MEDIA GENERAL INC
Form 10-Q
August 09, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2013

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	54-0850433
(State or other jurisdiction ofincorporation or organization)	(I.R.S. Employer Identification No.)
333 E. Franklin St., Richmond, VA	23219
(Address of principal executive offices)	(Zip Code)

(804) 887-5000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year,

if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of July 31, 2013.

Class A Common shares:	27,371,846
Class B Common shares:	548,564

MEDIA GENERAL, INC.

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June 30, 2013

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(000's except shares)

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,244	$ 36,802
Accounts receivable - net	60,152	58,486
Other	11,179	18,493
Assets of discontinued operations	-	670
Total current assets	96,575	114,451
Other assets	33,961	45,462
Property, plant and equipment - net	162,580	166,105
FCC licenses and other intangibles - net	199,372	200,254
Excess of cost over fair value of net identifiable assets of acquired businesses	247,149	247,149
	$ 739,637	$ 773,421

See accompanying notes.

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MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(000's except shares and per share data)

	June 30, 2013	December 31, 2012
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$14,983	$11,669
Accrued expenses and other liabilities	50,996	64,362
Liabilities of discontinued operations	-	467
Total current liabilities	65,979	76,498
Long-term debt	296,210	295,721
Long-term debt - related party	260,445	257,466
Retirement, post-retirement and post-employment plans	236,987	242,309
Deferred income taxes	65,545	58,865
Other liabilities and deferred credits	20,842	18,786
Stockholders' deficit:		
Preferred stock, par value $5 per share, authorized 5,000,000 shares; none outstanding		
Common stock, par value $5 per share:		
Class A, authorized 75,000,000 shares; issued 27,352,562 and 27,215,117 shares	136,763	136,076
Class B, authorized 600,000 shares; issued 548,564 shares	2,743	2,743
Additional paid-in capital	23,459	23,024
Accumulated other comprehensive loss	(217,084)	(219,656)
Accumulated deficit	(152,252)	(118,411)
Total stockholders' deficit	(206,371)	(176,224)
	$739,637	$773,421

See accompanying notes.

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MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(000's except for per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Station revenue (less agency commissions)	$82,020	$83,098	$155,959	$157,312
Operating costs:				
Station production expenses	31,412	30,850	63,415	60,901
Station selling, general and administrative expenses	23,208	21,374	45,755	41,968
Corporate and other expenses	9,084	7,635	16,788	19,511
Depreciation and software amortization	5,636	5,641	11,157	11,591
Amortization of intangible assets	441	441	882	1,754
Net loss (gain) related to fixed assets	111	(179)	68	(250)
Merger-related expenses	7,171	-	7,171	-
Total operating costs	77,063	65,762	145,236	135,475
Operating income	4,957	17,336	10,723	21,837
Other income (expense):				
Interest expense	(9,492)	(16,762)	(18,821)	(31,913)
Interest expense - related party	(10,005)	(4,895)	(19,918)	(4,895)
Debt modification and extinguishment costs	-	(7,689)	-	(18,097)
Other, net	(225)	230	(174)	412
Total other expense	(19,722)	(29,116)	(38,913)	(54,493)
Loss from continuing operations before income taxes	(14,765)	(11,780)	(28,190)	(32,656)
Income tax expense	1,924	3,409	5,208	6,817
Loss from continuing operations	(16,689)	(15,189)	(33,398)	(39,473)
Discontinued operations:				
Income (loss) from discontinued operations (net of taxes)	543	590	(413)	(9,550)
Loss related to divestiture of discontinued operations (net of taxes)	-	(131,697)	(30)	(131,697)
Net loss	$(16,146)	$(146,296)	$(33,841)	$(180,720)
Net loss per common share:				
Loss from continuing operations	$(0.61)	$(0.67)	$(1.22)	$(1.75)
Discontinued operations	0.02	(5.81)	(0.01)	(6.26)
Net loss per common share – basic and assuming dilution	$(0.59)	$(6.48)	$(1.23)	$(8.01)

See accompanying notes.

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MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF

COMPREHENSIVE INCOME (LOSS)

(Unaudited, 000's)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Net loss	$(16,146)	$(146,296)	$(33,841)	$(180,720)
Amortization of prior-service costs (postretirement plans)	21	-	46	-
Amortization of net loss (pension and postretirement plans)	1,987	-	3,887	-
Other comprehensive income before income taxes	2,008	-	3,933	-
Income tax expense related to other comprehensive income	1,361	-	1,361	-
Other comprehensive income	647	-	2,572	-
Comprehensive loss	$(15,499)	$(146,296)	$(31,269)	$(180,720)

See accompanying notes.

MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(000's)

	Six Months Ended	
	June 30, 2013	June 24, 2012
Operating activities:		
Net loss	$(33,841)	$(180,720)
Adjustments to reconcile net loss:		
Depreciation and software amortization	11,157	19,195
Amortization of intangible assets	882	1,891
Deferred income taxes	6,569	11,613
Intraperiod tax allocation	(1,361)	-
Loss related to divestiture of discontinued operations (net of taxes)	30	131,697
Goodwill and other asset impairment (net of taxes)	-	6,472
Non-cash interest expense	4,691	4,405
Debt modification and extinguishment costs	-	18,097
Change in assets and liabilities:		
Company owned life insurance (cash surrender value less policy loans including repayments)	8,687	(1,097)
Accounts receivable	(900)	7,911
Accounts payable, accrued expenses, and other liabilities	(6,312)	9,819
Retirement plan contributions	(1,075)	(4,440)
Other, net	5,199	(4,632)
Net cash (used) provided by operating activities	(6,274)	20,211
Investing activities:		
Capital expenditures	(7,377)	(4,253)
Collateral deposit related to letters of credit	1,366	(5,441)
Other, net	(88)	1,836
Net cash used by investing activities	(6,099)	(7,858)
Financing activities:		
Increase in borrowings	-	13,000
Repayment of borrowings	-	(377,098)
Increase in related party borrowings	-	382,500
Repayment of related party borrowings	-	(10,000)
Debt issuance costs	-	(27,172)
Other, net	815	(30)

Net cash provided (used) by financing activities	815	(18,800)
Net decrease in cash and cash equivalents	(11,558)	(6,447)
Cash and cash equivalents at beginning of period	36,802	23,108
Cash and cash equivalents at end of period	$25,244	$16,661
Cash paid for interest	$33,818	$29,833
Non-cash financing activites:		
Issuance of common stock warrants	$-	$(16,912)

See accompanying notes.

MEDIA GENERAL, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States and with applicable quarterly reporting regulations of the Securities and Exchange Commission. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and, accordingly, should be read in conjunction with the consolidated financial statements and related footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Beginning with the full-year 2013, Media General's fiscal year is a conventional calendar year (January 1 – December 31). Previously, the Company's fiscal year ended on the last Sunday in December. Results for 2013 are for the three and six calendar months ended June 30, 2013. Results for 2012 are for the thirteen and twenty-six week periods ended June 24, 2012.

As explained further below, the Company has presented all newspapers, its former Advertising Services businesses and its Production Services company as discontinued operations for all periods presented. Accordingly, certain prior-year financial information has been reclassified to conform with the current year’s presentation. 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.

2. On June 6, 2013, the Company and New Young Broadcasting Holding Co., Inc. (Young) announced an agreement to combine the two companies in an all-stock merger transaction. Under the merger agreement, the Company will reclassify each outstanding share of its Class A and Class B common stock into one share of a new class of Media General voting common stock, which will be entitled to elect all of Media General’s directors. One holder of shares of Class A common stock will receive shares of a separate class of unlisted Media General non-voting common stock which can be converted to voting stock. No additional consideration will be paid to the Class B shareholders for giving up their right to directly elect 70% of Media General’s directors. Media General will issue to Young’s equityholders approximately 60.2 million shares of Media General voting common stock (or, to the extent elected by Young’s equityholders, shares of Media General non-voting common stock). It is estimated that 89.1 million total shares of voting common stock and non-voting common stock will be outstanding immediately after closing, with the shareholders of Media General immediately prior to closing holding approximately 32.5% of those shares and the equityholders of Young immediately prior to closing holding approximately 67.5% of those shares. The new class

of Media General voting common stock will be listed on the NYSE and trade under the symbol MEG, subject to NYSE approval. The transaction has been unanimously approved by the Media General Board of Directors and the Young Board of Directors. It also has received the necessary approval of Young's equityholders. The combined company will retain the Media General name and will be headquartered in Richmond, Virginia. As set forth in the merger agreement, the closing of the transaction is subject to the satisfaction (or waiver) of a number of conditions, including but not limited to, the approval of various matters relating to the transaction by Media General's Class A and Class B shareholders, the approval from the Federal Communications Commission, clearance under the Hart-Scott-Rodino antitrust act (this condition has been satisfied) and certain third party consents. The transaction is expected to close in the late third or early fourth quarter of this year. The Company incurred $7.2 million of investment banking, legal and accounting fees and expenses in the second quarter of 2013 related to the pending merger with Young.

In connection with the execution of the merger agreement, the Company signed a letter agreement with BH Finance that permits the Company to enter into the merger agreement. In addition, the letter agreement provides that, in the event the Company and Young do not refinance their credit facilities and other debt prior to the closing of the transaction, the Company's credit agreement will, subject to the satisfaction of certain conditions, be amended at the closing to permit the closing of the transaction and to reflect the post-transaction structure of the combined company.

3. In January of 2013, the Company sold the intellectual property and certain tangible assets of Blockdot for a nominal amount; the Company retained Blockdot's working capital and certain operating leases in Dallas, Texas. In 2012, the Company recorded a $2.5 million loss related to the anticipated sale of Blockdot; the Company recorded an additional loss of $30 thousand related to the sale in the first quarter of 2013. In the third quarter of 2012, the Company sold all of its newspapers and associated websites (with the exception of the Tampa group) to World Media Enterprises, Inc. (World Media), a subsidiary of Berkshire Hathaway. In the fourth quarter of 2012, the Company completed the sale of its Tampa print properties and associated websites to Tampa Media Group, Inc., a new company formed by Revolution Capital Group. During the second quarter of 2012, the Company also sold DealTaker for a nominal amount, shut down its Production Services company which provided broadcast equipment and design services and discontinued its NetInformer operations. As of June 30, 2013, the Company has substantially completed its transition service obligations to World Media and Tampa Media.

As illustrated in the following chart, the results of these newspapers (as well as their associated websites), DealTaker, Blockdot, NetInformer and the Company's Production Services unit have been presented as discontinued operations in the accompanying consolidated condensed statements of operations for the three and six months ended June 30, 2013, and June 24, 2012. Depreciation and amortization on assets related to these properties ceased as of the date in 2012 that each disposal group qualified for held-for-sale treatment. The accompanying consolidated condensed balance sheet for 2012 presents assets and liabilities of discontinued operations separately from those of continuing operations. After recording a $2.5 million loss related to the expected divestiture of Blockdot, assets of discontinued operations as of December 31, 2012, were $670 thousand. Liabilities of discontinued operations of approximately $467 thousand at December 31, 2012, consisted primarily of accounts payable and accrued expenses.

	Income (Loss) from Discontinued Operations			
(In thousands)	Three Months Ended June 30, 2013	Three Months Ended June 24, 2012	Six Months Ended June 30, 2013	Six Months Ended June 24, 2012
Revenues	$-	$76,014	$ 110	$151,314
Costs and expenses	(543)	73,026	523	159,678
Income before income taxes	543	2,988	(413)	(8,364)
Income tax expense	-	2,398	-	1,186
Income (loss) from discontinued operations	$543	$590	$ (413)	$(9,550)

The Company owned and operated Blockdot for part of January 2013; revenues and expenses related to this period are reflected above. When the Company sold Blockdot, it retained certain operating leases for space that the Company will no longer utilize. During the three months ended June 30, 2013, the Company recorded a $543 thousand favorable adjustment upon entering into a sublease for its Dallas office space for the remaining term of the lease. The Company recorded a net loss of approximately $100 thousand related to the operating leases during the six months ended June

30, 2013.

The Company performed an interim impairment test on DealTaker as of the end of the first quarter 2012, which resulted in a non-cash goodwill and other intangible asset impairment charge of $6.5 million net of a tax benefit of $3.6 million included in the loss from discontinued operations for the six months ended June 24, 2012.

4. Berkshire Hathaway and its wholly owned subsidiary, World Media, are considered related parties. As described in Notes 3 and 6, the Company consummated financing arrangements, granted warrants that were exercised, sold most its newspaper assets and engaged in a series of transition services with Berkshire Hathaway. At the time of the original agreements for the financing arrangements (including the warrant agreement) and the sale of the newspaper assets, the Company and Berkshire Hathaway were not then related parties. The consummation of, along with the exercise of rights under, those agreements created the related-party status.

As of June 30, 2013, Berkshire Hathaway owned approximately 17% of the Class A shares of the Company and had recommended to the Company an individual who is actively serving as a Director in accordance with the Shareholder Agreement. Berkshire Hathaway was also the counterparty to the Company's term loan and revolving line of credit. Following the sale of the Company's newspaper assets, the Company and World Media engaged in a series of transition services to effectuate the transfer in a smooth and orderly fashion. During the three and six months ended June 30, 2013, the Company provided World Media services and support in the areas of information technology and digital for fees that were designed to approximate the Company's cost. Payments received from World Media for these transition services totaled approximately $200 thousand and $1.2 million, respectively, for the three and six months ended June 30, 2013. During the three and six months ended June 30, 2013, the Company also was reimbursed for approximately $150 thousand and $1.3 million, respectively, of medical claims paid on behalf of World Media. World Media provided services and support to the Company in the areas of information technology support, billing and remittance processing for fees that were designed to approximate World Media's cost. Payments for these amounts totaled approximately $50 thousand and $150 thousand during the three and six months ended June 30, 2013, respectively. In addition, the Company passed along approximately $200 thousand of other collections to World Media during the three and six months ended June 30, 2013.

As of June 30, 2013, the Company had a receivable for transition services of $670 thousand included in the line item "Other" current assets on the consolidated condensed balance sheet.

During the three and six months ended June 30, 2013, the Company made interest payments of $8.2 million and $16.2 million, respectively, to Berkshire Hathaway. As of June 30, 2013, the Company had accrued interest payable to Berkshire Hathaway of $270 thousand included in the line item "Accrued expenses and other liabilities" on the consolidated condensed balance sheet.

5. The Company recorded non-cash income tax expense from continuing operations of $1.9 million and $5.2 million in the second quarter and first six months of 2013, compared to $3.4 million and $6.8 million in the equivalent quarter and six months of 2012. The Company's tax provision for each period had an unusual relationship to pretax loss mainly because of the existence of a full deferred tax asset valuation allowance at the beginning of each period. This circumstance generally results in a zero net tax provision since the income tax expense or benefit that otherwise

would be recognized is offset by the change to the valuation allowance. However, tax expense recorded in the second quarters of 2013 and 2012 included the accrual of non-cash tax expense of approximately $3.3 million and $3.4 million, respectively, of additional valuation allowance in connection with the tax amortization of the Company's indefinite-lived intangible assets that was not available to offset existing deferred tax assets (termed a "naked credit"). The "naked credit" expense was partially offset in the second quarter of 2013 by approximately $1.4 million of tax benefit related to the intraperiod allocation items in Other Comprehensive Income. A full discussion of the naked credit issue is contained in Note 4 of Item 8 of the Company's Form 10-K for the year ended December 31, 2012.

6. Long-term debt at June 30, 2013, and December 31, 2012, was as follows:

(In thousands)	June 30, 2013	Dec. 31, 2012
Term loan:		
Face value	$301,537	$301,537
Remaining original issue discount	(29,891)	(32,058)
Remaining warrant discount	(11,201)	(12,013)
Carrying value	260,445	257,466
Revolving credit facility ($45 million remaining availability)	-	-
Senior notes:		
Face value	299,800	299,800
Remaining original issue discount	(3,594)	(4,091)
Carrying value	296,206	295,709
Capital lease liability	4	12
Total carrying value	$556,655	$553,187

As of June 30, 2013, and December 31, 2012, the Company had in place a term loan with a face value of $302 million and a revolving credit facility with no outstanding balance and maximum availability of $45 million. Also outstanding were 11.75% senior secured notes with a face value of $300 million that were issued at a price equal to 97.69% of face value. The term loan with Berkshire Hathaway matures in May 2020 and bears an interest rate of 10.5%, but could decrease to 9% based on the Company's leverage ratio, as defined in the agreement. The Company was in compliance with the provisions of both agreements at June 30, 2013.

In May 2012, the Company consummated a financing arrangement with BH Finance LLC, an affiliate of Berkshire Hathaway, that provided the Company with a $400 million term loan and a $45 million revolving credit facility. The Company subsequently repaid approximately $98 million of principal on the term loan. The term loan was issued at a discount of 11.5% and was secured pari passu with the Company's existing 11.75% senior secured notes due 2017. While the financing arrangement does not contain financial covenants, there are restrictions, in whole or in part, on certain activities including the incurrence of additional debt, repurchase of shares and the payment of dividends. The term loan may be repaid voluntarily prior to maturity, in whole or in part, at a price equal to 100% of the principal amount repaid plus accrued and unpaid interest, plus a premium, which starts at 14.5% and steps down over time beginning in May 2016, as set forth in the agreement. Other factors, such as the sale of assets, may result in a mandatory prepayment or an offer to prepay a portion of the term loan without premium or penalty. The Company considers the prepayment feature to be an embedded derivative which it bifurcates from the term loan when the fair value is determinable. The term loan and revolving credit facility will mature in May 2020 and are guaranteed by the

Company's subsidiaries. The revolving credit facility bears interest at a rate of 10% and is subject to a 2% fee on the unused portion of the commitment. The Company also issued common stock warrants to purchase 4.6 million shares of common stock to Berkshire Hathaway in conjunction with the financing, the warrants were exercised subsequently.

In conjunction with the secured financing with Berkshire Hathaway and the use of the proceeds of that financing to repay the previous bank credit facility in the second quarter of 2012, the Company recorded debt modification and extinguishment costs of $7.7 million, primarily due to the write-off of unamortized fees related to the previous credit facility. In addition, the Company capitalized $11.5 million of advisory and legal fees related to the Berkshire Hathaway financing; these fees are amortized as interest expense over the term of the financing arrangement. Previously, in March 2012, the Company amended its bank credit agreement which resulted in a $10.4 million of expense for debt modification and extinguishment costs including certain advisory, arrangement, and legal fees related to that refinancing.

The previous bank credit facility had an interest rate of LIBOR (with a 1.5% floor) plus a margin of 7% and commitment fees of 2.5%. In addition to this cash interest, the Company accrued payment-in-kind (PIK) interest of 1.5%. This PIK interest, which totaled approximately $1 million, was treated as additional bank term loan principal and was paid in cash upon repayment of the entire facility.

The following table includes information about the carrying values and estimated fair values of the Company's financial instruments at June 30, 2013, and December 31, 2012:

	June 30, 2013		December 31, 2012	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Investments				
Trading	$194	$194	$198	$198
Liabilities:				
Long-term debt:				
Revolving credit facility ($45 million available)	-	-	-	-
Term loan	260,445	335,302	257,466	343,746
11.75% senior notes	296,206	331,093	295,709	346,269

Trading securities held by the Supplemental 401(k) Plan are carried at fair value and are determined by reference to quoted market prices. The fair value of the term loan was determined using a discounted cash flow analysis and an estimate of the current borrowing rate. The fair value of the 11.75% senior notes was valued by reference to the most recent trade prior to the end of the applicable period. Under the fair value hierarchy, the Company's trading securities fall under Level 1 (quoted prices in active markets), its senior notes fall under Level 2 (other observable inputs) and its term loan falls under Level 3 (unobservable inputs).

7. The following table sets forth the computation of basic and diluted loss per share for continuing operations for the three and six months ended June 30, 2013, and June 24, 2012. There were approximately 300 thousand shares and 150 thousand shares (representing the weighted-average of outstanding stock options) that were not included in the computation of diluted EPS for the second quarter and first six months of 2013, respectively, because to do so would have been anti-dilutive for the periods presented. There were approximately 1.6 million shares and 800 thousand shares (representing the weighted-average of common stock warrants issued to Berkshire Hathaway prior to their exercise) that were not included in the computation of diluted EPS for the second quarter and first six months of 2012, respectively, because to do so would have been anti-dilutive for the periods presented.

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(In thousands, except per share amounts)	Three Months Ended June 30, 2013			Three Months Ended June 24, 2012		
Numerator for basic and diluted earnings per share: Loss from continuing operations available to common stockholders	$	(16,689	)	$	(15,189	)
Denominator for basic and diluted earnings per share: Weighted average shares outstanding		27,528			22,563	
Loss from continuing operations per common share (basic and diluted)	$	(0.61	)	$	(0.67	)

(In thousands, except per share amounts)	Six Months Ended June 30, 2013			Six Months Ended June 24, 2012		
Numerator for basic and diluted earnings per share: Loss from continuing operations available to common stockholders	$	(33,398	)	$	(39,473	)
Denominator for basic and diluted earnings per share: Weighted average shares outstanding		27,474			22,559	
Loss from continuing	$	(1.22	)	$	(1.75	)

operations per
common share
(basic and diluted)

8. The following table provides the components of net periodic employee benefits expense for the Company's benefit plans for the second quarters and first six months of 2013 and 2012:

	Three Months Ended			
	Pension Benefits		Other Benefits	
(In thousands)	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Service cost	$-	$-	$5	$50
Interest cost	4,772	5,281	217	440
Expected return on plan assets	(5,725)	(5,927)	-	-
Amortization of prior-service cost	-	-	21	304
Amortization of net loss/(gain)	2,209	1,449	(222)	(235)
Net periodic benefit cost	$1,256	$803	$21	$559

	Six Months Ended			
	Pension Benefits		Other Benefits	
(In thousands)	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Service cost	$-	$-	$55	$100
Interest cost	9,472	10,581	442	890
Expected return on plan assets	(11,475)	(11,852)	-	-
Amortization of prior-service cost	-	-	46	629
Amortization of net loss/(gain)	4,309	2,824	(422)	(410)
Net periodic benefit cost	$2,306	$1,553	$121	$1,209

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Certain components of net periodic benefit cost were reclassified out of Accumulated Other Comprehensive Loss for the three and six months ended June 30, 2013, respectively, as shown below:

(In thousands)	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Amortization of prior-service cost	$ 21	$ 46
Amortization of net loss	1,987	3,887
Total reclassifications	$ 2,008	$ 3,933

9. The following table shows the Company's Statement of Stockholders' Deficit as of and for the six months ended June 30, 2013:

	Class A	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	
(In thousands, except shares and per share amounts)	Shares	Class A	Class B	Capital	Loss	Deficit	Total
Balance at December 31, 2012	27,215,117	$136,076	$2,743	$ 23,024	$ (219,656)	$ (118,411)	$(176,224)
Net loss		-	-	-	-	(33,841)	(33,841)
Other comprehensive income, net of taxes		-	-	-	2,572	-	2,572
Exercise of stock options	179,476	897	-	(156)	-	-	741
Performance accelerated restricted stock	(42,143)	(211)	-	30	-	-	(181)
Stock-based compensation		-	-	481	-	-	481
Other	112	1	-	80	-	-	81
Balance at June 30, 2013	27,352,562	$136,763	$2,743	$ 23,459	$ (217,084)	$ (152,252)	$(206,371)

10. On July 31, 2013, the Company entered into a credit agreement with a syndicate of lenders, contingent on successful completion of the merger with Young, which will provide the combined company with a $60 million revolving credit facility and an $885 million term loan. The revolving credit facility has a term of five years and will bear interest at LIBOR plus a margin of 2.75%. The $885 million term loan has a term of seven years and will bear interest at LIBOR (with a LIBOR floor of 1%) plus a margin of 3.25%. Shield Media LLC (and its subsidiary WXXA-TV LLC) and Shield Media Lansing (and its subsidiary WLAJ-TV LLC) (collectively, "Shield Media"), companies controlling subsidiaries with which Young has shared services arrangements for two stations, entered into

a new credit agreement with a syndicate of lenders, dated July 31, 2013, contingent on successful completion of the Young merger, which will refinance its outstanding aggregate $32 million term loans under one credit agreement. The existing Shield Media term loans are guaranteed on a secured basis by Young which will continue to provide its guarantee, secured by the same collateral, for the combined refinanced facility. The new Shield Media term loan has a term of five years and will bear interest at LIBOR plus a margin of 3.25%. The Company has also agreed to guarantee the new Shield Media term loan agreement, contingent on successful completion of the Young merger, but only if a guarantee is permitted under the terms of the senior secured notes.

The Media General credit agreement contains a leverage ratio covenant, which involves debt levels and a rolling eight-quarter calculation of EBITDA, as defined in the agreement. Additionally, the agreement has restrictions on certain transactions including the incurrence of additional debt, capital leases, investments, additional acquisitions, asset sales and restricted payments (including dividends and share repurchases) as defined in the agreement. The Shield Media credit agreement contains a fixed charge coverage ratio, a financial covenant that is meant to measure whether the Borrowers can satisfy their fixed charges (interest, debt payments, capital expenditures and taxes) when due by measuring fixed charges to EBITDA, calculated on a rolling eight-quarter basis, as defined in the agreement. The agreement also has restrictions on transactions similar in nature to those in the new Media General agreement, but scaled to Shield Media's smaller size. The agreement also has more specific covenants regarding the operation of the business and requires that each Shield Media holding company that controls a Shield Media station limit its activities to performance of its obligations under the Shield Media credit documents and activities incidental thereto including owning a Shield Media station and performance of its obligations under and activities related to the shared services agreement. Both the Media General and Shield Media credit agreements contain cross default provisions.

11. The Company's subsidiaries guarantee the debt securities of the parent company. The Company's subsidiaries are 100% owned except for the Supplemental 401(k) Plan; all subsidiaries except those in the non-guarantor column (the Supplemental 401(k) Plan) currently guarantee the debt securities. These guarantees are full and unconditional and on a joint and several basis. The following financial information presents condensed consolidating balance sheets, statements of operations, and statements of cash flows for the parent company, the Guarantor Subsidiaries, and the Non-Guarantor Subsidiaries, together with certain eliminations.

Media General, Inc.

Condensed Consolidating Balance Sheet

As of June 30, 2013

(In thousands, unaudited)

	Media General Corporate	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Media General Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$24,439	$805	$ -	$-	$ 25,244
Accounts receivable - net	-	60,152	-	-	60,152
Other	3,754	7,425	-	-	11,179
Total current assets	28,193	68,382	-	-	96,575
Investment in and advances to subsidiaries	10,276	1,323,228	-	(1,333,504)	-
Intercompany note receivable	567,408	-	-	(567,408)	-
Other assets	28,342	5,425	194	-	33,961
Property, plant and equipment - net	19,158	143,422	-	-	162,580
FCC licenses and other intangibles - net	-	199,372	-	-	199,372
Excess cost over fair value of net identifiable assets of acquired businesses	-	247,149	-	-	247,149
TOTAL ASSETS	$653,377	$1,986,978	$ 194	$(1,900,912)	$ 739,637
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Accounts payable	$11,772	$3,211	$ -	$-	$ 14,983
Accrued expenses and other liabilities	35,927	15,069	-	-	50,996
Total current liabilities	47,699	18,280	-	-	65,979
Long-term debt	296,206	4	-	-	296,210
Long-term debt - related party	260,445	-	-	-	260,445
Intercompany loan	-	567,408	-	(567,408)	-
Retirement, post-retirement and post-employment plans	236,987	-	-	-	236,987
Deferred income taxes	-	65,545	-	-	65,545
Other liabilities and deferred credits	17,171	2,196	1,475	-	20,842
Stockholders' equity (deficit):					
Common stock	139,506	2,801	-	(2,801)	139,506
Additional paid-in capital	24,699	1,731,098	(1,899)	(1,730,439)	23,459

Accumulated other comprehensive loss	(217,084)	-	-	-	(217,084)
Retained earnings (accumulated deficit)	(152,252)	(400,354)	618	399,736	(152,252)
Total stockholders' equity (deficit)	(205,131)	1,333,545	(1,281)	(1,333,504)	(206,371)