade accounts receivable (less allowance for doubtful accounts 2015 - $4,495; 2014 - $5,475)	246,295	265,169
Current deferred tax asset	51,732	55,754
Prepaid expenses and other current assets	36,739	39,098
Total current assets	406,844	523,844
Property and equipment, net of accumulated depreciation 2015 - $105,736; 2014 - $68,141	483,581	499,472
Other assets, net	71,290	78,999
Definite lived intangible assets, net of accumulated amortization 2015 - $93,868; 2014 - $48,485	912,487	956,300
Broadcast licenses	1,097,100	1,097,100
Goodwill	1,597,486	1,597,486
Total assets (a)	$4,568,788	$4,753,201

See accompanying notes.

(a) Consolidated assets as of June 30, 2015 and December 31, 2014, include total assets of variable interest entities (VIEs) of $153 million and $151 million, respectively, which can only be used to settle the obligations of the VIEs. See Note 1 and Note 4.

Media General, Inc.
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited, in thousands except shares)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2015	December 31, 2014
Current liabilities:		
Trade accounts payable	$33,293	$36,359
Accrued salaries and wages	24,822	36,634
Accrued expenses and other current liabilities	108,940	104,092
Current installments of long-term debt	3,404	11,781
Current installments of obligation under capital leases	856	815
Total current liabilities	171,315	189,681
Long-term debt	2,272,695	2,400,162
Deferred tax liability and other long-term tax liabilities	359,229	364,289
Long-term capital lease obligations	14,436	14,869
Retirement and postretirement plans	202,994	211,264
Other liabilities	35,005	38,034
Total liabilities (b)	3,055,674	3,218,299
Commitments and contingencies		
Noncontrolling interests	31,065	34,481
Stockholders' equity:		
Preferred stock (no par value): authorized 50,000,000 shares; none outstanding	—	—
Common stock (no par value):		
Voting common stock, authorized 400,000,000 shares; issued 2015 - 128,618,288 and 2014 - 129,931,812	1,311,141	1,322,284
Accumulated other comprehensive loss	(36,445)	(36,445)
Retained earnings	207,353	214,582
Total stockholders' equity	1,482,049	1,500,421
Total liabilities, noncontrolling interests and stockholders' equity	$4,568,788	$4,753,201

See accompanying notes.

(b) Consolidated liabilities as of June 30, 2015 and December 31, 2014, include total liabilities of VIEs of $39 million and $43 million, respectively, for which the creditors of the VIEs have no recourse to the Company, except for certain of the debt, which the Company guarantees. See Note 1 and Note 4.

Media General, Inc.
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net operating revenue	$320,523	$154,111	$617,257	$298,029
Operating costs:				
Operating expenses, excluding depreciation expense	134,169	50,818	260,045	101,433
Selling, general and administrative expenses	79,051	41,930	159,521	84,262
Amortization of program license rights	12,047	4,947	23,805	9,910
Corporate and other expenses	12,366	7,633	25,017	14,211
Depreciation and amortization	42,618	16,440	82,901	32,635
(Gain) loss related to property and equipment, net	(196)	992	(424)	221
Merger-related and restructuring expenses	3,616	9,314	8,893	14,066
Total operating costs	283,671	132,074	559,758	256,738
Operating income	36,852	22,037	57,499	41,291
Other income (expense):				
Interest expense	(29,288)	(9,616)	(60,311)	(19,606)
Debt modification and extinguishment costs	(1,827)	(85)	(2,440)	(183)
Other, net	2,622	85	5,912	—
Total other expense	(28,493)	(9,616)	(56,839)	(19,789)
Income before income taxes	8,359	12,421	660	21,502
Income tax expense	(3,616)	(5,529)	(459)	(9,171)
Net income	4,743	6,892	201	12,331
Net income attributable to noncontrolling interests (included above)	3,108	106	5,999	160
Net income (loss) attributable to Media General	$1,635	$6,786	$(5,798)	$12,171
Other comprehensive income	—	—	—	—
Total comprehensive income	$4,743	$6,892	$201	$12,331
Other comprehensive income attributable to noncontrolling interest	—	—	—	—
Total comprehensive income (loss) attributable to Media General	$1,635	$6,786	$(5,798)	$12,171
Earnings (loss) per common share (basic and diluted):				
Net earnings (loss) per common share (basic)	$0.01	$0.08	$(0.04)	$0.14
Net earnings (loss) per common share (assuming dilution)	$0.01	$0.08	$(0.04)	$0.14

See accompanying notes.

3

Media General, Inc.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Six Months Ended June 30, 2015	June 30, 2014
Cash flows from operating activities:		
Net income	$201	$12,331
Adjustments to reconcile net income:		
Deferred income tax (benefit) expense	(1,041)	8,890
Depreciation and amortization	82,901	32,635
Amortization of program license rights	23,805	9,910
Non-cash interest expense	943	243
(Gain) loss on disposal of property and equipment, net	(424)	221
Gain on relocation of spectrum	(5,620)	—
Stock-based compensation	6,860	171
Debt modification and extinguishment costs	2,440	183
Change in assets and liabilities:		
Program license rights, net of liabilities	(23,269)	(10,199)
Trade accounts receivable	19,854	951
Company owned life insurance (cash surrender value less policy loans including repayments)	(347)	(1,309)
Trade accounts payable, accrued expenses and other liabilities	(8,599)	453
Contributions to retirement plans	(1,250)	(47,480)
Other, net	(66)	(4,181)
Net cash provided by operating activities	96,388	2,819
Cash flows from investing activities:		
Capital expenditures	(24,050)	(8,372)
Release of restricted cash at qualified intermediary	119,903	—
Payment/deposit for acquisition of station assets	—	(8,340)
Deferred proceeds related to sale of property	—	24,535
Proceeds from the sale of property and equipment	691	1,072
Proceeds from spectrum relocation	3,120	—
Other, net	(69)	980
Net cash provided by investing activities	99,595	9,875
Cash flows from financing activities:		
Repayment of borrowings under Media General Credit Agreement	(135,000)	(64,000)
Repayment of borrowings under Shield Media Credit Agreement	(1,200)	(1,200)
Repayment of other borrowings	(580)	—
Principal borrowings under revolving credit facility	—	10,000
Repayment of borrowings under revolving credit facility	—	(10,000)
Repurchase of shares	(18,747)	—
Payment for the acquisition of noncontrolling interest	(9,218)	—
Cash paid for debt modification	(3,425)	—
Other, net	345	(946)
Net cash used by financing activities	(167,825)	(66,146)
Net increase (decrease) in cash and cash equivalents	28,158	(53,452)
Cash and cash equivalents at beginning of period	43,920	71,618
Cash and cash equivalents at end of period	$72,078	$18,166

Cash paid for interest	$63,724	$20,871
Cash paid for income taxes, net	$3,838	$930

See accompanying notes.

MEDIA GENERAL, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States and with applicable quarterly reporting regulations of the Securities and Exchange Commission. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and, accordingly, should be read in conjunction with the consolidated financial statements and related footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of interim financial information have been included.

On December 19, 2014 (the "Closing Date"), Media General, Inc., now known as MGOC, Inc. ("Old Media General"), and LIN Media LLC, a Delaware limited liability company ("LIN Media" or "LIN") were combined in a business combination transaction (the "LIN Merger"). As a result of the LIN merger, Media General, Inc., formerly known as Mercury New Holdco, Inc. ("New Media General", "Media General" or the "Company") became the parent public reporting company of the combined company; LIN Television Corporation ("LIN Television") became a direct, wholly owned subsidiary of New Media General; and Old Media General became a direct, wholly owned subsidiary of LIN Television and an indirect, wholly owned subsidiary of New Media General. The merger was accounted for in accordance with FASB Accounting Standards Codification Topic 805, Business Combinations ("ASC 805"), and New Media General was the acquirer.

References to Media General, we, us, or the Company in this Item 1 that include any period at and before the effectiveness of the LIN Merger shall be deemed to refer to Old Media General as the predecessor registrant to New Media General.

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries and certain variable interest entities ("VIE") for which the Company is considered to be the primary beneficiary. Significant intercompany accounts and transactions have been eliminated in consolidation. In determining whether the Company is the primary beneficiary of a VIE for financial reporting purposes, the Company considers whether it has the power to direct certain activities of the VIE that most significantly impact the economic performance of the VIE and whether it has the obligation to absorb losses or the right to receive returns that would be significant to the VIE. Assets of consolidated VIE's can only be used to settle the obligations of that VIE. As discussed in Note 4, the Company consolidates the results of WXXA, WLAJ, WBDT, WYTV, KTKA, KWBQ, KRWB, and KASY pursuant to the VIE accounting guidance. All the liabilities are non-recourse to the Company, except for certain of the debt, which the Company guarantees. The Company is also the primary beneficiary of the VIE that holds the Supplemental 401(k) Plan's investments and consolidates the plan accordingly.

The Company guarantees all of LIN Television's debt and the debt of its consolidated VIEs. LIN Television guarantees all of the debt of its restricted wholly owned subsidiaries and the debt of its consolidated VIEs. All of the consolidated wholly owned subsidiaries of LIN Television fully and unconditionally guarantee LIN Television's 5.875% Senior Notes due 2022 (the "2022 Notes") and the 6.375% Senior Notes due 2021 (the "2021 Notes") on a joint-and-several basis, subject to customary release provisions.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 is effective for annual periods beginning on or after December 15, 2015. As a result the Company expects to reclassify the unamortized balance of the $36 million of debt issuance costs currently included in "Other assets, net" on the Consolidated Condensed Balance Sheet to Long-term debt upon adoption of the guidance in early 2016.

Note 2: Mergers, Acquisitions and Dispositions

LIN Merger

As described in Note 1, Old Media General and LIN were combined under New Media General, a newly formed holding company, that was renamed Media General. This combination increased the scale of the combined entity. In connection with the LIN Merger, the Company issued a total of approximately 41,239,715 shares of voting common stock and paid approximately $763 million in cash to the former LIN Media shareholders. The total purchase price of the LIN Merger was approximately $2.4 billion. The LIN Merger was financed using proceeds from the Company and LIN Television's borrowings under the credit agreement, as defined and more fully described in Note 5.

In connection with the LIN Merger, the Company sold WJAR-TV in Providence, RI, WLUK-TV and WCWF-TV in Green Bay-Appleton, WI, certain assets of WTGS-TV in Savannah, GA, WJCL-TV in Savannah, GA, WVTM-TV in Birmingham, AL and WALA-TV in Mobile, AL for approximately $360 million and purchased KXRM-TV and KXTU-LD in Colorado Springs, CO and WTTA-TV in Tampa, FL for approximately $93 million. The assets of the stations sold included goodwill of approximately $84 million.

Following the LIN Merger and the divestitures and acquisitions discussed above, the Company now owns or operates 71 stations across 48 markets. The Company also has a digital media portfolio comprised of six digital offerings: LIN Digital, LIN Mobile, Federated Media, Dedicated Media, HYFN, and BiteSize TV.

The LIN Merger closed during December 2014. The initial allocated fair value of the acquired assets and assumed liabilities of LIN (including the acquisitions of the stations in Colorado Springs and Tampa discussed above) was adjusted during the six-months ended June 30, 2015 based on information that became available to management subsequent to the acquisition date. These adjustments were retroactively applied to the December 31, 2014 balances. The fair value of the consideration paid related to the LIN Merger increased by $1.2 million as well. The initial allocated fair value, including adjustments during the six months ended June 30, 2015, is presented below:

Initial Allocation of Fair Value

(In thousands)	June 30, 2015	Adjustments	December 31, 2014
Current assets acquired	$217,816	$(700)	$218,516
Property and equipment	284,217	4,093	280,124
Other assets acquired	12,812	—	12,812
FCC broadcast licenses	588,042	(26,900)	614,942
Definite lived intangible assets	786,705	46,640	740,065
Goodwill	1,119,957	(12,581)	1,132,538
Deferred income tax liabilities recorded in conjunction with the acquisition	(338,535)	(7,888)	(330,647)
Current liabilities assumed	(112,917)	(1,400)	(111,517)
Other liabilities assumed	(79,267)	(82)	(79,185)
Total	$2,478,830		$2,477,648

Current assets acquired included cash and cash equivalents of $26 million and trade accounts receivable of $166 million.

The amount allocated to definite-lived intangible assets represents the estimated fair values of network affiliations of $497 million, advertiser and publisher relationships of $220 million, $37 million of local marketing agreements (LMA), $16 million of technology and trade names and favorable lease assets of $17 million. These intangible assets will be amortized over their weighted-average estimated remaining useful lives of 15 years for network affiliations, 5-7 years for the advertiser relationships, 20 years for LMA agreements, 5 years for technology and trade names and 10 years for favorable lease assets. Acquired property and equipment will be depreciated on a straight-line basis over the respective estimated remaining useful lives.

None of the goodwill recognized in connection with the LIN Merger is expected to be tax deductible.

The initial allocation presented above is based upon management's preliminary estimate of the fair values using valuation techniques including income, cost and market approaches. In estimating the fair value of the acquired assets and assumed liabilities, the fair value estimates are based on, but not limited to, expected future revenue and cash flows, expected future growth rates and estimated discount rates. Network affiliations and advertiser relationships were valued primarily using an excess earnings income approach. The broadcast licenses represent the estimated fair value of the FCC license using a "Greenfield" income approach. Under this approach, the broadcast license is valued by analyzing the estimated after-tax discounted future cash flows of an average market participant. Property and equipment was primarily valued using a cost approach. Acquired program license rights will be amortized to operating expense over the estimated broadcast period in an amount equal to the relative benefit that is expected to be derived from the airing of the program, or on a straight line basis over the life of the program where the expected useful life is one year or less.

The Company incurred $0.9 million and $3.6 million of legal, accounting and other professional fees and expenses during the three and six month periods ended June 30, 2015, respectively, related to the merger with LIN.

Note 3: Segment Information

During 2015, as a result of the LIN Merger discussed in Note 2, the Company began assessing and internally reporting financial information for the broadcast business and the digital business separately. As a result, we now have two reportable operating segments, "Broadcast" and "Digital" that are disclosed separately from our corporate activities. The Broadcast segment includes 71 television stations that are either owned, operated or serviced by the Company in 48 U.S. markets, all of which are engaged principally in the sale of television advertising. The Digital segment includes the operating results of the digital companies (LIN Digital, LIN Mobile, HYFN, Dedicated Media, BiteSize TV, and Federated Media) as well as the business operations related to the television station companion websites. Unallocated corporate expenses primarily include costs to operate as a public company and to operate corporate locations.

The Company identifies operating segments based on how the chief operating decision maker ("CODM") allocates resources, assesses performance and makes decisions. The CODM is the President, and Chief Executive Officer. The CODM evaluates performance and allocates resources based on operating income or loss for the Broadcast and Digital segments, excluding non-segment expenses.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2015	2014	2015	2014
Revenues				
Broadcast	$284,102	$148,156	$550,586	$287,150
Digital	36,421	5,955	66,671	10,879
Revenues	$320,523	$154,111	$617,257	$298,029

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2015	2014	2015	2014
Operating income				
Broadcast	$96,165	$54,935	$176,986	$100,905
Digital	(909)	1,481	(3,100)	1,519
Segment operating income	95,256	56,416	173,886	102,424
Corporate and other expenses	(12,366)	(7,633)	(25,017)	(14,211)

Depreciation and amortization	(42,618)	(16,440)	(82,901)	(32,635)
Gain (loss) related to property and equipment, net	196	(992)	424	(221)
Merger-related expenses and restructuring expenses	(3,616)	(9,314)	(8,893)	(14,066)
Operating income	$36,852	$22,037	$57,499	$41,291

(in thousands)	June 30, 2015	December 31, 2014
Assets		
Broadcast	$3,991,242	$4,062,428
Digital	360,181	373,718
Segment assets	4,351,423	4,436,146
Corporate	217,365	317,055
Total assets	$4,568,788	$4,753,201

Note 4: Variable Interest Entities

Shield Media Entities

Shield Media LLC and Shield Media Lansing LLC, through their respective subsidiaries, WXXA-TV LLC (“WXXA”) and WLAJ-TV LLC (“WLAJ”), have Joint Sales Agreements (“JSA”) and Shared Service Agreements (“SSA”) in place with the Company. Under these agreements the Company provides a variety of operational and administrative services for WXXA and WLAJ (the “Shield Stations”). In return, the Company is paid a JSA fee from the ad sales collected and is also paid an SSA fee for providing the operational services. If, in a given period, expenses incurred by WXXA and/or WLAJ exceed their revenue share and the Shield Stations are not in a position to pay the Company the JSA and/or SSA fees, the Company would be at a loss for the services provided. Under the JSA/SSA agreements, if at any time the Shield Stations default on its loan, the Company, as the guarantor of the Shield Station loans, would be the responsible party. Additionally, the Company has options to acquire the Shield Stations at any time, subject to FCC consent, until the expiration of the applicable JSA. The Company determined that the Shield stations are VIEs and as a result of the JSAs and/or SSAs, it has a variable interest in these entities.

Other JSA and SSA Entities

Beginning on December 19, 2014, the Company has a JSA and an SSA with WBDT Television, LLC (“WBDT”), a third party licensee for WBDT-TV in the Dayton, OH market. It also has JSAs and SSAs with affiliates of Vaughan Acquisition LLC (“Vaughan”), a third-party licensee for WYTV-TV in the Youngstown, OH market and KTKA-TV in the Topeka, KS market and SSAs with KASY-TV Licensee, LLC (“KASY”), a third-party licensee, for KWBQ-TV in the Santa Fe, NM market, KRWB-TV in the Roswell, NM market and KASY-TV in the Albuquerque, NM market. Under these agreements, the Company provides administrative services to these stations, has an obligation to reimburse certain of the stations' expenses, and is compensated through a performance-based fee structure that provides the Company the benefit of certain returns from the operation of these stations. The company determined that WBDT, Vaughan and KASY are VIEs and as a result of the JSAs and/or SSAs, it has a variable interest in these entities.

The Company is the primary beneficiary of the Shield Stations and other JSA and SSA entities described above and therefore, the financial results and financial position of these entities have been consolidated by the Company in accordance with the VIE accounting guidance.

The carrying amounts and classification of the assets and liabilities of the Shield Stations and the other JSA and SSA entities described above, which have been included in the consolidated balance sheets as of June 30, 2015, and December 31, 2014, were as follows:

(In thousands)	June 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$10,970	$3,846
Trade accounts receivable (less allowance for doubtful accounts 2015 - $82; 2014 - $99)	8,628	10,336
Prepaid expenses and other current assets	920	1,156
Total current assets	20,518	15,338
Property and equipment, net	3,528	5,402
Other assets, net	1,652	2,011
Definite lived intangible assets, net	33,870	34,885
Broadcast licenses	71,300	71,300
Goodwill	21,859	21,859
Total assets	$152,727	$150,795
Liabilities		
Current liabilities		
Trade accounts payable	$80	$56
Other accrued expenses and other current liabilities	2,282	6,839
Current installments of long-term debt	3,411	3,562
Total current liabilities	5,773	10,457
Long-term debt	26,520	28,150
Other liabilities	6,851	3,914
Total liabilities	$39,144	$42,521

The December 31, 2014 balances included above were adjusted to reflect the purchase price adjustment discussed in Note 2.

The assets of the Company’s consolidated VIEs can only be used to settle the obligations of the VIEs and may not be sold, or otherwise disposed of, except for assets sold or replaced with others of like kind or value. At June 30, 2015, the Company has an option to acquire the assets or member's interest of the VIE entities that it may exercise if the FCC attribution rules change to permit the Company to acquire such interest. The option exercise price is of nominal value and significantly less than the carrying value of their tangible and intangible net assets. The options are carried at zero on the Company’s consolidated balance sheet, as any value attributable to the options is eliminated in the consolidation of the VIEs. In an order adopted in March 2014, the FCC concluded that JSAs should be “attributable” for purposes of the media ownership rules if they permit a television licensee to sell more than 15% of the commercial inventory of a television station owned by a third party in the same market. Stations with JSAs that would put them in violation of the new rules have until December 19, 2016 to amend or terminate those arrangements, unless they are able to obtain a waiver of such rules. Accordingly, absent further developments, or the grant of waivers, the Company will be required to modify or terminate its existing JSAs no later than December 19, 2016.

In July 2015 the Company received a $9 million dividend from the Shield Stations and these funds became available to settle the obligations of the Company.

9

Note 5: Debt and Other Financial Instruments

Long-term debt at June 30, 2015, and December 31, 2014, was as follows:

(In thousands)	2015	2014
Media General Credit Agreement	$1,566,000	$1,701,000
2022 Notes	400,000	400,000
2021 Notes	290,000	290,000
Shield Media Credit Agreement	28,400	29,600
Other borrowings	1,524	2,111
Total debt	2,285,924	2,422,711
Less: net unamortized discount	(9,825)	(10,768)
Less: scheduled current maturities	(3,404)	(11,781)
Long-term debt excluding current maturities	$2,272,695	$2,400,162

Media General Credit Agreement

In July 2013, the Company entered into a credit agreement with a syndicate of lenders to provide the Company with a term loan and access to a revolving credit facility. The funds borrowed under the credit agreement and subsequent amendments (together the "Credit Agreement") have been used by the Company to facilitate acquisitions and mergers. The term loan under the Credit Agreement matures in July 2020 and bears interest at LIBOR (with a floor of 1%) plus a margin of 3%.

The Company repaid $100 million and $135 million of principal on the term loan during the three and six months ended June 30, 2015, respectively. The early repayments of debt resulted in debt extinguishment costs of $1.8 million and $2.4 million during the three and six months ended June 30, 2015, respectively, due to the accelerated recognition of deferred debt-related items. As of June 30, 2015, there was $1.566 billion outstanding under the Credit Agreement.

The revolving credit facility under the Credit Agreement also includes revolving credit commitments of $150 million. The revolving credit facility matures in October 2019, bears an interest rate of LIBOR plus a margin of 2.75% and is subject to a 0.5% commitment fee per annum with respect to the undrawn portion of the facility. The Company has $147 million of availability under the revolving credit facility (giving effect to $3 million of letters of credit which have been issued but are undrawn).

Shield Media Credit Agreement

Shield Media LLC (and its subsidiary WXXA) and Shield Media Lansing LLC (and its subsidiary WLAJ) (collectively, “Shield Media”), companies that control subsidiaries with which the Company has joint sales and shared services arrangements for 2 stations as described in Note 4, entered into a new credit agreement with a syndicate of lenders, dated July 31, 2013. The term loans outstanding under this agreement mature in July 2018 and bear interest at LIBOR plus a margin of 3.25%. The Shield Media term loans are guaranteed by the Company and are secured by liens on substantially all of the assets of the Company, on a pari passu basis with the Credit Agreement. The Company repaid $0.6 million and $1.2 million of principal on the term loan during the three and six months ended June 30, 2015, respectively.

2022 Notes

On November 5, 2014, a wholly owned subsidiary of Old Media General completed the issuance of $400 million in aggregate principal amount of 5.875% Senior Unsecured Notes due in 2022 (the "2022 Notes") in connection with the financing of the LIN Merger. The net proceeds from offering of the 2022 Notes were used to repay certain indebtedness of LIN Media in connection with the LIN Merger, including the satisfaction and discharge of LIN Television's $200 million aggregate principal amount of 8.375% Senior Notes due 2018 and the payment of related fees and expenses. The 2022 Notes were issued under an indenture, dated as of November 5, 2014 (the "2022 Notes Indenture"). New Media General, as the new direct parent of LIN Television, and certain of the wholly owned subsidiaries of LIN Television provide full and unconditional guarantees to the 2022 Notes, on a senior basis.

2021 Notes

LIN Television's previously issued 6.375% Senior Notes due 2021 with an aggregate principal amount outstanding of $290 million remained outstanding as of the Closing Date (the "2021 Notes"). Following the consummation of the LIN Merger, New Media General, as the new direct parent of LIN Television, and certain of the wholly owned subsidiaries of LIN Television provide full and unconditional guarantees of the 2021 Notes, on a senior basis.

Fair Value

The following table includes information about the carrying values and estimated fair values of the Company's financial instruments at June 30, 2015, and December 31, 2014:

	June 30, 2015		December 31, 2014	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Investments				
Trading securities	$449	$449	$449	$449
Liabilities:				
Long-term debt:				
Media General Credit Agreement	1,556,670	1,555,388	1,690,753	1,686,000
2022 Notes	398,163	395,357	398,038	397,000
2021 Notes	291,342	300,875	291,442	289,000
Shield Media Credit Agreement	28,400	28,400	29,600	29,600
Other borrowings	1,524	1,524	2,111	2,111

Trading securities held by the Supplemental 401(k) Plan are carried at fair value and are determined by reference to quoted market prices.

The fair value of the 2021 Notes was determined by reference to the most recent trading prices. The fair value of all other debt instruments were determined using discounted cash flow analysis' and an estimate of the current borrowing rate.

Under the fair value hierarchy, the Company's trading securities fall under Level 1 (quoted prices in active markets), the 2021 Notes fall under Level 2 (other observable inputs) and the Media General Credit Agreement, 2022 Notes, Shield Media Credit Agreement and the Other Borrowings fall under Level 3 (unobservable inputs).

Note 6: Taxes on Income

The effective tax rate was 43.3% in the second quarter of 2015 as compared to 44.5% in the second quarter of 2014 and 69.6% in the first six months of 2015 as compared 42.7% in the equivalent prior-year period. The high tax rate in both periods was due primarily to the relative dollar amount of merger-related expenses (a significant portion of which will not be deductible) and other permanent book-tax differences, as compared to much lower levels of pre-tax income. The tax expense in both years was predominantly non-cash due to the Company's interim net loss for tax purposes and significant net operating loss carryover. Current tax expense was approximately $1.3 million and $0.2 million in the second quarter of 2015 and 2014 respectively and was approximately $1.5 million and $0.3 million in the first six months of 2015, and 2014, respectively; it was attributable to state income taxes.

11

Note 7: Earnings Per Share

The following table sets forth the computation of basic and diluted income per share for the three and six months ended June 30, 2015, and 2014:

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
(In thousands, except per share amounts)	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income attributable to Media General	$1,635			$6,786		
Undistributed earnings attributable to participating securities	(4)			(43)		
Basic EPS Income attributable to common stockholders	$1,631	129,201	$0.01	$6,743	88,473	$0.08
Effect of dilutive securities:						
Stock options and warrants		1,435			519	
Diluted EPS Income attributable to common stockholders	$1,631	130,636	$0.01	$6,743	88,992	$0.08

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
(In thousands, except per share amounts)	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income (loss) attributable to Media General	$(5,798)			$12,171		
Undistributed earnings attributable to participating securities	—			(84)		
Basic EPS Income (loss) attributable to common stockholders	$(5,798)	129,275	$(0.04)	$12,087	88,399	$0.14
Effect of dilutive securities:						
		—			512	

Stock options and warrants						
Diluted EPS						
Income (loss) attributable to common stockholders	$(5,798)	129,275	$(0.04)	$12,087	88,911	$0.14

We have excluded 1.5 million of common shares issuable for share options and restricted shares from the calculation of diluted earnings per share for the six months ended June 30, 2015 because the net loss causes these shares to be anti-dilutive.

12

Note 8: Retirement and Postretirement Plans

The Company has a funded, qualified non-contributory defined benefit retirement plan which covers substantially all Legacy Media General employees hired before 2007 and IBEW Local 45 employees of KRON-TV with benefits which vested prior to 2006, as well as a non-contributory unfunded supplemental executive retirement and ERISA excess plans which supplement the coverage available to certain executives. These retirement plans are frozen.

In conjunction with the LIN Merger, the Company assumed liability for an additional defined benefit retirement plan as well as a supplemental retirement plan. Both plans are frozen. The Company is required to make contributions to the supplemental retirement plan for the then eligible employees and certain other employees based on 5% of each participant's eligible compensation.

The Company also has a retiree medical savings account plan which reimburses eligible employees who retire for certain medical expenses. In addition, the Company has an unfunded plan that provides certain health and life insurance benefits to retired employees who were hired prior to 1992.

The following tables provide the components of net periodic benefit cost (income) for the Company's benefit plans for the second quarters and first six months of 2015 and 2014:

	Three Months Ended			
	Pension Benefits		Other Benefits	
(In thousands)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Service cost	$—	$43	$40	$18
Interest cost	4,056	5,554	390	277
Expected return on plan assets	(5,472)	(6,762)	—	—
Amortization of net loss	142	—	—	—
Net periodic benefit (income) cost	$(1,274)	$(1,165)	$430	$295

	Six Months Ended			
	Pension Benefits		Other Benefits	
(In thousands)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Service cost	$—	$85	$50	$40
Interest cost	11,456	11,060	500	538
Expected return on plan assets	(15,453)	(13,433)	—	—
Amortization of net loss	400	—	—	—
Net periodic benefit (income) cost	$(3,597)	$(2,288)	$550	$578

Note 9: Stockholders' Equity

The following table shows the components of the Company's stockholders' equity as of and for the six months ended June 30, 2015:

(In thousands)	Common Stock Voting	Common Stock Non-Voting	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2014	$1,322,284	$—	$(36,445)	$214,582	$1,500,421
Net income attributable to Media General	—	—	—	(5,798)	(5,798)
Exercise of stock options	1,211	—	—	—	1,211
Stock-based compensation	6,860	—	—	—	6,860
Revaluation of redeemable noncontrolling interest	—	—	—	(1,431)	(1,431)
Repurchases of Voting Common Stock	(18,747)	—	—	—	(18,747)
Other	(467)	—	—	—	(467)
Balance at June 30, 2015	$1,311,141	$—	$(36,445)	$207,353	$1,482,049

The following table shows the components of the Company's stockholders' equity as of and for the six months ended June 30, 2014:

(In thousands)	Common Stock Voting	Common Stock Non-Voting	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2013	$557,754	$12,483	$5,668	$161,076	$736,981
Net income attributable to Media General	—	—	—	12,171	12,171
Conversion of non-voting to voting common stock	2,102	(2,102)	—	—	—
Exercise of stock options	472	—	—	—	472
Stock-based compensation	1,889	—	—	—	1,889
Director deferred stock units	7,361	—	—	—	7,361
Other	(84)	—	—	—	(84)
Balance at June 30, 2014	$569,494	$10,381	$5,668	$173,247	$758,790

Note 10: Other

During the second quarter of 2015 the Company repurchased 1.1 million shares of its outstanding voting common stock at an average price of $16.44 for $19 million under the share repurchase program approved by the Board of Directors of the Company. The share repurchase program expires on December 31, 2015.

The Company received $120 million of restricted cash in a qualified intermediary (a consolidated entity) from the 2014 sale of the WJAR-TV station discussed in Note 2. In June of 2015, the restricted cash was released from the qualified intermediary and remitted to the Company.

In April 2015, the Company acquired the remaining noncontrolling interest in the Dedicated Media subsidiary for a purchase price of $11 million. As a result of the transaction, Dedicated Media was 100% owned by the Company during the second quarter of 2015.

The Company also recorded $2.5 million and $5.6 million of non-operating gains in the three and six month periods ended June 30, 2015, respectively, related to the relocation of broadcast channels in the Lansing, Michigan and Austin, Texas markets.

Note 11: Guarantor Financial Information

LIN Television, a 100% owned subsidiary of New Media General, is the primary obligor of the 2021 Notes and 2022 Notes. New Media General fully and unconditionally guarantees all of LIN Television's obligations under the 2021 Notes and the 2022 Notes on a joint and several basis. Additionally, all of the consolidated 100% owned subsidiaries of LIN Television fully and unconditionally guarantee LIN Television's obligations under the 2021 Notes and 2022 Notes on a joint and several basis. There are certain limitations in the ability of the subsidiaries to pay dividends to New Media General. The following financial information presents condensed consolidating balance sheets, statements of operations, and statements of cash flows for New Media General, LIN Television (as the issuer), the Guarantor Subsidiaries, and the Non-Guarantor Subsidiaries, together with certain eliminations.

Media General, Inc.
Condensed Consolidating Balance Sheet
June 30, 2015
(in thousands)

	New Media General	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$—	$13,962	$46,599	$ 11,517	$—	$72,078
Trade accounts receivable, net	—	55,161	175,769	15,365	—	246,295
Current deferred tax asset	—	—	51,692	40	—	51,732
Prepaid expenses and other current assets	—	7,929	21,576	7,234	—	36,739
Total current assets	—	77,052	295,636	34,156	—	406,844
Property and equipment, net	—	175,014	304,609	3,958	—	483,581
Other assets, net	—	13,946	55,230	2,114	—	71,290
Definite lived intangible assets, net	—	384,620	483,859	44,008	—	912,487
Broadcast licenses	—	—	1,025,800	71,300	—	1,097,100
Goodwill	—	527,077	977,570	92,839	—	1,597,486
Advances to consolidated subsidiaries	—	(157,217)	166,231	(9,014)	—	—
Investment in consolidated subsidiaries	1,482,049	1,313,747	—	—	(2,795,796)	—
Total assets	$1,482,049	$2,334,239	$3,308,935	$ 239,361	$(2,795,796)	$4,568,788
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)						
Current liabilities:						
Trade accounts payable	$—	$3,642	$28,225	$ 1,426	$—	$33,293
Accrued salaries and wages	—	5,604	18,606	612	—	24,822
Other accrued expenses and other current liabilities	—	27,296	77,372	4,272	—	108,940
Current installments of long-term debt	—	—	—	3,404	—	3,404
Current installments of obligation under capital leases	—	520	290	46	—	856
Total current liabilities	—	37,062	124,493	9,760	—	171,315
Long-term debt	—	689,505	1,556,670	26,520	—	2,272,695
Deferred tax liability and other long-term tax liabilities	—	73,090	286,877	(738)	—	359,229
Long-term capital lease obligations	—	13,242	1,182	12	—	14,436
Retirement and postretirement plans	—	34,785	168,209	—	—	202,994
Other liabilities	—	4,506	28,407	2,092	—	35,005
Total liabilities	—	852,190	2,165,838	37,646	—	3,055,674

Noncontrolling interests	—	—	—	31,065	—	31,065
Total stockholders (deficit) equity	1,482,049	1,482,049	1,143,097	170,650	(2,795,796)	1,482,049
Total liabilities, noncontrolling interest and stockholders' equity (deficit)	$1,482,049	$2,334,239	$3,308,935	$ 239,361	$(2,795,796)	$4,568,788

16

Media General, Inc.
Condensed Consolidating Balance Sheet
December 31, 2014
(in thousands)

	New Media General	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$2,388	$9,658	$27,371	$ 4,503	$—	$43,920
Trade accounts receivable, net	—	82,909	168,862	13,398	—	265,169
Restricted cash at qualified intermediary			119,903			119,903
Current deferred tax asset	—	3,492	52,222	40	—	55,754
Prepaid expenses and other current assets	—	18,724	11,396	8,978	—	39,098
Total current assets	2,388	114,783	379,754	26,919	—	523,844
Property and equipment, net	—	179,057	314,534	5,881	—	499,472
Other assets, net	—	8,565	67,961	2,473	—	78,999
Definite lived intangible assets, net	—	403,866	506,619	45,815	—	956,300
Broadcast licenses	—	—	1,025,800	71,300	—	1,097,100
Goodwill	—	527,077	977,570	92,839	—	1,597,486
Advances to consolidated subsidiaries	2,021	(456,741)	456,359	(1,639)		—
Investment in consolidated subsidiaries	1,496,012	1,319,033	—	—	(2,815,045)	—
Total assets	$1,500,421	$2,095,640	$3,728,597	$ 243,588	$(2,815,045)	$4,753,201
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)						
Current liabilities:						
Trade accounts payable	$—	$4,014	$31,794	$ 551	$—	$36,359
Accrued salaries and wages	—	9,384	26,536	714	—	36,634
Other accrued expenses and other current liabilities	—	43,901	53,042	7,149	—	104,092
Current installments of long-term debt	—	—	8,218	3,563	—	11,781
Current installments of obligation under capital leases	—	441	303	71	—	815
Total current liabilities	—	57,740	119,893	12,048	—	189,681
Long-term debt	—	291,442	2,080,570	28,150	—	2,400,162
Deferred tax liability and other long-term tax liabilities	—	193,293	168,171	2,825	—	364,289
Long-term capital lease obligations	—	13,529	1,312	28	—	14,869
Retirement and postretirement plans	—	33,031	178,233	—	—	211,264
Other liabilities	—	10,593	22,037	5,404	—	38,034

Total liabilities	—	599,628	2,570,216	48,455	—	3,218,299
Noncontrolling interests	—	—	10,981	23,500	—	34,481
Total stockholders (deficit) equity	1,500,421	1,496,012	1,147,400	171,633	(2,815,045)	1,500,421
Total liabilities, noncontrolling interest and stockholders' equity (deficit)	$1,500,421	$2,095,640	$3,728,597	$ 243,588	$(2,815,045)	$4,753,201

17

Media General, Inc.
Condensed Consolidated Statement of Comprehensive Income
For the Three Months Ended June 30, 2015
(in thousands)

	New Media General	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net operating revenue	$—	$94,258	$216,770	$ 16,941	$(7,446)	$320,523
Operating costs:						
Operating expenses, excluding depreciation expense	—	40,294	88,410	9,856	(4,391)	134,169
Selling, general and administrative expenses	—	22,193	53,009	4,152	(303)	79,051
Amortization of program licenses rights	—	4,363	7,250	434	—	12,047
Corporate and other expenses	—	2,661	9,703	2	—	12,366
Depreciation and amortization	—	15,522	24,562	2,534	—	42,618
(Gain) loss related to property and equipment, net	—	165	(361)	—	—	