MEDIA GENERAL INC
Form 10-Q
May 09, 2016

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 March 31, 2016
OR

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

For the transition period from to
Commission file number: 1-6383

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 May 4, 2016.
Voting Common shares (no par value): 129,272,908

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

ASSETS

	March 31, 2016	December 31, 2015
Current assets:		
Cash and cash equivalents	$33,593	$ 41,091
Trade accounts receivable (less allowance for doubtful accounts 2016 - $4,448; 2015 - $4,634)	291,889	298,474
Prepaid expenses and other current assets	17,387	15,083
Total current assets	342,869	354,648
Property and equipment, net of accumulated depreciation 2016 - $162,653 ; 2015 - $145,274	457,418	470,537
Other assets, net	32,910	38,070
Definite lived intangible assets, net of accumulated amortization 2016 - $160,897; 2015 - $138,072	849,839	871,129
Broadcast licenses	1,097,100	1,097,100
Goodwill	1,544,624	1,544,624
Total assets (a)	$4,324,760	$ 4,376,108

See accompanying notes.

(a) Consolidated assets as of March 31, 2016 and December 31, 2015, include total assets of variable interest entities (VIEs) of $142 million and $145 million, respectively, which can only be used to settle the obligations of the VIEs. See Note 1 and Note 3.

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2016	December 31, 2015
Current liabilities:		
Trade accounts payable	$ 19,854	$ 35,800
Accrued salaries and wages	21,129	21,465
Accrued expenses and other current liabilities	108,110	95,500
Current installments of long-term debt	3,514	3,804
Current installments of obligation under capital leases	841	859
Total current liabilities	153,448	157,428
Long-term debt, net	2,200,343	2,199,110
Deferred tax liability and other long-term tax liabilities	293,973	315,234
Long-term capital lease obligations	13,810	14,012
Retirement and postretirement plans	179,377	182,987
Other liabilities	33,287	34,920
Total liabilities (b)	2,874,238	2,903,691
Commitments and contingencies		
Noncontrolling interests	37,465	24,447
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 2016 - 129,241,012 and 2015 - 128,600,384	1,296,879	1,305,155
Accumulated other comprehensive loss	(31,224)	(31,224)
Retained earnings	147,402	174,039
Total stockholders' equity	1,413,057	1,447,970
Total liabilities, noncontrolling interests and stockholders' equity	$ 4,324,760	$ 4,376,108

See accompanying notes.

(b) Consolidated liabilities as of March 31, 2016 and December 31, 2015, include total liabilities of VIEs of $36 million and $38 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 3.

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

	Three Months Ended	
	March 31, 2016	March 31, 2015
Net operating revenue	$343,463	$296,734
Operating costs:		
Operating expenses, excluding depreciation expense	151,143	125,876
Selling, general and administrative expenses	78,321	80,470
Amortization of program license rights	12,066	11,758
Corporate and other expenses	10,352	12,651
Depreciation and amortization	40,121	40,283
Gain related to property and equipment, net	(768)	(228)
Merger-related expenses	65,882	5,277
Restructuring expenses	3,982	—
Total operating costs	361,099	276,087
Operating income (loss)	(17,636)	20,647
Other income (expense):		
Interest expense	(28,556)	(31,023)
Debt modification and extinguishment costs	—	(613)
Other, net	74	3,290
Total other expense	(28,482)	(28,346)
Loss before income taxes	(46,118)	(7,699)
Income tax benefit	20,405	3,157
Net loss	$(25,713)	$(4,542)
Net income attributable to noncontrolling interests (included above)	477	2,891
Net loss attributable to Media General	$(26,190)	$(7,433)
Other comprehensive income	—	—
Total comprehensive loss attributable to Media General	$(26,190)	$(7,433)
Earnings (loss) per common share (basic and diluted):		
Net loss per common share (basic)	$(0.20)	$(0.06)
Net loss per common share (assuming dilution)	$(0.20)	$(0.06)

See accompanying notes.

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

	Three Months Ended	
	March 31, 2016	March 31, 2015
Cash flows from operating activities:		
Net loss	$(25,713)	$(4,542)
Adjustments to reconcile net income (loss):		
Deferred income tax benefit	(21,261)	(3,357)
Depreciation and amortization	40,121	40,283
Amortization of program license rights	12,066	11,758
Amortization of debt premiums, discounts and issue costs	2,033	308
Gain on disposal of property and equipment, net	(768)	(228)
Gain on relocation of spectrum	—	(3,120)
Stock-based compensation	2,078	3,010
Debt modification and extinguishment costs	—	613
Change in assets and liabilities:		
Program license rights, net of liabilities	(12,110)	(10,867)
Trade accounts receivable	6,330	31,080
Company owned life insurance (cash surrender value less policy loans including repayments)	(312)	(519)
Trade accounts payable, accrued expenses and other liabilities	(3,728)	(3,932)
Contributions to retirement plans	—	(1,250)
Other, net	(3,535)	(2,818)
Net cash (used) provided by operating activities	(4,799)	56,419
Cash flows from investing activities:		
Capital expenditures	(6,763)	(7,209)
Proceeds from the sale of property and equipment	3,976	262
Proceeds from spectrum relocation	—	620
Other, net	(10)	(5)
Net cash used by investing activities	(2,797)	(6,332)
Cash flows from financing activities:		
Repayment of borrowings under Media General Credit Agreement	—	(35,000)
Borrowings under Media General Revolving Credit Facility	30,000	—
Repayments under Media General Revolving Credit Facility	(30,000)	—
Repayment of borrowings under Shield Media Credit Agreement	(800)	(600)
Repayment of other borrowings	(290)	(290)
Exercise of stock options	1,408	958
Other, net	(220)	(764)
Net cash provided (used) by financing activities	98	(35,696)
Net (decrease) increase in cash and cash equivalents	(7,498)	14,391
Cash and cash equivalents at beginning of period	41,091	43,920
Cash and cash equivalents at end of period	$33,593	$58,311
Cash paid for interest	$24,973	$29,444
Cash paid for income taxes, net	$618	$1,963
Cash paid for Meredith termination fee	$60,000	$—

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 Annual Report on Form 10-K of Media General, Inc. ("Media General" or the "Company") for the year ended December 31, 2015. 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.

In September 2015 the Company announced a merger agreement under which the Company would have acquired all of the outstanding common stock of Meredith Corporation (“Meredith”) in a cash and stock transaction. Later in September of 2015 the Company received an unsolicited proposal from Nexstar Broadcasting Group, Inc. (“Nexstar”) to acquire all of the outstanding common stock of Media General. Following discussion between the various parties, in January 2016 Media General terminated its agreement with Meredith with Media General paying Meredith a $60 million termination fee and providing Meredith with an opportunity to negotiate for the purchase of certain broadcast and digital assets owned by the Company. Immediately thereafter, the Company entered into an agreement with Nexstar whereby Nexstar will acquire all outstanding shares of Media General for $10.55 per share in cash, 0.1249 shares of Nexstar Class A common stock for each Media General share and a contingent value right (CVR). The cash consideration and the stock consideration are fixed amounts and do not increase or decrease based upon the proceeds (if any) from the disposition of either Nexstar's or Media General's spectrum in the FCC auction. Upon the completion of the transaction, Nexstar will change its name to Nexstar Media Group. Each CVR will entitle Media General shareholders to a pro rata share of the net cash proceeds as received from the sale of Media General's spectrum in the Federal Communication Commission's upcoming Incentive Auction. It is estimated that Media General shareholders will own approximately 34% and existing Nexstar shareholders will retain approximately 66% ownership of the combined company after closing. The closing of the transaction is subject to the satisfaction of a number of conditions including, but not limited to, the approval of various matters relating to the transaction by Media General and Nexstar shareholders, the approval of the Federal Communications Commission (“FCC”), clearance under the Hart-Scott-Rodino antitrust act and certain third party consents. Merger-related expenses for the Meredith termination fee, legal and professional fees for the Meredith and Nexstar transactions totaled $66 million for the quarter ended March 31, 2016.

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. 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 3, 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 has two reportable 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 markets, all of which are engaged principally in the sale of television advertising. The Digital segment includes the operating results of the Company's digital businesses as well as the business operations related to the television station companion websites.

The Company guarantees all of the debt of LIN Television Corporation ("LIN Television", a wholly owned subsidiary of the Company) 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 May 2014, the Financial Accounting Standards Board (“FASB”) and the International Accounting Standards Board (“IASB”) issued a converged standard on revenue recognition from contracts with customers, Accounting Standards Update

("ASU") 2014-09 (Topic 606 and IFRS 15). This standard will supersede nearly all existing revenue recognition guidance. In August 2015 the FASB issued ASU 2015-14, Revenue From Contracts With Customers: Deferral of the Effective Date which defers the effective date of ASU 2014-09 until fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company is currently evaluating the impact this guidance will have on its financial condition, results of operations and cash flows.

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. The Company adopted this guidance as of January 1, 2016 and $30.7 million was reclassified to reduce "Long-term Debt" as of March 31, 2016. In order to conform to the presentation adopted $32.2 million was reclassified from "Other assets, net" to "Long-term Debt" in the 2015 figures presented on the Consolidated Condensed Balance Sheets and in Note 10 Guarantor Financial Information. Approximately $285 thousand was reclassified from "Other assets, net" to "Long-term Debt" in the 2015 figures presented in Note 3 Variable Interest Entities.

In February 2016, the FASB issued ASU 2016-02, Leases, which requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. ASU 2016-02 is effective for reporting periods beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the impact that this guidance will have on its consolidated financial statements.

In March 2016, the FASB released ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. The Company is currently evaluating the impact that this guidance will have on its consolidated financial statements. The ASU is effective for public companies in annual periods beginning after December 15, 2016, and interim periods within those years.

Note 2: Segment Information

The Company has 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 (Federated Media and HYFN) 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 March 31,	
(in thousands)	2016	2015
Revenues		
Broadcast	$305,593	$266,484
Digital	37,870	30,250

Revenues	$343,463	$296,734

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(in thousands)	Three Months Ended March 31, 2016	2015
Operating income		
Broadcast	$103,618	$80,821
Digital	(1,685)	(2,191)
Segment operating income	101,933	78,630
Corporate and other expenses	(10,352)	(12,651)
Depreciation and amortization	(40,121)	(40,283)
Gain related to property and equipment, net	768	228
Merger-related expenses	(65,882)	(5,277)
Restructuring expenses	(3,982)	—
Operating income (loss)	$(17,636)	$20,647

Note 3: Variable Interest Entities

Certain of the Company's broadcast stations provide services to other station owners within the same market via Joint Sales Agreements ("JSA") and/or Shared Service Agreements ("SSA"). The Company has JSA and/or SSA agreements with 8 stations. Depending on the specific terms of these agreements, the Company may provide a variety of operational and administrative services, assume an obligation to reimburse certain expenses of the stations and guarantee certain external borrowings by the station parent companies (refer to Note 6 for guaranteed borrowings). The Company is compensated for these services through performance based and/or administrative fees. Under certain JSAs, the Company has an option to acquire the related station at any time, subject to FCC consent, until the expiration of the applicable JSA. The Company has determined that the stations with which it has JSAs and/or SSAs, and certain of their parent companies, are VIEs as a result of the terms of the agreements.

The Company is the primary beneficiary of the VIEs, because (a) subject to the ultimate control of the broadcast licensees, the Company has the power to direct the activities which significantly impact the economic performance of the VIEs through the services the Company provides and (b) the Company absorbs returns and losses which would be considered significant to the VIEs. 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 consolidated VIE entities described above, which have been included in the consolidated balance sheets as of March 31, 2016, and December 31, 2015, were as follows:

(In thousands)	March 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 3,554	$ 3,693
Trade accounts receivable (less allowance for doubtful accounts 2016 - $89; 2015 - $94)	7,985	9,798
Prepaid expenses and other current assets	715	796
Total current assets	12,254	14,287
Property and equipment, net	1,937	1,904
Other assets, net	2,874	3,094
Definite lived intangible assets, net	31,479	32,244
Broadcast licenses	71,300	71,300
Goodwill	21,859	21,859
Total assets	$ 141,703	$ 144,688
Liabilities		
Current liabilities		
Trade accounts payable	$ 13	$ 16
Other accrued expenses and other current liabilities	1,974	2,221
Current installments of long-term debt	3,514	3,804
Total current liabilities	5,501	6,041
Long-term debt, net	23,285	24,062
Other liabilities	6,981	8,310
Total liabilities	$ 35,767	$ 38,413

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 March 31, 2016, 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. Pursuant to the Consolidated Appropriations Act of 2016, the Company will be required to modify or terminate its existing JSAs no later than September 30, 2025, unless they are able to obtain a waiver of such rules. Accordingly, absent further developments, or the grant of waivers, the Company continues to monitor regulatory developments and evaluate potential changes to its JSA and SSA arrangements.

Note 4: Debt and Other Financial Instruments

Long-term debt at March 31, 2016, and December 31, 2015, was as follows:

(In thousands)	2016	2015
Media General Credit Agreement	$1,541,000	$1,541,000
2022 Notes	400,000	400,000
2021 Notes	275,000	275,000
Shield Media Credit Agreement	26,400	27,200
Other borrowings	659	950
Total debt	2,243,059	2,244,150
Less: net unamortized discount	(8,531)	(8,992)
Less: scheduled current maturities	(3,514)	(3,804)
Less: unamortized debt issuance fees	(30,671)	(32,244)
Long-term debt excluding current maturities	$2,200,343	$2,199,110

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%.

There were no principal repayments on the term loan during the first quarter of 2016. The Company repaid $35 million of principal on the term loan during the three months ended March 31, 2015. The early repayment of debt resulted in debt extinguishment costs of $0.6 million during the three months ended March 31, 2015 due to the accelerated recognition of deferred debt-related items. As of March 31, 2016, there was $1.5 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 2.50% and is subject to a 0.5% commitment fee per annum with respect to the undrawn portion of the facility. The Company has $146 million of availability under the revolving credit facility (giving effect to $4 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 3, 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%. 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 $0.8 million and $0.6 million of principal on the term loan during the three months ended March 31, 2016 and 2015, respectively.

2022 Notes

On November 5, 2014, the Company's predecessor, MGOC, Inc. ("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 Old Media General's combination (the "LIN Merger") with LIN Media, LLC ("LIN Media"). The net proceeds from the 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”). Media General, as the 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 (the "2021 Notes") remained outstanding as of the consummation of the LIN Merger. Following the consummation of the LIN Merger, 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. The Company received an unsolicited offer and repaid $15 million of principal at an $800 thousand premium during the year ended December 31, 2015. No principal payments were made during the first quarter of 2016. As of March 31, 2016, the aggregate principal amount outstanding under the 2021 Notes was $275 million.

Fair Value

The following table includes information about the carrying values and estimated fair values of the Company’s financial instruments at March 31, 2016, and December 31, 2015:

	March 31, 2016		December 31, 2015	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Investments				
Trading securities	$274	$ 274	$257	$ 257
Liabilities:				
Long-term debt:				
Media General Credit Agreement	1,508,935	1,545,471	1,507,182	1,529,229
2022 Notes	392,799	406,898	392,527	404,344
2021 Notes	275,324	302,502	275,340	288,228
Shield Media Credit Agreement	26,140	26,140	26,915	27,200
Other borrowings	659	659	950	950

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 values of the 2021 and 2022 Notes were 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 and 2022 Notes fall under Level 2 (other observable inputs) and the Media General Credit Agreement, Shield Media Credit Agreement and Other Borrowings fall under Level 3 (unobservable inputs).

Note 5: Taxes on Income

The effective tax benefit was 44.2% in the first quarter of 2016 as compared to 41.0% in the first quarter of 2015. The higher tax benefit is due primarily to a discrete tax benefit recorded in the first quarter of 2016 related to failed merger-related expenses recorded in the prior year. In 2016 the Company adopted Approach I as defined under ASC 740 with respect to merger-related expenses and has provided tax benefit on “sell-side” merger expenses until the proposed transaction is finalized. Ultimately, some of these expenses may be non-deductible. The tax expense in both years was predominantly non-cash due to the Company’s significant net operating loss carryover. Current tax expense

was approximately $0.9 million and $0.2 million for the first quarters of 2016 and 2015, respectively; it was attributable primarily to state income taxes.

Note 6: Earnings Per Share

The following table sets forth the computation of basic and diluted income per share for the three months ended March 31, 2016, and 2015:

	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
(In thousands, except	Income	Shares	Per Share	Income	Shares	Per Share
per share amounts)	(Numerator)	(Denominator)	Amount	(Numerator)	(Denominator)	Amount
Net income (loss) attributable to Media General	$ (26,190)			$ (7,433)		
Undistributed earnings attributable to participating securities	—					