

MEDIA GENERAL INC  
Form 10-Q  
November 09, 2016

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

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

For the quarterly period ended September 30, 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 (I.R.S. Employer  
incorporation or organization) 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  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  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  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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of November 3, 2016.

Voting Common shares (no par value): 129,311,903

MEDIA GENERAL, INC.  
TABLE OF CONTENTS  
FORM 10-Q REPORT  
September 30, 2016

|   | Page      |
|---|-----------|
| Part I. Financial Information   |           |
| Item 1. Financial Statements  |           |
| Consolidated Condensed Balance Sheets – September 30, 2016 and December 31, 2015  | <u>1</u>  |
| Consolidated Condensed Statements of Comprehensive Income – Three and nine months ended September 30, 2016 and September 30, 2015 | <u>3</u>  |
| Consolidated Condensed Statements of Cash Flows – Nine months ended September 30, 2016 and September 30, 2015                     | <u>4</u>  |
| Notes to Consolidated Condensed Financial Statements  | <u>5</u>  |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations                                     | <u>25</u> |
| Item 3. Quantitative and Qualitative Disclosure About Market Risk   | <u>33</u> |
| Item 4. Controls and Procedures   | <u>33</u> |
| Part II. Other Information  |           |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds   | <u>34</u> |
| Item 5. Other Information   | <u>34</u> |
| Item 6. Exhibits  | <u>35</u> |
| (a) Exhibits  | <u>35</u> |
| Signatures  | <u>36</u> |

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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

|  | September 30,<br>2016 | December 31,<br>2015 |
|--|-----------------------|----------------------|
| Current assets:  |                       |                      |
| Cash and cash equivalents  | \$ 57,822             | \$ 41,091            |
| Trade accounts receivable (less allowance for doubtful accounts 2016 - \$4,966; 2015 - \$4,634)        | 311,826               | 298,474              |
| Prepaid expenses and other current assets  | 15,515                | 15,083               |
| Total current assets   | 385,163               | 354,648              |
| Property and equipment, net of accumulated depreciation (2016 - \$196,187; 2015 - \$145,274)           | 445,591               | 470,537              |
| Other assets, net  | 30,455                | 38,070               |
| Definite lived intangible assets, net of accumulated amortization (2016 - \$206,412; 2015 - \$138,072) | 788,000               | 871,129              |
| Broadcast licenses   | 1,097,100             | 1,097,100            |
| Goodwill   | 1,451,036             | 1,544,624            |
| Total assets (a)   | \$ 4,197,345          | \$ 4,376,108         |

See accompanying notes.

(a) Consolidated assets as of September 30, 2016 and December 31, 2015, include total assets of variable interest entities (VIEs) of \$141 million and \$145 million, respectively, which can only be used to settle the obligations of the VIEs. See Note 1 and Note 3.

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

LIABILITIES AND STOCKHOLDERS' EQUITY

|  | September 30,<br>2016 | December 31,<br>2015 |
|--|-----------------------|----------------------|
| Current liabilities:   |                       |                      |
| Trade accounts payable   | \$ 18,074             | \$ 35,800            |
| Accrued salaries and wages   | 25,084                | 21,465               |
| Accrued expenses and other current liabilities   | 105,920               | 95,500               |
| Current installments of long-term debt   | 3,547                 | 3,804                |
| Current installments of obligation under capital leases  | 797                   | 859                  |
| Total current liabilities  | 153,422               | 157,428              |
| Long-term debt, net  | 2,147,336             | 2,199,110            |
| Deferred tax liability and other long-term tax liabilities   | 313,013               | 315,234              |
| Long-term capital lease obligations  | 13,553                | 14,012               |
| Retirement and postretirement plans  | 172,599               | 182,987              |
| Other liabilities  | 26,140                | 34,920               |
| Total liabilities (b)  | 2,826,063             | 2,903,691            |
| Commitments and contingencies  |                       |                      |
| Noncontrolling interests   | 4,044                 | 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 - 129,302,903 and 2015 - 128,600,384 | 1,301,269             | 1,305,155            |
| Accumulated other comprehensive loss   | (31,224               | ) (31,224 )          |
| Retained earnings  | 97,193                | 174,039              |
| Total stockholders' equity   | 1,367,238             | 1,447,970            |
| Total liabilities, noncontrolling interests and stockholders' equity                                 | \$ 4,197,345          | \$ 4,376,108         |

See accompanying notes.

(b) Consolidated liabilities as of September 30, 2016 and December 31, 2015, include total liabilities of VIEs of \$31 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 |                    | Nine Months Ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Net operating revenue   | \$377,356          | \$ 321,736         | \$ 1,083,525       | \$ 938,993         |
| Operating costs:  |                    |                    |                    |                    |
| Operating expenses, excluding depreciation expense                          | 154,815            | 143,492            | 459,557            | 403,537            |
| Selling, general and administrative expenses                                | 74,623             | 78,777             | 229,102            | 238,298            |
| Amortization of program license rights                                      | 12,666             | 12,822             | 36,808             | 36,627             |
| Corporate and other expenses  | 8,671              | 12,598             | 37,124             | 37,615             |
| Depreciation and amortization   | 40,762             | 40,385             | 121,220            | 123,286            |
| (Gain) loss related to property and equipment, net                          | 143                | 96                 | (538               | ) (328             |
| Goodwill and other intangible impairment                                    | 112,511            | 52,862             | 112,511            | 52,862             |
| Merger-related expenses   | 1,360              | 10,014             | 68,803             | 18,907             |
| Restructuring (income) expenses   | (45                | ) 1,132            | 4,933              | 1,132              |
| Total operating costs   | 405,506            | 352,178            | 1,069,520          | 911,936            |
| Operating income (loss)   | (28,150            | ) (30,442          | ) 14,005           | 27,057             |
| Other income (expense):   |                    |                    |                    |                    |
| Interest expense  | (28,526            | ) (29,481          | ) (85,611          | ) (89,792          |
| Debt modification and extinguishment costs                                  | (928               | ) (365             | ) (928             | ) (2,805           |
| Other, net  | 79                 | 27                 | 275                | 5,939              |
| Total other expense   | (29,375            | ) (29,819          | ) (86,264          | ) (86,658          |
| Loss before income taxes  | (57,525            | ) (60,261          | ) (72,259          | ) (59,601          |
| Income tax benefit (expense)  | (10,029            | ) 4,374            | (1,780             | ) 3,915            |
| Net loss  | \$(67,554          | ) \$(55,887        | ) \$(74,039        | ) (55,686          |
| Net income (loss) attributable to noncontrolling interests (included above) | 1,153              | (7,394             | ) 2,360            | (1,395             |
| Net loss attributable to Media General                                      | \$(68,707          | ) \$(48,493        | ) \$(76,399        | ) \$(54,291        |
| Other comprehensive income  | —                  | —                  | —                  | —                  |
| Total comprehensive loss attributable to Media General                      | \$(68,707          | ) \$(48,493        | ) \$(76,399        | ) \$(54,291        |
| Loss per common share (basic and diluted):                                  |                    |                    |                    |                    |
| Net earnings (loss) per common share (basic)                                | \$(0.53            | ) \$(0.38          | ) \$(0.59          | ) \$(0.42          |
| Net earnings (loss) per common share (assuming dilution)                    | \$(0.53            | ) \$(0.38          | ) \$(0.59          | ) \$(0.42          |

See accompanying notes.

Media General, Inc.

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

|  | Nine Months Ended |               |
|--|-------------------|---------------|
|  | September 30,     | September 30, |
|  | 2016              | 2015          |
| Cash flows from operating activities:  |                   |               |
| Net loss   | \$(74,039)        | \$ (55,686 )  |
| Adjustments to reconcile net loss:   |                   |               |
| Deferred income tax benefit  | (2,221 )          | (5,769 )      |
| Depreciation and amortization  | 121,220           | 123,286       |
| Amortization of program license rights   | 36,808            | 36,627        |
| Goodwill and intangible asset impairment   | 112,511           | 52,862        |
| Amortization of debt premiums, discounts and issue costs                                   | 5,554             | 5,571         |
| Gain on disposal of property and equipment, net  | (538 )            | (328 )        |
| Gain on relocation of spectrum   | —                 | (5,620 )      |
| Stock-based compensation   | 5,588             | 10,292        |
| Debt modification and extinguishment costs   | 928               | 2,805         |
| Change in assets and liabilities:  |                   |               |
| Program license rights, net of liabilities   | (37,453 )         | (33,123 )     |
| Trade accounts receivable  | (14,949 )         | 6,698         |
| Company owned life insurance (cash surrender value less policy loans including repayments) | (687 )            | (275 )        |
| Trade accounts payable, accrued expenses and other liabilities                             | (4,308 )          | 3,224         |
| Retirement and postretirement plans  | (10,388 )         | (14,759 )     |
| Other, net   | 3,630             | 9,691         |
| Net cash provided by operating activities  | 141,656           | 135,496       |
| Cash flows from investing activities:  |                   |               |
| Capital expenditures   | (33,939 )         | (40,583 )     |
| Release of restricted cash at qualified intermediary                                       | —                 | 119,903       |
| Proceeds from the sale of property and equipment   | 6,167             | 1,279         |
| Proceeds from spectrum relocation  | —                 | 3,120         |
| Other, net   | (165 )            | (78 )         |
| Net cash (used) provided by investing activities   | (27,937 )         | 83,641        |
| Cash flows from financing activities:  |                   |               |
| Borrowings under Media General Revolving Credit Facility                                   | 60,000            | —             |
| Repayments under Media General Revolving Credit Facility                                   | (60,000 )         | —             |
| Repayment of borrowings under Media General Credit Agreement                               | (60,000 )         | (160,000 )    |
| Repayment of 2021 Notes  | —                 | (15,863 )     |
| Repayment of borrowings under Shield Media Credit Agreement                                | (2,400 )          | (1,800 )      |
| Repayment of other borrowings  | (517 )            | (873 )        |
| Repurchase of shares   | —                 | (33,724 )     |
| Payment for acquisition of noncontrolling interest   | (35,305 )         | (10,872 )     |
| Cash paid for debt modification  | —                 | (3,425 )      |
| Exercise of stock options  | 1,935             | 1,848         |
| Other, net   | (701 )            | (546 )        |
| Net cash used by financing activities  | (96,988 )         | (225,255 )    |
| Net increase (decrease) in cash and cash equivalents                                       | 16,731            | (6,118 )      |
| Cash and cash equivalents at beginning of period   | 41,091            | 43,920        |

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|  |          |           |
|--|----------|-----------|
| Cash and cash equivalents at end of period | \$57,822 | \$ 37,802 |
| Cash paid for interest                     | \$77,820 | \$ 85,149 |
| Cash paid for income taxes, net            | \$2,921  | \$ 4,883  |
| Cash paid for Meredith termination fee     | \$60,000 | \$ —      |
| See accompanying notes.                    |          |           |

4

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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 Federal Communications Commission's ("FCC") Incentive 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 FCC's 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 FCC, clearance under the Hart-Scott-Rodino antitrust act and certain third party consents. On September 15, 2016 the transaction received clearance under the Hart-Scott-Rodino antitrust act. Merger-related expenses for legal and professional fees for the Nexstar transaction totaled \$1.4 million for the three months ended September 30, 2016. Merger-related expenses for the Meredith termination fee, legal and professional fees for the Meredith and Nexstar transactions totaled \$69 million for the nine months ended September 30, 2016.

In connection with the Nexstar transaction, Nexstar and its respective subsidiaries, as applicable, have entered into definitive agreements to divest Nexstar's WCWJ station in Jacksonville, Florida and the Company's WSLs-TV station in Roanoke-Lynchburg, Virginia to Graham Media Group, Inc.; Nexstar's KADN-TV and KLAF-LD stations in Lafayette, Louisiana to Bayou City Broadcasting Lafayette, Inc.; Nexstar's KREG-TV station in Denver, Colorado to Marquee Broadcasting, Inc.; the Company's WBAY-TV station in Green Bay, Wisconsin and KWQC-TV station in Davenport-Moline-Rock Island, Iowa to Gray Television Group, Inc.; the Company's KIMT station in Rochester, Minnesota, WTHI-TV station in Terre Haute, Indiana, WLFI-TV station in Lafayette, Indiana, as well as Nexstar's WFFT-TV station in Ft. Wayne, Indiana and KQTV station in Saint Joseph, Missouri to USA Television MidAmerica Holdings, LLC; and the Company's KASA-TV station in Albuquerque, New Mexico to Ramar Communications, Inc.



The Company expects that the sales of these stations will occur substantially concurrent with the closing of the transaction with Nexstar, which is expected to occur later this year.

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 of 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. In April and May 2016, the Board issued accounting standard updates, 2016-10 - Identifying Performance Obligations and Licensing, and 2016-12 - Revenue From Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, respectively. Collectively, these updates, along with ASU 2014-09 and ASU 2015-14 form the new revenue recognition standard that is to be effective for fiscal years beginning after December 15, 2017, with early adoption permitted for fiscal years beginning after December 15, 2016. 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, Interest - Imputation of Interest (Subtopic 835-30): 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 \$26 million was reclassified to reduce "Long-term Debt" as of September 30, 2016. In order to conform to the presentation adopted, \$32 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 ASU is effective for public companies in annual periods beginning after December 15, 2016, and interim periods within those years. The Company is currently evaluating the impact that this guidance will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments. The ASU addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The ASU is effective for public companies in annual periods beginning after December 15, 2017, and interim periods within those years. The Company is currently evaluating the impact that this guidance will have on its consolidated financial statements.

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 (New 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 September 30, |           | Nine Months Ended September 30, |           |
|----------------|----------------------------------|-----------|---------------------------------|-----------|
| (in thousands) | 2016                             | 2015      | 2016                            | 2015      |
| Revenues       |                                  |           |                                 |           |
| Broadcast      | \$337,443                        | \$277,992 | \$962,697                       | \$828,846 |
| Digital        | 39,913                           | 43,744    | 120,828                         | 110,147   |
| Revenues       | \$377,356                        | \$321,736 | \$1,083,525                     | \$938,993 |

|  | Three Months Ended September 30, |             | Nine Months Ended September 30, |            |
|--|----------------------------------|-------------|---------------------------------|------------|
| (in thousands)                                     | 2016                             | 2015        | 2016                            | 2015       |
| Operating income                                   |                                  |             |                                 |            |
| Broadcast  | \$130,367                        | \$85,105    | \$351,648                       | \$260,032  |
| Digital  | 4,885                            | 1,540       | 6,410                           | 499        |
| Segment operating income                           | 135,252                          | 86,645      | 358,058                         | 260,531    |
| Corporate and other expenses                       | (8,671 )                         | (12,598 )   | (37,124 )                       | (37,615 )  |
| Depreciation and amortization                      | (40,762 )                        | (40,385 )   | (121,220 )                      | (123,286 ) |
| Gain (loss) related to property and equipment, net | (143 )                           | (96 )       | 538                             | 328        |
| Goodwill and other asset impairment                | (112,511 )                       | (52,862 )   | (112,511 )                      | (52,862 )  |
| Merger-related expenses                            | (1,360 )                         | (10,014 )   | (68,803 )                       | (18,907 )  |
| Restructuring expenses                             | 45                               | (1,132 )    | (4,933 )                        | (1,132 )   |
| Operating income (loss)                            | \$(28,150 )                      | \$(30,442 ) | \$14,005                        | \$27,057   |

### 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 licenses (refer to Note 5 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 September 30, 2016 and December 31, 2015, were as follows:

7

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| (In thousands)   | September 30,<br>2016 | December 31,<br>2015 |
|--|-----------------------|----------------------|
| Assets   |                       |                      |
| Current assets   |                       |                      |
| Cash and cash equivalents  | \$ 5,726              | \$ 3,693             |
| Trade accounts receivable (less allowance for doubtful accounts 2016 - \$213; 2015 - \$94) | 9,129                 | 9,798                |
| Prepaid expenses and other current assets  | 666                   | 796                  |
| Total current assets   | 15,521                | 14,287               |
| Property and equipment, net  | 1,899                 | 1,904                |
| Other assets, net  | 781                   | 3,094                |
| Definite lived intangible assets, net  | 29,949                | 32,244               |
| Broadcast licenses   | 71,300                | 71,300               |
| Goodwill   | 21,859                | 21,859               |
| Total assets   | \$ 141,309            | \$ 144,688           |
| Liabilities  |                       |                      |
| Current liabilities  |                       |                      |
| Trade accounts payable   | \$ 24                 | \$ 16                |
| Other accrued expenses and other current liabilities                                       | 1,948                 | 2,221                |
| Current installments of long-term debt   | 3,547                 | 3,804                |
| Total current liabilities  | 5,519                 | 6,041                |
| Long-term debt, net  | 21,426                | 24,062               |
| Other liabilities  | 4,311                 | 8,310                |
| Total liabilities  | \$ 31,256             | \$ 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 September 30, 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 May 2016, the United States Court of Appeals for the Third Circuit vacated the FCC's 2014 rule attributing JSAs for purposes of the media ownership rules if they permitted 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. On August 10, 2016, the FCC adopted a Second Report and Order that reinstated the attribution of JSAs. However, JSAs in existence before March 31, 2014 (including the Company's) were grandfathered, meaning that they will not be counted as attributable and may be transferred or assigned until September 30, 2025.

#### Note 4: Goodwill and Other Asset Impairment

The Company's Digital business units were recorded at fair value in conjunction with the LIN Merger in December of 2014. Due to a projected decrease in operating results of the Company's Digital businesses, the Company performed an interim impairment assessment as of September 30, 2015 on three Digital reporting units acquired as part of the LIN Merger. The turnover of key sales personnel and the industry-wide shift to software enabled automated buying and placement of digital advertising led to a decrease in projected operating results for the Company's historical arbitrage media placement businesses. As a result of the impairment review, two of the three reporting units passed the first step of the evaluation as their fair values exceeded their carrying values by more than 10%. The fair value of the third reporting unit, LIN Digital, did not exceed its carrying value. As a result, the Company performed the second

step of the impairment test and recorded a non-cash pretax goodwill impairment charge at its LIN Digital reporting unit of \$53 million in the third quarter of 2015. After recording the impairment charge, the goodwill allocated to the LIN Digital reporting unit was \$80 million at September 30, 2015. The total goodwill allocated to the Digital segment at September 30, 2015 was \$195 million, including the Company's social media business.

In early 2016, the Company combined these three distinct businesses into one business, New Federated Media, under new management and made significant changes to its sales force. The Company had expected these changes would enable the

business to operate more effectively in the marketplace with an acceleration of growth in the second half of 2016. However, the industry-wide shift to software enabled automated buying and placement of digital advertising quickened and combined with a rapid rise in social media advertising have led to compressed margins and lowered demand for the Company's other digital products. As a result the Company has not experienced the acceleration of revenues it had expected in the second half of 2016. Therefore the Company performed another interim impairment test as of September 30, 2016. Additionally, the dynamics of the marketplace have changed significantly due to the industry-wide shifts discussed above so that the Company's long-term forecast now reflects margins at half the level it had previously expected. This combination of slower growth and reduced margins has resulted in both non-cash goodwill impairment and non-cash intangible asset impairment totaling a combined \$113 million that was recorded in the third quarter of 2016. After recording the impairment charges, the goodwill allocated to New Federated Media was \$30 million as of September 30, 2016. The total goodwill allocated to the Digital segment, which includes the Company's social media business that was unaffected by the impairment charges, as of September 30, 2016 was \$101 million. Identified intangible assets of the Digital segment include trade names, advertiser and publisher relationships, and certain existing technology assets and totaled \$23 million following the impairment with a weighted average useful life of 3 years.

The estimated fair value of reporting units was determined using a combination of an income approach and a market comparable method. The income approach utilizes the estimated discounted cash flows expected to be generated by the reporting unit assets. The market comparable method employs comparable company information, and where available, recent transaction information for similar assets. The fair value of identifiable intangible assets were determined using the relief from royalty, comparable profit margin, and reproduction new less depreciation methods. The determination of fair value requires the use of significant judgment and estimates that management believes are appropriate in the circumstances although it is reasonably possible that actual performance will differ from these estimates and the effect of any differences could be material. These estimates include those relating to revenue growth, compensation levels, digital advertising placement prices, capital expenditures, discount rates and market trading multiples for digital advertising assets.

#### Note 5: Debt and Other Financial Instruments

Long-term debt at September 30, 2016 and December 31, 2015, was as follows:

| (In thousands)                              | September 30, December 31, |              |
|---|----------------------------|--------------|
|   | 2016                       | 2015         |
| Media General Credit Agreement              | \$ 1,481,000               | \$ 1,541,000 |
| 2022 Notes                                  | 400,000                    | 400,000      |
| 2021 Notes                                  | 275,000                    | 275,000      |
| Shield Media Credit Agreement               | 24,800                     | 27,200       |
| Other borrowings                            | 433                        | 950          |
| Total debt                                  | 2,181,233                  | 2,244,150    |
| Less: net unamortized discount              | (7,361)                    | (8,992)      |
| Less: scheduled current maturities          | (3,547)                    | (3,804)      |
| Less: unamortized debt issuance fees        | (22,989)                   | (32,244)     |
| Long-term debt excluding current maturities | \$ 2,147,336               | \$ 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%.

The Company repaid of \$60 million principal on the term loan during the three and nine months ended September 30, 2016. The Company repaid \$25 million and \$160 million of principal on the term loan during the three and nine months ended September 30, 2015, respectively. The early repayment of debt resulted in debt extinguishment costs of \$0.9 million during the three and nine months ended September 30, 2016, due to the accelerated recognition of deferred debt-related items. The early repayment of debt resulted in debt extinguishment costs of \$0.4 million and \$2.8 million during the three and nine months ended September 30, 2015, respectively, due to the accelerated recognition of deferred debt-related items. As of September 30, 2016, there was just under \$1.5 billion outstanding under the Credit Agreement.

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 \$3.6 million of letters of credit which have been issued but are undrawn).

#### Shield Media Credit Agreement

WXXA-TV LLC (a subsidiary of Shield Media LLC) and WLAJ-TV LLC (a subsidiary of Shield Media Lansing LLC) (collectively, "Shield Media"), with which the Company has joint sales and shared services arrangements as described in Note 3, entered into a credit agreement for two of its stations 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 \$2.4 million of principal on the term loan during the three and nine months ended September 30, 2016, respectively. The Company repaid \$0.6 million and \$1.8 million of principal on the term loan during the three and nine months ended September 30, 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 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 three and nine months ended September 30, 2016. As of September 30, 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 September 30, 2016 and December 31, 2015:

| (In thousands)                 | September 30,<br>2016 |               | December 31,<br>2015 |               |
|--------------------------------|-----------------------|---------------|----------------------|---------------|
|                                | Carrying<br>Amount    | Fair<br>Value | Carrying<br>Amount   | Fair<br>Value |
| Assets:                        |                       |               |                      |               |
| Investments                    |                       |               |                      |               |
| Trading securities             | \$ 410                | \$ 410        | \$ 257               | \$ 257        |
| Liabilities:                   |                       |               |                      |               |
| Long-term debt:                |                       |               |                      |               |
| Media General Credit Agreement | 1,457,278             | 1,527,858     | 1,507,182            | 1,529,229     |
| 2022 Notes                     | 393,342               | 419,000       | 392,527              | 404,344       |
| 2021 Notes                     | 275,290               | 285,725       | 275,340              | 288,228       |
| Shield Media Credit Agreement  | 24,540                | 24,800        | 26,915               | 27,200        |
| Other borrowings               | 433                   | 433           | 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 was 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 6: Taxes on Income

The effective tax rate was a negative 17.4% in the third quarter of 2016 as compared to 7.3% in the third quarter of 2015 and a negative 2.5% in the first nine months of 2016 as compared to 6.6% in the equivalent prior-year period. The low tax rates in both periods were due to the goodwill and other asset impairment charges that were largely non-deductible for tax purposes. 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 \$1.7 million and \$0.4 million for the third quarter of 2016 and 2015, respectively, and was approximately \$4.0 million and \$1.9 million in the first nine months of 2016 and 2015, respectively; it was attributable primarily to state income and AMT taxes.

## Note 7: Earnings Per Share

The following tables set forth the computation of basic and diluted income per share for the three and nine months ended September 30, 2016 and 2015:

| (In thousands, except per share amounts)                        | Three Months Ended September 30, 2016 |         |                  | Three Months Ended September 30, 2015 |         |                  |
|---|---------------------------------------|---------|------------------|---------------------------------------|---------|------------------|
|   | Income                                | Shares  | Per Share Amount | Income                                | Shares  | Per Share Amount |
| Net loss attributable to Media General                          | \$(68,707)                            |         |                  | \$(48,493)                            |         |                  |
| Undistributed earnings attributable to participating securities | —                                     |         |                  | —                                     |         |                  |
| Basic EPS   |                                       |         |                  |                                       |         |                  |
| Loss attributable to common stockholders                        | \$(68,707)                            | 129,116 | \$(0.53)         | \$(48,493)                            | 127,903 | \$(0.38)         |
| Effect of dilutive securities:                                  |                                       |         |                  |                                       |         |                  |
| Stock options and warrants                                      |                                       | —       |                  |                                       | —       |                  |
| Diluted EPS   |                                       |         |                  |                                       |         |                  |
| Loss attributable to common stockholders                        | \$(68,707)                            | 129,116 | \$(0.53)         | \$(48,493)                            | 127,903 | \$(0.38)         |
| <br>  |                                       |         |                  |                                       |         |                  |
| (In thousands, except per share amounts)                        | Nine Months Ended September 30, 2016  |         |                  | Nine Months Ended September 30, 2015  |         |                  |
|   | Income                                | Shares  | Per Share Amount | Income                                | Shares  | Per Share Amount |
| Net loss attributable to Media General                          | \$(76,399)                            |         |                  | \$(54,291)                            |         |                  |
| Undistributed earnings attributable to participating securities | —                                     |         |                  | —                                     |         |                  |
| Basic EPS   |                                       |         |                  |                                       |         |                  |
| Loss attributable to common stockholders                        | \$(76,399)                            | 128,918 | \$(0.59)         | \$(54,291)                            | 128,844 | \$(0.42)         |
| Effect of dilutive securities:                                  |                                       |         |                  |                                       |         |                  |
| Stock options and warrants                                      |                                       | —       |                  |                                       | —       |                  |
| Diluted EPS   |                                       |         |                  |                                       |         |                  |
| Loss attributable to common stockholders                        | \$(76,399)                            | 128,918 | \$(0.59)         | \$(54,291)                            | 128,844 | \$(0.42)         |



For the three months ended September 30, 2016 and 2015, we have excluded from the calculation of diluted earnings per share 946 thousand and 1.5 million, respectively, of common shares issuable for share options and restricted shares, because the net loss causes these shares to be anti-dilutive. For the nine months ended September 30, 2016 and 2015, we have excluded from the calculation of diluted earnings per share 1.1 million and 1.3 million, respectively, of common shares issuable for share options and restricted shares, because the net loss causes these shares to be anti-dilutive.

#### 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 along with defined benefit retirement plans for KRON-TV and LIN that were merged into the Media General qualified plan on December 31, 2014 and December 31, 2015, respectively. Additionally the Company also has non-contributory unfunded supplemental executive retirement and ERISA excess plans which supplement the coverage available to certain executives. All of these retirement plans are frozen. The Company has a retiree medical savings account plan which reimburses eligible retired employees for certain medical expenses and 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 (income) cost for the Company's benefit plans for the three and nine month periods ended September 30, 2016 and 2015:

| (In thousands)                     | Three Months Ended |                    |                    |                    |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | Pension Benefits   |                    | Other Benefits     |                    |
|                                    | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Service cost                       | \$—                | \$ —               | \$—                | \$ 25              |
| Interest cost                      | 4,650              | 5,729              | 125                | 250                |
| Expected return on plan assets     | (6,950 )           | (7,727 )           | —                  | —                  |
| Amortization of net loss           | —                  | 200                | (25 )              | —                  |
| Net periodic benefit (income) cost | \$(2,300)          | \$( 1,798 )        | \$ 100             | \$ 275             |

| (In thousands)                     | Nine Months Ended  |                    |                    |                    |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | Pension Benefits   |                    | Other Benefits     |                    |
|                                    | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Service cost                       | \$—                | \$ —               | \$—                | \$ 75              |
| Interest cost                      | 13,950             | 17,185             | 525                | 750                |
| Expected return on plan assets     | (20,850 )          | (23,180 )          | —                  | —                  |
| Amortization of net loss           | —                  | 600                | (75 )              | —                  |
| Net periodic benefit (income) cost | \$(6,900)          | \$( 5,395 )        | \$ 450             | \$ 825             |

## Note 9: Stockholders' Equity

The following table shows the components of the Company's stockholders' equity as of and for the nine months ended September 30, 2016:

| (In thousands)                                    | Common<br>Stock | Accumulated<br>Other<br>Comprehensive<br>Loss | Retained<br>Earnings | Total<br>Stockholders'<br>Equity |
|---|-----------------|---|----------------------|----------------------------------|
| Balance at December 31, 2015                      | \$1,305,155     | \$ (31,224 )                                  | \$ 174,039           | \$ 1,447,970                     |
| Net loss attributable to Media General            | —               | —   | (76,399 )            | (76,399 )                        |
| Exercise of stock options                         | 1,935           | —   | —                    | 1,935                            |
| Stock-based compensation                          | 5,588           | —   | —                    | 5,588                            |
| Revaluation of redeemable noncontrolling interest | (12,094 )       | —   | (447 )               | (12,541 )                        |
| Other   | 685             | —   | —                    | 685                              |
| Balance at September 30, 2016                     | \$1,301,269     | \$ (31,224 )                                  | \$ 97,193            | \$ 1,367,238                     |

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

| (In thousands)                                    | Common<br>Stock | Accumulated<br>Other<br>Comprehensive<br>Income | Retained<br>Earnings | Total<br>Stockholders'<br>Equity |
|---|-----------------|---|----------------------|----------------------------------|
| Balance at December 31, 2014                      | \$1,322,284     | \$ (36,445 )                                    | \$ 214,582           | \$ 1,500,421                     |
| Net loss attributable to Media General            | —               | —   | (54,291 )            | (54,291 )                        |
| Exercise of stock options                         | 1,848           | —   | —                    | 1,848                            |
| Stock-based compensation                          | 10,292          | —   | —                    | 10,292                           |
| Revaluation of redeemable noncontrolling interest | (6,920 )        | —   | (987 )               | (7,907 )                         |
| Repurchases of voting common stock                | (33,724 )       | —   | —                    | (33,724 )                        |
| Other   | 55              | —   | —                    | 55                               |
| Balance at September 30, 2015                     | \$1,293,835     | \$ (36,445 )                                    | \$ 159,304           | \$ 1,416,694                     |

## Note 10: Other

## Restructuring activities

In September 2015 the Company adopted a plan to restructure certain Digital segment operations. Additional steps were taken on that plan in the first quarter of 2016. The plan is expected to save the Company approximately \$14.7 million in operating costs annually based on the steps completed since plan inception and the cumulative expense incurred is \$3.9 million. The Company recorded restructuring expense of \$2.3 million related to the plan during the nine months ended September 30, 2016. The restructuring income for the period was a result of adjustments within the period to lease termination liability due to a recently signed sublease. Year-to-date restructuring expense was comprised of \$1.8 million of severance and \$501 thousand of asset impairment charges.

On October 16, 2009, Media General entered into a Joint Sales Agreement (“JSA”) and Shared Services Agreement (“SSA”) with Schurz Communications, Inc and WAGT Television, Inc. Pursuant to the JSA and SSA, Media General provided certain services and sold advertising time for WAGT. In February 2016, Schurz Communications, Inc. sold WAGT to Gray Television Group, Inc., (“Gray”) and assigned the JSA and SSA to Gray. However, upon the closing of the station sale, WAGT ceased performance of the agreements. For the nine months ended September 30, 2016, the Company recorded restructuring charges of \$2.6 million for WAGT. As of September 30, 2016, Media General has pending legal causes of action against Gray, Schurz Communications, Inc. and WAGT Television, Inc., including but not limited to, causes of action for breach of contract. The Company agreed to stay this litigation pending the closing of the Nexstar merger and the divestiture of certain stations with Gray (as discussed in Note 1). If the transactions close, the parties will dismiss all claims and counterclaims with no additional consideration for either party. If not, the parties may resume the litigation. During the third quarter, the Company paid \$700 thousand to the FCC to settle issues related to WAGT.

The following tables present the activity associated with the September 30, 2016 balance of the restructuring liability and the nature and amount of exit charges incurred in the nine months ended September 30, 2016:

|  | As of September 30,<br>2016 |       |          |
|--|-----------------------------|-------|----------|
| (In thousands)                                   | Digital                     | WAGT  | Total    |
| Accrued restructuring as of December 31, 2015    | \$ 1,312                    | \$—   | \$ 1,312 |
| Severance charges                                | 1,780                       | 383   | 2,163    |
| Contract termination and other accruals          | —                           | 86    | 86       |
| Cash severance and contract termination payments | (2,997)                     | (407) | (3,404)  |
| Accrued restructuring as of September 30, 2016   | \$ 95                       | \$ 62 | \$ 157   |

|                              | Nine months ended<br>September 30, 2016 |          |          |
|------------------------------|---|----------|----------|
| (In thousands)               | Digital                                 | WAGT     | Total    |
| Severance charges            | \$ 1,780                                | \$ 383   | \$ 2,163 |
| Contract termination charges | —                                       | 128      | 128      |
| Asset impairment             | 501                                     | 298      | 799      |
| Legal fees                   | —                                       | 940      | 940      |
| Other                        | 42                                      | 861      | 903      |
| Total restructuring expense  | \$ 2,323                                | \$ 2,610 | \$ 4,933 |

#### Acquisition of HYFN

In April 2016, the Company acquired the remaining shares of HYFN, a full service digital advertising agency for a purchase price of approximately \$35 million plus a one-time compensation expense of \$7 million related to the transaction for a total cash outflow of \$42 million. The \$7 million one-time compensation expense is included in "Corporate and other expenses" on the Consolidated Condensed Statement of Comprehensive Income for the nine months ending September 30, 2016. Prior to the transaction, the Company held 50.1% of the outstanding shares of HYFN. As a result of the transaction, HYFN is 100% owned by the Company beginning with the second quarter of 2016.

#### Share repurchase

The Company repurchased 0.9 million and 2.1 million shares of its outstanding voting common stock at an average price of \$15.80 and \$16.16 during the three and nine months ended September 30, 2015, respectively, under the share repurchase program approved by the Board of Directors of the Company. The total cost of the repurchases was \$15



million and \$34 million for the three and nine month periods ended September 30, 2015, respectively. The share repurchase program expired on December 31, 2015.

Note 11: Guarantor Financial Information

LIN Television, a 100% owned subsidiary of Media General, is the primary obligor of the 2021 Notes and 2022 Notes. 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 Media General. The following financial information presents condensed consolidating balance sheets, statements of comprehensive income, and statements of cash flows for 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  
September 30, 2016  
(in thousands)

|  | Media<br>General | LIN<br>Television<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations   | Consolidated |
|--|------------------|----------------------------------|---------------------------|-------------------------------|----------------|--------------|
| <b>ASSETS</b>  |                  |                                  |                           |                               |                |              |
| Current assets:  |                  |                                  |                           |                               |                |              |
| Cash and cash equivalents                                  | \$—              | \$—                              | \$ 52,096                 | \$ 5,726                      | \$—            | \$ 57,822    |
| Trade accounts receivable, net                             | —                | 79,293                           | 223,404                   | 9,129                         | —              | 311,826      |
| Prepaid expenses and other current assets                  | —                | 2,451                            | 12,398                    | 666                           | —              | 15,515       |
| Total current assets                                       | —                | 81,744                           | 287,898                   | 15,521                        | —              | 385,163      |
| Property and equipment, net                                | —                | 148,182                          | 295,510                   | 1,899                         | —              | 445,591      |
| Other assets, net  | —                | 676                              | 28,592                    | 1,187                         | —              | 30,455       |
| Definite lived intangible assets, net                      | —                | 343,143                          | 414,908                   | 29,949                        | —              | 788,000      |
| Broadcast licenses   | —                | —                                | 1,025,800                 | 71,300                        | —              | 1,097,100    |
| Goodwill   | —                | 527,077                          | 902,100                   | 21,859                        | —              | 1,451,036    |
| Advances to consolidated subsidiaries                      | —                | (222,832 )                       | 220,431                   | 2,401                         | —              | —            |
| Investment in consolidated subsidiaries                    | 1,367,238        | 1,260,899                        | —                         | —                             | (2,628,137 )   | —            |
| Total assets   | \$ 1,367,238     | \$ 2,138,889                     | \$ 3,175,239              | \$ 144,116                    | \$ (2,628,137) | \$ 4,197,345 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>      |                  |                                  |                           |                               |                |              |
| Current liabilities:                                       |                  |                                  |                           |                               |                |              |
| Trade accounts payable                                     | \$—              | \$ 1,153                         | \$ 16,897                 | \$ 24                         | \$—            | \$ 18,074    |
| Accrued salaries and wages                                 | —                | 4,549                            | 20,368                    | 167                           | —              | 25,084       |
| Accrued expenses and other current liabilities             | —                | 22,384                           | 81,755                    | 1,781                         | —              | 105,920      |
| Current installments of long-term debt                     | —                | —                                | —                         | 3,547                         | —              | 3,547        |
| Current installments of obligation under capital leases    | —                | 607                              | 190                       | —                             | —              | 797          |
| Total current liabilities                                  | —                | 28,693                           | 119,210                   | 5,519                         | —              | 153,422      |
| Long-term debt, net  | —                | 668,632                          | 1,457,278                 | 21,426                        | —              | 2,147,336    |
| Deferred tax liability and other long-term tax liabilities | —                | 60,473                           | 252,540                   | —                             | —              | 313,013      |
| Long-term capital lease obligations                        | —                | 12,636                           | 917                       | —                             | —              | 13,553       |
| Retirement and postretirement plans                        | —                | —                                | 172,599                   | —                             | —              | 172,599      |
| Other liabilities  | —                | 1,217                            | 20,123                    | 4,800                         | —              | 26,140       |
| Total liabilities  | —                | 771,651                          | 2,022,667                 | 31,745                        | —              | 2,826,063    |
| Noncontrolling interests                                   | —                | —                                | —                         | 4,044                         | —              | 4,044        |
| Total stockholders' equity (deficit)                       | 1,367,238        | 1,367,238                        | 1,152,572                 | 108,327                       | (2,628,137 )   | 1,367,238    |
|  | \$ 1,367,238     | \$ 2,138,889                     | \$ 3,175,239              | \$ 144,116                    | \$ (2,628,137) | \$ 4,197,345 |

Total liabilities, noncontrolling  
interest and stockholders' equity  
(deficit)

17

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Media General, Inc.  
 Condensed Consolidating Balance Sheet  
 December 31, 2015  
 (in thousands)

|  | Media<br>General | LIN<br>Television<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations  | Consolidated |
|--|------------------|----------------------------------|---------------------------|-------------------------------|---------------|--------------|
| <b>ASSETS</b>  |                  |                                  |                           |                               |               |              |
| Current assets:  |                  |                                  |                           |                               |               |              |
| Cash and cash equivalents                                  | \$—              | \$1,103                          | \$35,925                  | \$4,063                       | \$—           | \$41,091     |
| Trade accounts receivable, net                             | —                | 75,866                           | 192,306                   | 30,302                        | —             | 298,474      |
| Prepaid expenses and other current assets                  | —                | 3,264                            | 10,441                    | 1,378                         | —             | 15,083       |
| Total current assets                                       | —                | 80,233                           | 238,672                   | 35,743                        | —             | 354,648      |
| Property and equipment, net                                | —                | 158,627                          | 309,160                   | 2,750                         | —             | 470,537      |
| Other assets, net  | —                | 7,199                            | 27,523                    | 3,348                         | —             | 38,070       |
| Definite lived intangible assets, net                      | —                | 368,011                          | 458,261                   | 44,857                        | —             | 871,129      |
| Broadcast licenses   | —                | —                                | 1,025,800                 | 71,300                        | —             | 1,097,100    |
| Goodwill   | —                | 527,077                          | 924,708                   | 92,839                        | —             | 1,544,624    |
| Advances to consolidated subsidiaries                      | —                | (206,396)                        | 223,051                   | (16,655)                      | —             | —            |
| Investment in consolidated subsidiaries                    | 1,447,970        | 1,319,392                        | —                         | —                             | (2,767,362)   | —            |
| Total assets   | \$1,447,970      | \$2,254,143                      | \$3,207,175               | \$234,182                     | \$(2,767,362) | \$4,376,108  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>      |                  |                                  |                           |                               |               |              |
| Current liabilities:                                       |                  |                                  |                           |                               |               |              |
| Trade accounts payable                                     | \$—              | \$2,010                          | \$30,689                  | \$3,101                       | \$—           | \$35,800     |
| Accrued salaries and wages                                 | —                | 2,022                            | 19,016                    | 427                           | —             | 21,465       |
| Accrued expenses and other current liabilities             | —                | 23,237                           | 68,101                    | 4,162                         | —             | 95,500       |
| Current installments of long-term debt                     | —                | —                                | —                         | 3,804                         | —             | 3,804        |
| Current installments of obligation under capital leases    | —                | 575                              | 256                       | 28                            | —             | 859          |
| Total current liabilities                                  | —                | 27,844                           | 118,062                   | 11,522                        | —             | 157,428      |
| Long-term debt, net  | —                | 667,867                          | 1,507,181                 | 24,062                        | —             | 2,199,110    |
| Deferred tax liability and other long-term tax liabilities | —                | 62,785                           | 253,232                   | (783)                         | —             | 315,234      |
| Long-term capital lease obligations                        | —                | 12,953                           | 1,059                     | —                             | —             | 14,012       |
| Retirement and postretirement plans                        | —                | 25,917                           | 157,070                   | —                             | —             | 182,987      |
| Other liabilities  | —                | 8,807                            | 20,999                    | 5,114                         | —             | 34,920       |
| Total liabilities  | —                | 806,173                          | 2,057,603                 | 39,915                        | —             | 2,903,691    |
| Noncontrolling interests                                   | —                | —                                | —                         | 24,447                        | —             | 24,447       |
| Total stockholders' equity (deficit)                       | 1,447,970        | 1,447,970                        | 1,149,572                 | 169,820                       | (2,767,362)   | 1,447,970    |

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|   |             |             |             |            |               |             |
|---|-------------|-------------|-------------|------------|---------------|-------------|
| Total liabilities, noncontrolling interest and stockholders' equity (deficit) | \$1,447,970 | \$2,254,143 | \$3,207,175 | \$ 234,182 | \$(2,767,362) | \$4,376,108 |
|---|-------------|-------------|-------------|------------|---------------|-------------|

18

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Media General, Inc.  
Condensed Consolidating Statement of Comprehensive Income  
For the Three Months Ended September 30, 2016  
(in thousands)

|  | Media<br>General | LIN<br>Television<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|------------------|----------------------------------|---------------------------|-------------------------------|--------------|--------------|
| Net operating revenue  | \$—              | \$ 107,474                       | \$ 270,832                | \$ 7,168                      | \$ (8,118 )  | \$ 377,356   |
| Operating costs:   |                  |                                  |                           |                               |              |              |
| Operating expenses, excluding depreciation expense                   | —                | 42,888                           | 113,099                   | 3,253                         | (4,425 )     | 154,815      |
| Selling, general and administrative expenses                         | —                | 21,793                           | 51,512                    | 1,335                         | (17 )        | 74,623       |
| Amortization of program licenses rights                              | —                | 4,745                            | 7,978                     | 444                           | (501 )       | 12,666       |
| Corporate and other expenses   | —                | —                                | 8,666                     | 5                             | —            | 8,671        |
| Depreciation and amortization  | —                | 14,749                           | 25,153                    | 860                           | —            | 40,762       |
| Loss related to property and equipment, net                          | —                | 100                              | 41                        | 2                             | —            | 143          |
| Goodwill and other asset impairment                                  | —                | —                                | 112,511                   | —                             | —            | 112,511      |
| Merger-related expenses  | —                | —                                | 1,360                     | —                             | —            | 1,360        |
| Restructuring expenses   | —                | —                                | (45 )                     | —                             | —            | (45 )        |
| Operating income (loss)  | —                | 23,199                           | (49,443 )                 | 1,269                         | (3,175 )     | (28,150 )    |
| Other income (expense):  |                  |                                  |                           |                               |              |              |
| Interest expense   | —                | (10,715 )                        | (17,569 )                 | (242 )                        | —            | (28,526 )    |
| Debt modification and extinguishment costs                           | —                | —                                | (928 )                    | —                             | —            | (928 )       |
| Intercompany income and (expenses)                                   | —                | (10,252 )                        | 10,252                    | —                             | —            | —            |
| Equity in income (loss) from operations of consolidated subsidiaries | (68,707 )        | (68,748 )                        | —                         | —                             | 137,455      | —            |
| Other, net   | —                | —                                | 79                        | —                             | —            | 79           |
| Total other income (expense)   | (68,707 )        | (89,715 )                        | (8,166 )                  | (242 )                        | 137,455      | (29,375 )    |
| Income (loss) before income taxes                                    | (68,707 )        | (66,516 )                        | (57,609 )                 | 1,027                         | 134,280      | (57,525 )    |
| Income tax expense   | —                | (2,191 )                         | (7,838 )                  | —                             | —            | (10,029 )    |
| Net income (loss)  | \$(68,707 )      | \$(68,707 )                      | \$(65,447 )               | \$ 1,027                      | \$ 134,280   | \$(67,554 )  |
| Net income (loss) attributable to noncontrolling interest            | —                | —                                | —                         | 1,153                         | —            | 1,153        |
| Net income (loss) attributable to Media General                      | \$(68,707 )      | \$(68,707 )                      | \$(65,447 )               | \$ (126 )                     | \$ 134,280   | \$(68,707 )  |
| Other comprehensive income   | —                | —                                | —                         | —                             | —            | —            |
| Total comprehensive income (loss) attributable to Media General      | \$(68,707 )      | \$(68,707 )                      | \$(65,447 )               | \$ (126 )                     | \$ 134,280   | \$(68,707 )  |





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Media General, Inc.  
 Condensed Consolidating Statement of Comprehensive Income  
 For the Nine Months Ended September 30, 2016  
 (in thousands)

|  | Media<br>General | LIN<br>Television<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|------------------|----------------------------------|---------------------------|-------------------------------|--------------|--------------|
| Net operating revenue  | \$—              | \$ 313,684                       | \$ 764,954                | \$ 32,281                     | \$ (27,394 ) | \$ 1,083,525 |
| Operating costs:   |                  |                                  |                           |                               |              |              |
| Operating expenses, excluding depreciation expense                   | —                | 127,226                          | 328,015                   | 20,366                        | (16,050 )    | 459,557      |
| Selling, general and administrative expenses                         | —                | 67,592                           | 157,267                   | 4,575                         | (332 )       | 229,102      |
| Amortization of program licenses rights                              | —                | 13,888                           | 22,961                    | 1,462                         | (1,503 )     | 36,808       |
| Corporate and other expenses   | —                | —                                | 37,110                    | 14                            | —            | 37,124       |
| Depreciation and amortization  | —                | 43,737                           | 73,992                    | 3,491                         | —            | 121,220      |
| (Gain) loss related to property and equipment, net                   | —                | 111                              | (749 )                    | 100                           | —            | (538 )       |
| Goodwill and other asset impairment                                  | —                | —                                | 112,511                   | —                             | —            | 112,511      |
| Merger-related expenses  | —                | —                                | 68,803                    | —                             | —            | 68,803       |
| Restructuring expenses   | —                | —                                | 4,933                     | —                             | —            | 4,933        |
| Operating income (loss)  | —                | 61,130                           | (39,889 )                 | 2,273                         | (9,509 )     | 14,005       |
| Other income (expense):  |                  |                                  |                           |                               |              |              |
| Interest expense   | —                | (32,076 )                        | (52,763 )                 | (772 )                        | —            | (85,611 )    |
| Debt modification and extinguishment costs                           | —                | —                                | (928 )                    | —                             | —            | (928 )       |
| Intercompany income and (expenses)                                   | —                | (31,207 )                        | 31,551                    | (344 )                        | —            | —            |
| Equity in income (loss) from operations of consolidated subsidiaries | (76,399 )        | (62,497 )                        | —                         | —                             | 138,896      | —            |
| Other, net   | —                | (12 )                            | 287                       | —                             | —            | 275          |
| Total other income (expense)   | (76,399 )        | (125,792 )                       | (21,853 )                 | (1,116 )                      | 138,896      | (86,264 )    |
| Income (loss) before taxes   | (76,399 )        | (64,662 )                        | (61,742 )                 | 1,157                         | 129,387      | (72,259 )    |
| Income tax benefit (expense)   | —                | (11,737 )                        | 9,339                     | 618                           | —            | (1,780 )     |
| Net income (loss)  | \$(76,399)       | \$(76,399)                       | \$(52,403)                | \$ 1,775                      | \$ 129,387   | \$(74,039)   |
| Net income (loss) attributable to noncontrolling interest            | —                | —                                | —                         | 2,360                         | —            | 2,360        |
| Net income (loss) attributable to Media General                      | \$(76,399)       | \$(76,399)                       | \$(52,403)                | \$(585)                       | \$ 129,387   | \$(76,399)   |
| Other comprehensive income   | —                | —                                | —                         | —                             | —            | —            |
| Total comprehensive income (loss) attributable to Media General      | \$(76,399)       | \$(76,399)                       | \$(52,403)                | \$(585)                       | \$ 129,387   | \$(76,399)   |



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

|   | Media<br>General | LIN<br>Television<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Media<br>General<br>Consolidated |
|---|------------------|----------------------------------|---------------------------|-------------------------------|--------------|----------------------------------|
| Net operating revenue   | \$—              | \$ 91,179                        | \$ 215,524                | \$ 22,405                     | \$ (7,372 )  | \$ 321,736                       |
| Operating costs:  |                  |                                  |                           |                               |              |                                  |
| Operating expenses, excluding<br>depreciation expense                   | —                | 40,149                           | 93,562                    | 14,360                        | (4,579 )     | 143,492                          |
| Selling, general and administrative<br>expenses                         | —                | 22,960                           | 43,340                    | 12,631                        | (154 )       | 78,777                           |
| Amortization of program license rights                                  | —                | 4,494                            | 7,781                     | 547                           | —            | 12,822                           |
| Corporate and other expenses  | —                | 3,111                            | 9,511                     | (24 )                         | —            | 12,598                           |
| Depreciation and amortization   | —                | 15,055                           | 24,732                    | 598                           | —            | 40,385                           |
| (Gain) loss related to property and<br>equipment, net                   | —                | 15                               | 81                        | —                             | —            | 96                               |
| Goodwill impairment   | —                | —                                | 52,862                    | —                             | —            | 52,862                           |
| Merger-related expenses   | —                | 704                              | 9,310                     | —                             | —            | 10,014                           |
| Restructuring expenses  | —                | —                                | 1,132                     | —                             | —            | 1,132                            |
| Operating income (loss)   | —                | 4,691                            | (26,787 )                 | (5,707 )                      | (2,639 )     | (30,442 )                        |
| Other income (expense):   |                  |                                  |                           |                               |              |                                  |
| Interest expense, net   | —                | (11,174 )                        | (18,113 )                 | (194 )                        | —            | (29,481 )                        |
| Debt modification and extinguishment<br>costs                           | —                | —                                | (365 )                    | —                             | —            | (365 )                           |
| Intercompany income and (expenses)                                      | —                | (22,965 )                        | 23,289                    | (324 )                        | —            | —                                |
| Equity in income (loss) from operations<br>of consolidated subsidiaries | (48,493 )        | (14,587 )                        | —                         | —                             | 63,080       | —                                |
| Other, net  | —                | (13 )                            | 40                        | —                             | —            | 27                               |
| Total other income (expense)  | (48,493 )        | (48,739 )                        | 4,851                     | (518 )                        | 63,080       | (29,819 )                        |
| Income (loss) before income taxes                                       | (48,493 )        | (44,048 )                        | (21,936 )                 | (6,225 )                      | 60,441       | (60,261 )                        |
| Income tax benefit (expense)  | —                | (4,445 )                         | 9,424                     | (605 )                        | —            | 4,374                            |
| Net income (loss)   | \$(48,493 )      | \$(48,493 )                      | \$(12,512 )               | \$(6,830 )                    | \$ 60,441    | \$(55,887 )                      |
| Net income (loss) attributable to<br>noncontrolling interests           | —                | —                                | —                         | (7,394 )                      | —            | (7,394 )                         |
| Net income (loss) attributable to Media<br>General                      | \$(48,493 )      | \$(48,493 )                      | \$(12,512 )               | \$ 564                        | \$ 60,441    | \$(48,493 )                      |
| Other comprehensive income  | —                | —                                | —                         | —                             | —            | —                                |
| Total comprehensive income (loss)<br>attributable to Media General      | \$(48,493 )      | \$(48,493 )                      | \$(12,512 )               | \$ 564                        | \$ 60,441    | \$(48,493 )                      |



Media General, Inc.  
Condensed Consolidating Statement of Comprehensive Income  
For the Nine Months Ended September 30, 2015  
(in thousands)

|  | Media<br>General | LIN<br>Television<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Media<br>General<br>Consolidated |
|--|------------------|----------------------------------|---------------------------|-------------------------------|--------------|----------------------------------|
| Net operating revenue  | \$—              | \$ 273,655                       | \$ 632,024                | \$ 53,088                     | \$ (19,774 ) | \$ 938,993                       |
| Operating costs:   |                  |                                  |                           |                               |              |                                  |
| Operating expenses, excluding depreciation expense                   | —                | 118,042                          | 265,731                   | 31,758                        | (11,994 )    | 403,537                          |
| Selling, general and administrative expenses                         | —                | 68,677                           | 149,567                   | 20,920                        | (866 )       | 238,298                          |
| Amortization of program license rights                               | —                | 13,035                           | 22,132                    | 1,460                         | —            | 36,627                           |
| Corporate and other expenses   | —                | 8,973                            | 28,672                    | (30 )                         | —            | 37,615                           |
| Depreciation and amortization  | —                | 44,713                           | 73,966                    | 4,607                         | —            | 123,286                          |
| (Gain) loss related to property and equipment, net                   | —                | 144                              | (472 )                    | —                             | —            | (328 )                           |
| Goodwill and other asset impairment                                  | —                | —                                | 52,862                    | —                             | —            | 52,862                           |
| Merger-related expenses  | —                | 3,028                            | 15,879                    | —                             | —            | 18,907                           |
| Restructuring expenses   | —                | —                                | 1,132                     | —                             | —            | 1,132                            |
| Operating income (loss)  | —                | 17,043                           | 22,555                    | (5,627 )                      | (6,914 )     | 27,057                           |
| Other income (expense):  |                  |                                  |                           |                               |              |                                  |
| Interest expense, net  | —                | (31,379 )                        | (57,525 )                 | (888 )                        | —            | (89,792 )                        |
| Debt modification and extinguishment costs                           | —                | —                                | (2,805 )                  | —                             | —            | (2,805 )                         |
| Intercompany income and (expenses)                                   | —                | (29,263 )                        | 30,005                    | (742 )                        | —            | —                                |
| Equity in income (loss) from operations of consolidated subsidiaries | (54,291 )        | (12,510 )                        | —                         | —                             | 66,801       | —                                |
| Other, net   | —                | 75                               | 864                       | 5,000                         | —            | 5,939                            |
| Total other income (expense)   | (54,291 )        | (73,077 )                        | (29,461 )                 | 3,370                         | 66,801       | (86,658 )                        |
| Income (loss) before income taxes                                    | (54,291 )        | (56,034 )                        | (6,906 )                  | (2,257 )                      | 59,887       | (59,601 )                        |
| Income tax benefit (expense)   | —                | 1,743                            | 1,551                     | 621                           | —            | 3,915                            |
| Net income (loss)  | \$(54,291)       | \$(54,291)                       | \$(5,355)                 | \$(1,636)                     | \$ 59,887    | \$(55,686)                       |
| Net income (loss) attributable to noncontrolling interests           | —                | —                                | (178 )                    | (1,217 )                      | —            | (1,395 )                         |
| Net income (loss) attributable to Media General                      | \$(54,291)       | \$(54,291)                       | \$(5,177)                 | \$(419)                       | \$ 59,887    | \$(54,291)                       |
| Other comprehensive income   | —                | —                                | —                         | —                             | —            | —                                |
| Total comprehensive income (loss) attributable to Media General      | \$(54,291)       | \$(54,291)                       | \$(5,177)                 | \$(419)                       | \$ 59,887    | \$(54,291)                       |

Media General, Inc.  
Condensed Consolidating Statement of Cash Flows  
Year to date through September 30, 2016  
(in thousands)

|  | Media<br>General | LIN<br>Television<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination | Media<br>General<br>Consolidated |            |
|--|------------------|----------------------------------|---------------------------|-------------------------------|-------------|----------------------------------|------------|
| Cash flows from operating activities:                        |                  |                                  |                           |                               |             |                                  |            |
| Net cash provided by operating activities                    | \$               | —                                | \$ 10,697                 | \$ 128,117                    | \$ 2,842    | \$ —                             | \$ 141,656 |
| Cash flows from investing activities:                        |                  |                                  |                           |                               |             |                                  |            |
| Capital expenditures   | —                | (8,723 )                         | (24,931 )                 | (285 )                        | —           | (33,939 )                        |            |
| Proceeds from the sale of PP&E                               | —                | 40                               | 4,104                     | 2,023                         | —           | 6,167                            |            |
| Receipt of dividend  | —                | 58,508                           | —                         | —                             | (58,508)    | —                                |            |
| Advances on intercompany borrowings                          | —                | (2,644 )                         | —                         | —                             | 2,644       | —                                |            |
| Payments from intercompany borrowings                        | —                | —                                | 58,508                    | —                             | (58,508)    | —                                |            |
| Other, net   | —                | —                                | (165 )                    | —                             | —           | (165 )                           |            |
| Net cash provided (used) by investing activities             | —                | 47,181                           | 37,516                    | 1,738                         | (114,372)   | (27,937 )                        |            |
| Cash flows from financing activities:                        |                  |                                  |                           |                               |             |                                  |            |
| Borrowings under Media General Revolving Credit Facility     | —                | —                                | 60,000                    | —                             | —           | 60,000                           |            |
| Repayments under Media General Revolving Credit Facility     | —                | —                                | (60,000 )                 | —                             | —           | (60,000 )                        |            |
| Repayment of borrowings under Media General Credit Agreement | —                | —                                | (60,000 )                 | —                             | —           | (60,000 )                        |            |
| Repayment of borrowings under Shield Media Credit Agreement  | —                | —                                | —                         | (2,400 )                      | —           | (2,400 )                         |            |
| Repayment of other borrowings                                | —                | —                                | —                         | (517 )                        | —           | (517 )                           |            |
| Payment for the acquisition of noncontrolling interest       | —                | —                                | (35,305 )                 | —                             | —           | (35,305 )                        |            |
| Payment of dividend  | —                | —                                | (58,508 )                 | —                             | 58,508      | —                                |            |
| Proceeds from intercompany borrowings                        | —                | —                                | 2,644                     | —                             | (2,644)     | —                                |            |
| Payments on intercompany borrowing                           | —                | (58,508 )                        | —                         | —                             | 58,508      | —                                |            |
| Exercise of stock options                                    | —                | —                                | 1,935                     | —                             | —           | 1,935                            |            |
| Other, net   | —                | (473 )                           | (228 )                    | —                             | —           | (701 )                           |            |
| Net cash provided (used) by financing activities             | —                | (58,981 )                        | (149,462 )                | (2,917 )                      | 114,372     | (96,988 )                        |            |
| Net (decrease) increase in cash and cash equivalents         | —                | (1,103 )                         | 16,171                    | 1,663                         | —           | 16,731                           |            |
| Cash and cash equivalents at beginning of period             | —                | 1,103                            | 35,925                    | 4,063                         | —           | 41,091                           |            |
| Cash and cash equivalents at end of period                   | \$               | —                                | \$ 52,096                 | \$ 5,726                      | \$ —        | \$ 57,822                        |            |

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Media General, Inc.  
 Condensed Consolidating Statement of Cash Flows  
 Year to date through September 30, 2015  
 (in thousands)

|  | Media<br>General | LIN<br>Television<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination | Media<br>General<br>Consolidated |
|--|------------------|----------------------------------|---------------------------|-------------------------------|-------------|----------------------------------|
| <b>Cash flows from operating activities:</b>                 |                  |                                  |                           |                               |             |                                  |
| Net cash provided (used) by operating activities             | \$(1,402)        | \$ 18,085                        | \$ 115,243                | \$ 3,570                      | \$ —        | \$ 135,496                       |
| <b>Cash flows from investing activities:</b>                 |                  |                                  |                           |                               |             |                                  |
| Capital expenditures   | —                | (14,845 )                        | (22,833 )                 | (2,905 )                      | —           | (40,583 )                        |
| Release of restricted cash at qualified intermediary         | —                | —                                | 119,903                   | —                             | —           | 119,903                          |
| Proceeds from sale the of PP&E                               | —                | 71                               | 1,208                     | —                             | —           | 1,279                            |
| Proceeds from spectrum sale                                  | —                | —                                | 620                       | 2,500                         | —           | 3,120                            |
| Receipt of dividend  | —                | 58,507                           | —                         | —                             | (58,507)    | —                                |
| Payments from intercompany borrowings                        | 2,025            | —                                | 36,387                    | —                             | (38,412)    | —                                |
| Payment of capital contributions                             | (3,011 )         | —                                | —                         | —                             | 3,011       | —                                |
| Other, net   | —                | —                                | —                         | (78 )                         | —           | (78 )                            |
| Net cash provided (used) by investing activities             | (986 )           | 43,733                           | 135,285                   | (483 )                        | (93,908)    | 83,641                           |
| <b>Cash flows from financing activities:</b>                 |                  |                                  |                           |                               |             |                                  |
| Repayment of borrowings under Media General Credit Agreement | —                | —                                | (160,000 )                | —                             | —           | (160,000 )                       |
| Repayment of 2021 Notes                                      | —                | (15,863 )                        | —                         | —                             | —           | (15,863 )                        |
| Repayment of borrowings under Shield Media Credit Agreement  | —                | —                                | —                         | (1,800 )                      | —           | (1,800 )                         |
| Repayment of other borrowings                                | —                | —                                | —                         | (873 )                        | —           | (873 )                           |
| Repurchase of shares   | —                | —                                | (33,724 )                 | —                             | —           | (33,724 )                        |
| Payment for the acquisition of noncontrolling interest       | —                | (10,872 )                        | —                         | —                             | —           | (10,872 )                        |
| Cash paid for debt modification                              | —                | —                                | (3,425 )                  | —                             | —           | (3,425 )                         |
| Exercise of stock options                                    | —                | —                                | 1,848                     | —                             | —           | 1,848                            |
| Payment of dividend  | —                | —                                | (58,507 )                 | —                             | 58,507      | —                                |
| Payments on intercompany borrowing                           | —                | (38,412 )                        | —                         | —                             | 38,412      | —                                |
| Receipt of capital contributions                             | —                | 3,011                            | —                         | —                             | (3,011)     | —                                |
| Other, net   | —                | (312 )                           | (164 )                    | (70 )                         | —           | (546 )                           |
| Net cash (used) provided by financing activities             | —                | (62,448 )                        | (253,972 )                | (2,743 )                      | 93,908      | (225,255 )                       |
| Net (decrease) increase in cash and cash equivalents         | (2,388 )         | (630 )                           | (3,444 )                  | 344                           | —           | (6,118 )                         |
| Cash and cash equivalents at beginning of period             | 2,388            | 9,658                            | 27,371                    | 4,503                         | —           | 43,920                           |
| Cash and cash equivalents at end of period                   | \$—              | \$ 9,028                         | \$ 23,927                 | \$ 4,847                      | \$ —        | \$ 37,802                        |





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

OVERVIEW

Media General is one of the U.S.'s largest local multimedia companies, providing top-rated news, information and entertainment across 48 markets. Media General, Inc. owns, operates or provides services to 71 network-affiliated broadcast television stations (23 with CBS, 13 with NBC, 12 with ABC, 8 with FOX, 8 with CW and 7 with MyNetworkTV) and their associated digital media and mobile platforms. These stations reach approximately 23% of U.S. TV households, and the Company reaches nearly 41% of the U.S. Internet audience. 50 of the 71 stations are located in the top 100 designated market areas as grouped by Nielsen ("DMAs"), while 27 of the 71 stations are located in the top 50 markets. The Company also has a large and diverse digital media business.

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's Incentive 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 FCC's 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 FCC, clearance under the Hart-Scott-Rodino antitrust act and certain third party consents. On September 15, 2016, the transaction received clearance under the Hart-Scott-Rodino antitrust act.

In connection with the Nexstar transaction, Nexstar and its respective subsidiaries, as applicable, have entered into definitive agreements to divest Nexstar's WCWJ station in Jacksonville, Florida and the Company's WSLs-TV station in Roanoke-Lynchburg, Virginia to Graham Media Group, Inc.; Nexstar's KADN-TV and KLAF-LD stations in Lafayette, Louisiana to Bayou City Broadcasting Lafayette, Inc.; Nexstar's KREG-TV station in Denver, Colorado to Marquee Broadcasting, Inc.; the Company's WBAY-TV station in Green Bay, Wisconsin and KWQC-TV station in Davenport-Moline-Rock Island, Iowa to Gray Television Group, Inc.; the Company's KIMT station in Rochester, Minnesota, WTHI-TV station in Terre Haute, Indiana, WLFI-TV station in Lafayette, Indiana, as well as Nexstar's WFFT-TV station in Ft. Wayne, Indiana and KQTV station in Saint Joseph, Missouri to USA Television MidAmerica Holdings, LLC; and the Company's KASA-TV station in Albuquerque, New Mexico to Ramar Communications, Inc. The Company expects that the sales of these stations will occur substantially concurrent with the closing of the transaction with Nexstar, which is expected to occur later this year.

In April 2012, President Obama signed into law the American Jobs Act, which provides the FCC with the authority to conduct an "incentive auction" to auction and repurpose broadcast television spectrum for mobile broadband use. Pursuant to this authority and to encourage broadcasters to tender their licenses for auction, the FCC is permitted to share the proceeds of spectrum auction with incumbent television station licensees. In order to receive proceeds, licensees must agree to give up their licenses, share spectrum, or, in some cases, move to a different channel to

facilitate an auction of their previous channel. The FCC would then “repack” non-tendering UHF broadcasters into the lower portions of the UHF band and auction new “flexible use” wireless licenses in the upper portion of the UHF band. By statute, television stations’ participation in the incentive auction is voluntary. Two stages of both the reverse auction and forward auctions have closed. Stage 3 of the incentive auction will begin on November 1, 2016. Depending on the outcome of Stage 3, the FCC may conduct one or more additional stages of the incentive auction. No auction results have been finalized. As part of the Nexstar agreement, the Company has a contingent value right entitling Media General shareholders to a pro rata share of the net cash proceeds received from the sale of Media General’s spectrum. The Company anticipates that this right could be worth anywhere from \$0 to \$4 per share.

## RESULTS OF OPERATIONS

The Company recorded net losses attributable to Media General of \$68.7 million (\$0.53 per diluted share) and \$76.4 million (\$0.59 per diluted share) in the three and nine months ended September 30, 2016, compared to net losses attributable to Media General of \$48.5 million (\$0.38 per diluted share) and \$54.3 million (\$0.42 per diluted share) in the equivalent periods of 2015. The net loss attributable to Media General for the third quarter of 2016 increased \$20 million from the equivalent period in the prior year driven by a goodwill and intangible asset impairment charge of \$113 million recorded in the third quarter of 2016. The third quarter of 2015 included a smaller goodwill impairment charge of \$53 million. The Company's results during the first nine months of 2016 included the \$113 million impairment charge, \$69 million of merger-related expenses (including a \$60 million termination fee paid to Meredith in January 2016) and restructuring expenses of \$5 million. Comparatively, the Company's results during the first nine months of 2015 included the \$53 million impairment charge, merger-related expenses of \$19 million, non-operating gains of \$5.6 million (in Other, net) on the relocation of broadcast channels in Lansing, Michigan and Austin, Texas and a \$2.5 million reduction in Operating Expenses for settlement proceeds related to prior-period overcharges by a music licensing agency.

Net loss for the third quarter of 2016 was \$67.6 million and included net income attributable to noncontrolling interests of \$1.2 million. For the first nine months of 2016 the Company recorded a net loss of \$74 million and net income attributable to noncontrolling interests of \$2.4 million. The income attributable to noncontrolling interests represents the aggregate income of certain stations operated by the Company through JSA/SSA arrangements. The remaining noncontrolling interest in HYFN Inc. was acquired by the Company on April 1, 2016.

The Company generated \$130 million and \$352 million of operating income from its Broadcast segment in the three and nine months ended September 30, 2016, respectively. Its Digital segment recorded operating income of \$4.9 million and \$6.4 million during the same periods.

## REVENUES

Revenues were \$377 million and \$1.1 billion in the third quarter and first nine months of 2016, respectively, compared to \$322 million and \$939 million in the same prior-year periods. Revenues are grouped primarily into four major categories: Local, National, Political and Digital. The following chart summarizes the consolidated period-over-period changes in these select revenue categories.

| (Unaudited, in thousands) | Three Months Ended |                    |                |   |
|---------------------------|--------------------|--------------------|----------------|---|
|                           | September 30, 2016 | September 30, 2015 | Percent Change |   |
| Local                     | \$249,357          | \$ 211,643         | 17.8           | % |
| National                  | 54,575             | 52,352             | 4.2            | % |
| Political                 | 25,579             | 4,566              | 460.2          | % |
| Digital                   | 39,913             | 43,744             | (8.8)          | % |
| Other                     | 7,932              | 9,431              | (15.9)         | % |
| Net operating revenue     | \$377,356          | \$ 321,736         | 17.3           | % |

## Nine Months Ended

| (Unaudited, in thousands) | September<br>30,<br>2016 | % of<br>Total | September<br>30,<br>2015 | Percent<br>Change |
|---------------------------|--------------------------|---------------|--------------------------|-------------------|
| Local                     | \$727,441                | 67.1%         | \$638,669                | 13.9 %            |
| National                  | 157,698                  | 14.6%         | 154,601                  | 2.0 %             |
| Political                 | 52,037                   | 4.8 %         | 8,131                    | 540.0 %           |
| Digital                   | 120,828                  | 11.2%         | 110,147                  | 9.7 %             |
| Other                     | 25,521                   | 2.4 %         | 27,445                   | (7.0 )%           |
| Net operating revenue     | \$1,083,525              |               | \$938,993                | 15.4 %            |

Local revenue increased \$38 million and \$89 million during the three and nine months ended September 30, 2016, respectively, as a result of increased retransmission revenue and, to a lesser extent, an increase in core advertising. Core advertising revenue increased 2.7% for the quarter, driven by strong summer Olympic advertising. For the year-to-date, core advertising increased 1.1% driven by medical, retail, home improvement and automotive advertising. Political revenue for the quarter was over 5 times the prior-year level due to strong advertising levels in Ohio, Florida, Indiana, Iowa, Pennsylvania and North Carolina. Political for the year-to-date was six-fold the prior-year level due to the Presidential election and other contested races in this even-numbered year. The 9% decrease in Digital revenue for the quarter was the result of lower National and Regional advertising due to the loss of certain advertisers. The 10% increase in Digital revenue for the year-to-date was primarily the result of increased activity in social media, increased Local advertising and higher traffic on our stations' websites.

## OPERATING COSTS

Total operating costs increased \$53 million and \$158 million in the third quarter and first nine months of 2016, respectively, from the prior-year equivalent periods. The increases during both the quarter and year-to-date periods are due in large part to a \$113 million goodwill and other asset impairment charge recorded during the third quarter of 2016 (compared to a charge of \$53 million recorded during the third quarter of 2015) and increased network programming payments, which rose \$14 million and \$40 million for the three and nine months ended September 30, 2016, respectively. Additionally, the first nine months of 2016 included a \$60 million fee paid to Meredith to terminate that merger agreement and a \$7 million one-time payment related to the purchase of HYFN (as discussed in Item 1, Note 10). The increase in network programming payments was driven in large part by the increase in retransmission revenue. Absent the impairment charges, merger-related expenses, restructuring costs, the one-time acquisition-related compensation and higher network fees, total operating costs for the third quarter decreased 4% from the same period in the prior year and total operating costs for the first nine months of 2016 were flat when compared to the same period in 2015, reflecting effective expense management.

Corporate and other expenses as reported on the Consolidated Condensed Statements of Comprehensive Income decreased by \$3.9 million, or 31%, in the third quarter of 2016, due to lower stock-based compensation and the favorable impact of merger related synergies. For the first nine months of 2016, Corporate and other expenses decreased \$491 thousand despite a one-time acquisition-related compensation payment of \$7 million related to HYFN as discussed above. Excluding the impact of the one-time payment, Corporate expenses would have decreased 21% for the first nine months of 2016 due to lower stock-based compensation and the impact of merger related synergies.

Depreciation and amortization expense as reported on the Consolidated Condensed Statements of Comprehensive Income was \$41 million and \$121 million in the three and nine months ended September 30, 2016, respectively, compared to \$40 million and \$123 million in the corresponding prior-year periods.

The Company recorded \$1.4 million and \$10 million of merger-related costs in the third quarter of 2016 and 2015, respectively, as shown on the Consolidated Condensed Statements of Comprehensive Income primarily for employee severance, investment banking, legal and professional fees related to the LIN Merger and the merger with Nexstar (reflected in 2016 only). The 2016 costs also included legal fees related to the terminated merger with Meredith. Merger-related costs for the first nine months of 2016 were \$69 million compared to \$19 million in the first nine months of 2015. The merger-related expenses for the first nine months of 2016 included a \$60 million termination fee associated with the terminated Meredith merger, employee severance, investment banking, legal, and professional fees related to the LIN Merger, the Nexstar Merger and the terminated merger with Meredith. Merger-related costs for the first nine months of 2015 were primarily for restructuring, investment banking, legal and professional fees related to the LIN Merger and the terminated merger with Meredith.

The Company recorded restructuring charges of \$4.9 million for first nine months of 2016 related to the Digital operations and WAGT. In September 2015, the Company adopted a plan to restructure certain Digital segment operations (as discussed in Item 1, Note 10), which is expected to save the Company \$14.7 million in operating costs annually. The Company took additional steps under this plan in the first quarter of 2016. The Company recorded restructuring expense of \$2.3 million related to the plan during the nine months ended September 30, 2016. In the nine months ended September 30, 2016 the Company recorded restructuring expense of \$2.6 million related to WAGT as described in Item 1, Note 10. As of September 30, 2016, Media General has pending legal causes of action against Gray, and Schurz Communications, Inc. and WAGT Television, Inc., including but not limited to, causes of action for breach of contract. The Company has agreed to stay this litigation pending the closing of the Nexstar merger and the divestiture of certain stations with Gray (as discussed in Item 1, Note 1). If the transactions close, the parties will dismiss all claims and counterclaims with no additional consideration for either party. If not, the parties may resume the litigation.

#### INTEREST EXPENSE

For the three and nine months ended September 30, 2016, interest expense was \$29 million and \$86 million, respectively, representing a decrease of 3.2% and 4.7% from the corresponding periods in the prior year due to repayments of debt during 2016. The Company's effective interest rate was just over 5% for all periods presented.

During the first nine months of 2016, the Company repaid \$60 million of principal and premium on the Media General term loan as well as \$3 million on the Shield loans and certain other borrowings. The Company was only required to make aggregate principal payments of \$2.9 million.

#### INCOME TAXES

The effective tax rate was a negative 17.4% in the third quarter of 2016 as compared to 7.3% in the third quarter of 2015. The effective tax rate in the first nine months of 2016 was a negative 2.5% as compared to 6.6% in the equivalent prior-year period. The low tax rates in both periods were due to the goodwill and intangible asset impairment charges that were largely non-deductible for tax purposes. 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 \$1.7 million and \$0.4 million for the third quarters of 2016 and 2015, respectively, and was approximately \$4.0 million and \$1.9 million in the first nine months of 2016 and 2015, respectively; it was attributable primarily to state and AMT income taxes. Cash taxes paid (net of refunds) in the first nine months of 2016 was \$2.9 million.

The Company records income tax expense using the liability method, under which deferred tax assets and liabilities are recorded for the differing treatments of various items for financial reporting versus tax reporting purposes. The Company evaluates the need for a valuation allowance for deferred tax assets. Included in that analysis is the fact that the Company has carried forward an estimated \$481 million of net operating losses (NOLs) as of September 30, 2016. The Company anticipates being able to use these NOLs before they expire over the course of the next 20 years, although there are certain limitations in future years.

#### OTHER

The Company's Digital business units were recorded at fair value in conjunction with the LIN Merger in December of 2014. Due to a projected decrease in operating results of the Company's Digital businesses, the Company performed an interim impairment assessment as of September 30, 2015 on three Digital reporting units acquired as part of the LIN Merger. The turnover of key sales personnel and the industry-wide shift to software enabled automated buying

and placement of digital advertising led to a decrease in projected operating results for the Company's historical arbitrage media placement businesses. As a result of the impairment review, two of the three reporting units passed the first step of the evaluation as their fair values exceeded their carrying values by more than 10%. The fair value of the third reporting unit, LIN Digital, did not exceed its carrying value. As a result, the Company performed the second step of the impairment test and recorded a non-cash pretax goodwill impairment charge at its LIN Digital reporting unit of \$53 million in the third quarter of 2015.

In early 2016, the Company combined these three distinct businesses into one business, New Federated Media, under new management and made significant changes to its sales force. The Company had expected these changes would enable the business to operate more effectively in the marketplace with an acceleration of growth in the second half of 2016. However, the industry-wide shift to software enabled automated buying and placement of digital advertising quickened and combined with a rapid rise in social media advertising have led to compressed margins and lowered demand for the Company's other digital products. As a result the Company has not experienced the acceleration of revenues it had expected in the second half of 2016. Additionally,

the dynamics of the marketplace have changed significantly so that the Company's long-term forecast now reflects margins at half the level it had previously expected. Therefore the Company performed another interim impairment test as of September 30, 2016. This combination of slower growth and reduced margins has resulted in both non-cash goodwill impairment and non-cash intangible asset impairment totaling a combined \$113 million that was recorded in the third quarter of 2016. After recording the impairment charges, the goodwill allocated to New Federated Media was \$30 million as of September 30, 2016. The calculation of impairment involves the use of significant judgment and estimates that management believes are appropriate in the circumstances although it is reasonably possible that actual performance will differ from these estimates. These estimates include those relating to revenue growth, compensation levels, digital advertising placement prices, capital expenditures, discount rates and market trading multiples for digital advertising assets.

In April 2016, the Company acquired the remaining shares of HYFN, a full service digital advertising agency for a purchase price of approximately \$35 million plus one-time compensation expense of \$7 million related to the transaction for a total cash outflow of \$42 million. Prior to the transaction, the Company held 50.1% of the outstanding shares of HYFN. As a result of the transaction, HYFN is 100% owned by the Company beginning with the second quarter of 2016.

For the three and nine months ended September 30, 2015, the Company recorded non-operating gains of \$2.5 million and \$5.6 million, respectively, related to agreements with a telecommunications company to relocate broadcast channels in our Lansing, Michigan and Austin, Texas markets.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is its cash flow from operations, but it also has access to a \$150 million revolving credit facility and cash on its balance sheet. The Company has \$146 million of availability under the revolving credit facility (giving effect to \$3.6 million of letters of credit which have been issued but are undrawn) and \$58 million of cash on its balance sheet as of September 30, 2016. There is \$5.7 million of cash in the consolidated balance sheet as of September 30, 2016, which can only be used to settle the obligations of the VIEs as discussed in Note 3. During the first nine months of 2016, the Company has used its cash for the Meredith termination fee, to pay down debt and make capital expenditures.

The Company generated \$142 million of cash from operating activities during the nine months ended September 30, 2016. This compared to \$135 million of net cash generated by operating activities in the year-ago period. The increase from the year-ago period is primarily the result of increased retransmission and Political revenues.

The Company internally, and analysts in the Broadcast industry, use a non-GAAP Broadcast Cash Flow (BCF) metric as a key measure. BCF is defined as operating income plus corporate and other expenses, depreciation and amortization, net gains related to property and equipment, program license rights amortization less payments for program license rights, merger-related expenses, and restructuring expenses. As shown in the table that follows, BCF increased from \$90 million to \$135 million in the third quarter of 2016 and from \$264 million to \$357 million in the first nine months of 2016, primarily due to the impact of Political, Olympic and retransmission revenue during 2016:



## Three Months Ended

| (Unaudited, in thousands)                   | September 30,<br>2016 | September 30,<br>2015 |
|---|-----------------------|-----------------------|
| Net Operating Revenue                       | \$377,356             | \$ 321,736            |
| Less: Operating Costs                       | (405,506 )            | (352,178 )            |
| Operating Income                            | (28,150 )             | (30,442 )             |
| Add:  |                       |                       |
| Depreciation and amortization               | 40,762                | 40,385                |
| Corporate and other expenses                | 8,671                 | 12,598                |
| Gain related to property and equipment, net | 143                   | 96                    |
| Program license rights, net                 | 171                   | 3,457                 |
| Goodwill and other asset impairment         | 112,511               | 52,862                |
| Merger-related expenses                     | 1,360                 | 10,014                |
| Restructuring expenses                      | (45 )                 | 1,132                 |
| Broadcast cash flow                         | \$135,423             | \$ 90,102             |

## Nine Months Ended

| (Unaudited, in thousands)                   | September 30,<br>2016 | September 30,<br>2015 |
|---|-----------------------|-----------------------|
| Net Operating Revenue                       | \$1,083,525           | \$ 938,993            |
| Less: Operating Costs                       | (1,069,520 )          | (911,936 )            |
| Operating Income                            | 14,005                | 27,057                |
| Add:  |                       |                       |
| Depreciation and amortization               | 121,220               | 123,286               |
| Corporate and other expenses                | 37,124                | 37,615                |
| Gain related to property and equipment, net | (538 )                | (328 )                |
| Program license rights, net                 | (645 )                | 3,504                 |
| Goodwill and other asset impairment         | 112,511               | 52,862                |
| Merger-related expenses                     | 68,803                | 18,907                |
| Restructuring expenses                      | 4,933                 | 1,132                 |
| Broadcast cash flow                         | \$357,413             | \$ 264,035            |

The Company used cash for its investing activities of \$28 million during the first nine months of 2016 primarily due to \$34 million of capital expenditures partially offset by \$6.2 million of proceeds from the sale of property and equipment. Investing activities provided cash of \$84 million for the first nine months of 2015 primarily due to the release from a qualified intermediary of \$120 million in restricted cash related to the 2014 sale of WJAR-TV and \$3.1 million related to the relocation of broadcast channels in Lansing, Michigan and Austin, Texas. The cash inflows were partially offset by capital expenditures of \$41 million.

Cash used by financing activities of \$97 million in the nine months ended September 30, 2016 compared to cash used by financing activities of \$225 million in the nine months ended September 30, 2015. During 2016 the Company repaid \$63 million of debt and also had a \$35 million cash outflow related to the acquisition of the remaining noncontrolling interest in HYFN. The higher outflow in 2015 primarily resulted from debt repayments of \$178 million, an \$11 million cash outflow related to the acquisition of the remaining noncontrolling interest in Dedicated Media and cash payments of \$34 million for share repurchases under the share repurchase program approved by the Board of Directors during 2015.

Debt Agreements

At September 30, 2016, the Company had the following debt facilities and other debt instruments:

30

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|                         | Maturity Date | Amount                              | Interest Rate                      |
|-------------------------|---------------|-------------------------------------|------------------------------------|
| Term Loan               | 2020          | \$1,481 million                     | LIBOR + 3.00% w/ 1% LIBOR floor    |
| Revolver                | 2018          | \$146 million available; None drawn | LIBOR + 2.50%; 0.5% commitment fee |
| 5.875% Senior Notes     | 2022          | \$400 million                       | Fixed                              |
| 6.375% Senior Notes     | 2021          | \$275 million                       | Fixed                              |
| Shield Media Term Loans | 2018          | \$25 million                        | LIBOR + 3.00%                      |
| Other Borrowings        | 2016/2017     | \$0.4 million                       | LIBOR + 3.00%                      |

The Company loans are guaranteed by its subsidiaries, and the Company has pledged substantially all of its assets as collateral for the loans. The Shield Media loans are guaranteed by the Company, and the Company has pledged substantially all of its assets as collateral for the loans, on a pari passu basis with the Media General credit agreement. Both sets of Senior Notes are also guaranteed by the Company and certain of LIN TV's subsidiaries on a full and unconditional basis.

The credit agreement governing the Senior Secured Credit Facility contains a leverage ratio covenant which is tested for purposes of the Revolving Loan Facility if and when the Revolver borrowings and non-collateralized letters of credit exceed \$45 million at a quarter end. At other times, there is not a required maximum leverage ratio in which the Company must operate. The leverage ratio involves debt levels and a rolling eight-quarter calculation of EBITDA, as defined in the agreement if applicable. For the third quarter of 2016, the maximum ratio would have been 5.0 times if it had been in effect. Additionally, the agreement has restrictions on certain transactions that are operational regardless of Revolver borrowing level, including the incurrence of additional debt, capital leases, investments, fundamental changes (including additional acquisitions mergers or consolidations), limitation liens, prepayment or amendment of certain debt, transactions with affiliates, changes in the nature of the business, asset sales and restricted payments (including dividends and share repurchases) as defined in the agreement.

The Shield Media loans have a fixed charge coverage ratio (a ratio of fixed charges (interest, debt payments, capital expenditures and taxes) to EBITDA, calculated on a rolling eight-quarter basis, as defined in the agreement). The Shield Media loans also have restrictions on transactions similar in nature to those in the new Media General credit agreement, but scaled to Shield Media's smaller size. Additionally, the Shield Media loans have more specific covenants regarding the operation of the Shield Media business and requires that each Shield Media holding company that controls a Shield Media station limit its activities to the performance of its obligations under the Shield Media credit documents, and activities incidental thereto, including owning a Shield Media station and the performance of its obligations under and activities related to the shared services agreement. The Senior Notes do not contain financial maintenance covenants, but do include restrictive covenants with respect to the ability to incur additional debt and issue disqualified stock; pay dividends or make other restricted payments; prepay, redeem or repurchase capital stock or subordinated debt; transfer or sell assets; make investments; enter into transactions with affiliates; create or incur liens; and merge or consolidate with any other person. The Media General and Shield Media credit agreements along with both sets of Senior Notes contain cross-default provisions.

The Company does not have material off-balance sheet arrangements.

Consolidated net leverage, as defined in the Credit Agreement governing the Revolving Credit Facility, was 4.84x as of September 30, 2016. As noted above, the Company was not required to operate within the maximum leverage ratio as the Revolver borrowings and non-collateralized letters of credit did not exceed \$45 million as of September 30, 2016.

## OUTLOOK

The Company owns, operates or provides services to 71 stations across 48 markets covering 23% of U.S. TV households. While the Political spending for the year hasn't been as strong as originally anticipated, the Company's scale and location within several strongly contested states has facilitated increased cash flow. The 2016 Summer Olympics generated a 14% increase in revenue from the 2012 Summer Olympics on a same-station basis. Additionally, the Company grew retransmission revenue in the first nine months of 2016 and is participating in the FCC spectrum auction that is currently ongoing. For the remainder of 2016, the Company expects to continue to generate free cash flow from Political and retransmission, however current expectations for Political are lower than originally projected. The Company continues to work with Nexstar to secure the necessary approvals to effectuate the announced merger transaction.

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Certain statements in this quarterly report, particularly those in the section with the heading “Outlook” are not historical facts and are “forward-looking” statements, as that term is defined by the federal securities laws. Forward-looking statements include, among others, statements related to accounting estimates and assumptions, expectations regarding the pending merger, regulatory approvals and debt levels, interest rates, the impact of technological advances including consumer usage of mobile television and expectations regarding the effects of retransmission fees, network affiliate fees, pension and postretirement plans, capital spending, general advertising levels and political advertising levels, the effects of changes to FCC regulations and FCC approval of license applications. Forward-looking statements, including those which use words such as the Company “believes,” “anticipates,” “hopes,” “expects,” “estimates,” “intends,” “projects,” “plans,” “may” and similar words, including “outlook”, are made as of the date of this quarterly report on Form 10-Q and are subject to risks and uncertainties that could potentially cause actual results to differ materially from those results expressed in or implied by such statements. The reader should understand that it is not possible to foresee or identify all risk factors. Consequently, any such list should not be considered a complete statement of all potential risks or uncertainties.

Various important factors could cause actual results to differ materially from the Company’s forward looking statements, estimates or projections including, without limitation: the impact of the Nexstar merger transaction, changes in advertising demand, emergence of new digital advertising platforms, health care cost trends, changes to pending accounting standards, changes in consumer preferences for programming and delivery method, changes in relationships with broadcast networks and advertisers, the performance of pension plan assets, regulatory rulings including those related to joint sales and shared service agreements and tax law, natural disasters, and the ability to renew retransmission and broadcast network agreements. Actual results may differ materially from those suggested by forward-looking statements for a number of reasons including those described in Item 1A (“Risk Factors”) of the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company's Annual Report on Form 10-K for the year ended December 31, 2015, provides disclosures about market risk. As of September 30, 2016, there have been no material changes in the Company's market risk from December 31, 2015.

Item 4. Controls and Procedures

The Company's management, including its chief executive officer and chief financial officer, performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2016. Based on that evaluation, the Company's management, including its chief executive officer and chief financial officer, concluded that the Company's disclosure controls and procedures were effective as of September 30, 2016. There have been no significant changes in the Company's internal controls over financial reporting or in other factors during the quarter ended September 30, 2016 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 5. Other Information

None.

34

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Item 6. Exhibits

(a)  
Exhibits

31.1 Section 302 Chief Executive Officer Certification

31.2 Section 302 Chief Financial Officer Certification

32 Section 906 Chief Executive Officer and Chief Financial Officer Certification

101 The following financial information from the Media General, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, formatted in XBRL includes: (i) Consolidated Condensed Balance Sheets at September 30, 2016 and December 31, 2015, (ii) Consolidated Condensed Statements of Comprehensive Income for the three and nine months ended September 30, 2016 and September 30, 2015, (iii) Consolidated Condensed Statements of Cash Flows for the nine months ended September 30, 2016 and September 30, 2015, and (iv) the Notes to Consolidated Condensed Financial Statements.

35

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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 its behalf by the undersigned thereunto duly authorized.

MEDIA GENERAL, INC.

Date: November 9, 2016 By: /s/ Vincent L. Sadusky  
Vincent L. Sadusky  
President and Chief Executive Officer

Date: November 9, 2016 By: /s/ James F. Woodward  
James F. Woodward  
Senior Vice President, Chief Financial Officer