MEDIA GENERAL INC
Form 10-Q
November 04, 2010
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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 September 26, 2010

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 of incorporation or organization)	**(I.R.S. Employer Identification No.)**
333 E. Franklin St., Richmond, VA	**23219**
(Address of principal executive offices)	**(Zip Code)**

(804) 649-6000

(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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ 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	x	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 October 31, 2010.

Class A Common shares:	22,524,770
Class B Common shares:	548,564

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MEDIA GENERAL, INC.

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FORM 10-Q REPORT

September 26, 2010

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(000 s except shares)

	September 26, 2010	December 27, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,857	$ 33,232
Accounts receivable - net	89,546	104,405
Inventories	7,770	6,632
Other	39,679	60,786
Total current assets	158,852	205,055
Other assets	42,457	34,177
Property, plant and equipment - net	399,849	421,208
FCC licenses and other intangibles - net	215,931	220,591
Excess of cost over fair value of net identifiable assets of acquired businesses	355,017	355,017
	$ 1,172,106	$ 1,236,048

See accompanying notes.

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MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(000 s except shares and per share data)

	September 26, 2010	December 27, 2009
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 25,158	$ 26,398
Accrued expenses and other liabilities	94,424	72,174
Total current liabilities	119,582	98,572
Long-term debt	673,100	711,909
Retirement, post-retirement and post-employment plans	148,790	173,017
Deferred income taxes	27,603	7,233
Other liabilities and deferred credits	33,761	53,066
Stockholders equity:		
Preferred stock ($5 cumulative convertible), 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 22,524,672 and 22,241,959 shares	112,623	111,210
Class B, authorized 600,000 shares; issued 548,564 and 551,881 shares	2,743	2,759
Additional paid-in-capital	25,536	24,253
Accumulated other comprehensive loss	(111,678)	(117,703)
Retained earnings	140,046	171,732
Total stockholders equity	169,270	192,251
	$ 1,172,106	$ 1,236,048

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		Nine Months Ended	
	September 26, 2010	September 27, 2009	September 26, 2010	September 27, 2009
Revenues				
Publishing	$ 77,687	$ 84,097	$ 241,890	$ 263,136
Broadcasting	75,009	63,375	214,603	187,352
Digital media and other	10,517	10,536	31,746	30,043
Total revenues	163,213	158,008	488,239	480,531
Operating costs:				
Employee compensation	74,494	69,966	222,531	230,117
Production	37,765	37,185	110,129	120,313
Selling, general and administrative	26,288	21,354	78,521	68,128
Depreciation and amortization	13,204	14,881	40,602	45,256
Goodwill and other asset impairment		84,220		84,220
Gain on insurance recovery		(1,915)		(1,915)
Total operating costs	151,751	225,691	451,783	546,119
Operating income (loss)	11,462	(67,683)	36,456	(65,588)
Other income (expense):				
Interest expense	(17,015)	(10,489)	(53,927)	(31,718)
Gain on sale of investments		910		701
Other, net	184	212	725	621
Total other expense	(16,831)	(9,367)	(53,202)	(30,396)
Loss from continuing operations before income taxes	(5,369)	(77,050)	(16,746)	(95,984)
Income tax expense (benefit)	5,288	(16,670)	14,940	(27,625)
Loss from continuing operations	(10,657)	(60,380)	(31,686)	(68,359)
Discontinued operations:				
Income (loss) from discontinued operations (net of taxes)		(98)		96
Gain (loss) related to divestiture of discontinued operations (net of taxes)		(1,984)		5,136
Net loss	$ (10,657)	$ (62,462)	$ (31,686)	$ (63,127)
Net income (loss) per common share (basic and diluted):				
Loss from continuing operations	$ (0.48)	$ (2.71)	$ (1.42)	$ (3.07)
Discontinued operations		(0.09)		0.23

Net loss per common share	$ (0.48)	$ (2.80)	$ (1.42)	$ (2.84)

See accompanying notes.

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MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(000 s)

	Nine Months Ended September 26, 2010	Nine Months Ended September 27, 2009
Operating activities:		
Net loss	$ (31,686)	$ (63,127)
Adjustments to reconcile net loss:		
Depreciation and amortization	40,602	45,269
Deferred income taxes	22,519	371
Gain on sale of investments		(701)
Goodwill and other asset impairment		84,220
Net gain related to divestiture of operations		(5,136)
Gain on insurance recovery		(1,915)
Gain on sale of fixed assets	(394)	(3,832)
Write-off of previously deferred debt issuance costs	1,772	
Intraperiod tax allocation	(3,852)	(25,997)
Change in assets and liabilities:		
Accounts receivable and inventories	13,572	21,767
Accounts payable, accrued expenses, and other liabilities	9,266	(28,839)
Retirement plan contributions	(20,000)	(15,000)
Company owned life insurance (cash surrender value less policy loans including repayments)	(519)	(1,196)
Income taxes refundable	24,636	
Other, net	(1,037)	3,526
Net cash provided by operating activities	54,879	9,410
Investing activities:		
Capital expenditures	(15,604)	(11,625)
Proceeds from sale of discontinued operations and investment		17,442
Collection of note receivable		5,000
Other, net	599	3,552
Net cash (used) provided by investing activities	(15,005)	14,369
Financing activities:		
Proceeds from notes	293,070	
Increase in bank debt	134,156	171,400
Payment of bank debt	(466,646)	(195,776)
Debt issuance costs	(12,078)	
Other, net	249	180
Net cash used by financing activities	(51,249)	(24,196)
Net decrease in cash and cash equivalents	(11,375)	(417)

Cash and cash equivalents at beginning of period		33,232		7,142
Cash and cash equivalents at end of period	$	21,857	$	6,725

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 27, 2009.

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. Inventories are principally raw materials (primarily newsprint).

3. The Company s tax provision for both the current and prior-year periods had an unusual relationship to the pretax loss from continuing operations primarily due to the existence of a full deferred tax asset valuation allowance at the beginning of both periods. This circumstance generally results in a zero net tax provision since the income tax expense or benefit that would otherwise be recognized is offset by the change to the valuation allowance. Tax expense was $5.3 million in the third quarter and $14.9 million in the first nine months of 2010. The tax expense recorded in the third quarter of 2010 reflects the accrual of an additional $7.5 million ($22.5 million for the first nine months of 2010) valuation allowance in connection with the tax amortization of the Company s indefinite-lived intangible assets that is not available to offset existing deferred tax assets (termed a naked credit); these accruals were partially offset by an additional $1.5 million ($2.9 million in the year to date) tax refund related to the Company s 2009 net operating loss (NOL) carryback claim, as well as a $0.6 million ($3.9 million in the year to date) tax benefit related to the intraperiod allocation to items in Other Comprehensive Income (OCI). The year-to-date tax expense was further benefited by a favorable adjustment to the reserve for uncertain tax positions of $0.8 million. The Company expects the remaining non-cash naked credit of approximately $7.5 million to affect income tax expense in the fourth quarter of 2010; other tax adjustments and intraperiod tax allocations may also affect the fourth quarter of the year. A full discussion of the naked credit issue is discussed in Note 3 of Item 8 of the Company s Form 10-K for the year ended December 27, 2009.

The Company reported income tax expense for the third quarter using the discrete-period approach (discrete) as opposed to the projected annual effective tax rate approach (ETR) which is the generally prescribed method for interim reporting periods. The Company employed the discrete method in lieu of the ETR method because relatively small movements in projected income for the year could result in extreme variability in the ETR. Therefore, the Company does not believe it can reliably estimate its ETR for the full year.

Health Care Reform legislation passed and signed into law during the first quarter of 2010 repealed employer tax deductions for the cost of providing post-retirement prescription drug coverage to the extent that it is reimbursed by the Medicare Part D (Part D) drug subsidy. As a result of this law change, the Company wrote-off approximately $1.7 million in deferred tax assets related to the future deductibility of the Part D subsidy in the first quarter of 2010. However, due to the Company s full valuation allowance recorded against its deferred tax asset balance, there was a corresponding reduction in the valuation allowance, and, therefore, the net result of these two adjustments had no impact on net loss.

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4. In the third quarter of 2009, the Company sold a small magazine and its related web site located in the Virginia/Tennessee Market and recognized an after-tax gain of $0.3 million. During the second quarter of 2009, the Company completed the sale of WCWJ in Jacksonville, Florida, and recorded an after-tax gain of $4.8 million related to this divesture. Results of these discontinued operations are presented below for the third quarter and first nine months of September 27, 2009:

(In thousands)	Quarter Ended September 27, 2009	Nine Months Ended September 27, 2009
Revenues	$ 584	$ 4,084
Costs and expense	565	3,927
Income before income taxes	19	157
Income taxes	117	61
Income (loss) from discontinued operations	$ (98)	$ 96

5. In the first quarter of 2010, the Company established a new financing structure; the Company simultaneously amended and extended its bank debt and issued Senior Notes in a private placement. The Senior Notes mature in 2017 and have a face value of $300 million, an interest rate of 11.75%, and were issued at a price equal to 97.69% of face value. The proceeds from the Senior Notes were used to pay down existing bank credit facilities. The amended bank debt matures in March 2013 and bears an interest rate of LIBOR plus a margin based on the Company s leverage ratio, as defined in the agreement. The new agreements have two main financial covenants: a leverage ratio and a fixed charge coverage ratio which involve debt levels, interest expense as well as other fixed charges, and a rolling four-quarter calculation of EBITDA all as defined in the agreements. These agreements provide the Company with enhanced financial flexibility. The Company pledged its cash and assets as well as the stock of its subsidiaries as collateral; the Company s subsidiaries also guaranteed the debt securities of the parent company. Additionally, there are restrictions on the Company s ability to pay dividends (none are allowed in 2010 and 2011), make capital expenditures above certain levels, repurchase its stock, and engage in certain other transactions such as making investments or entering into capital leases above certain levels.

The following table includes information about the carrying values and estimated fair values of the Company s financial instruments at September 26, 2010 and December 27, 2009:

	September 26, 2010		December 27, 2009	
(In thousands)	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
Assets				
Investments				
Trading	$ 251	$ 251	$ 303	$ 303
Liabilities				
Interest rate swaps	9,365	9,365	14,353	14,353
Long-term debt:				
Bank term loan	379,412	372,159	285,844	277,614
11.75% senior notes	293,682	327,383		
Revolving credit facility			426,037	413,771

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 bank term loan debt as of September 26, 2010 and December 27, 2009, was estimated using discounted cash flow analyses and an estimate of the Company s bank borrowing rate for similar types of borrowings. As of September 26, 2010, the fair value of the 11.75% Senior Notes was valued at the most recent trade prior to the end of the quarter which approximates fair value. Under the fair value hierarchy, the Company s trading securities fall under Level 1 (quoted prices in active markets), and its long-term debt falls under Level 2 (other observable inputs).

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In the third quarter of 2006, the Company entered into several interest rate swaps as part of an overall strategy to manage interest cost and risk associated with variable interest rates, primarily short-term changes in LIBOR. These interest rate swaps are cash flow hedges with original notional amounts totaling $300 million; swaps with notional amounts of $100 million matured in August of 2009 and swaps with notional amounts of $200 million will mature in 2011. Changes in cash flows of the interest rate swaps offset changes in the interest payments on the Company s Facilities. These swaps effectively convert a portion of the Company s variable rate bank debt to fixed rate debt with a weighted average interest rate approximating 9.9% at September 26, 2010.

The interest rate swaps are carried at fair value based on the present value of the estimated cash flows the Company would have received or paid to terminate the swaps; the Company applied a discount rate that is predicated on quoted LIBOR prices and current market spreads for unsecured borrowings. In the first nine months of 2010 and 2009, $8.0 million and $9.5 million, respectively, was reclassified from OCI into interest expense on the Statement of Operations as the effective portion of the interest rate swap. The pretax change deferred in other comprehensive income (OCI) for the first nine months of 2010 and 2009 was $5.0 million and $6.0 million, respectively. Based on the estimated current and future fair values of the swaps as of September 26, 2010, the Company estimates that $9.4 million will be reclassified from OCI to interest expense in the next twelve months. Under the fair value hierarchy, the Company s interest rate swaps fall under Level 2 (other observable inputs). The following table includes information about the Company s derivative instruments as of September 26, 2010:

Derivatives designated as hedging instruments	**Balance sheet location**	**Fair Value as of September 26, 2010**
Interest rate swaps	Accrued expenses and other liabilities	9,365

6. The Company is a diversified communications company located primarily in the southeastern United States. The Company is comprised of five geographic market segments (Virginia/Tennessee, Florida, Mid-South, North Carolina and Ohio/Rhode Island) along with a sixth segment that includes interactive advertising services and certain other operations.

Revenues for the geographic markets include revenues from 18 network-affiliated television stations, three metropolitan newspapers, and 20 community newspapers, all of which have associated Web sites. Additionally, more than 200 specialty publications that include weekly newspapers and niche publications (and the associated Web sites) are included in revenues for the geographic markets. Revenues for the sixth segment, Advertising Services & Other, are generated by three interactive advertising services companies and certain other operations including a broadcast equipment and studio design company.

Management measures segment performance based on profit or loss from operations before interest, income taxes, and acquisition-related amortization. Amortization of acquired intangibles is not allocated to individual segments although the intangible assets themselves are included in identifiable assets for each segment. Intercompany sales are primarily accounted for as if the sales were at current market prices and are eliminated in the consolidated financial statements. Certain promotions in the Company s newspapers and television stations on behalf of its online shopping portal are recognized based on incremental cost. The Company s reportable segments are managed separately, largely based on geographic market considerations and a desire to provide services to customers regardless of the media platform or any difference in the method of delivery. In certain instances, operations have been aggregated based on similar economic characteristics.

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The following table sets forth the Company s current and prior-year financial performance by segment:

(In thousands)	Revenues	Depreciation and Amortization	Operating Profit (Loss)
Three Months Ended September 26, 2010			
Virginia/Tennessee	$ 46,105	$ (3,285)	$ 7,399
Florida	38,958	(1,718)	2,052
Mid-South	39,065	(2,875)	7,030
North Carolina	18,174	(1,478)	(51)
Ohio/Rhode Island	14,688	(809)	4,426
Advertising Services & Other	6,757	(185)	483
Eliminations	(534)		(6)
			21,333
Unallocated amounts:			
Acquisition intangibles amortization		(1,518)	(1,518)
Corporate expense		(1,336)	(7,888)
	$ 163,213	$ (13,204)	
Corporate interest expense			(17,007)
Other			(289)
Consolidated loss from continuing operations before income taxes			$ (5,369)
Three Months Ended September 27, 2009			
Virginia/Tennessee	$ 47,980	$ (3,380)	$ 10,674
Florida	36,519	(2,076)	524
Mid-South	35,513	(3,364)	5,479
North Carolina	18,946	(1,703)	1,430
Ohio/Rhode Island	12,314	(849)	2,509
Advertising Services & Other	7,160	(209)	1,529
Eliminations	(424)		
			22,145
Unallocated amounts:			
Acquisition intangibles amortization		(1,775)	(1,775)
Corporate expense		(1,525)	(4,752)
	$ 158,008	$ (14,881)	
Interest expense			(10,489)
Gain on sale of investments			910
Gain on insurance recovery			1,915
Goodwill and other asset impairment			(84,220)
Other			(784)
Consolidated loss from continuing operations before income taxes			$ (77,050)

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(In thousands)	Revenues	Depreciation and Amortization	Operating Profit (Loss)
Nine Months Ended September 26, 2010			
Virginia/Tennessee	$ 140,903	$ (9,862)	$ 25,491
Florida	114,424	(5,242)	4,823
Mid-South	117,127	(8,895)	21,269
North Carolina	56,195	(4,592)	2,597
Ohio/Rhode Island	42,129	(2,479)	11,388
Advertising Services & Other	19,035	(650)	2,808
Eliminations	(1,574)		(8)
			68,368
Unallocated amounts:			
Acquisition intangibles amortization		(4,660)	(4,660)
Corporate expense		(4,222)	(23,600)
	$ 488,239	$ (40,602)	
Corporate interest expense			(53,904)
Other			(2,950)
Consolidated loss from continuing operations before income taxes			$ (16,746)
Nine Months Ended September 27, 2009			
Virginia/Tennessee	$ 145,408	$ (10,525)	$ 24,033
Florida	116,386	(6,266)	(2,313)
Mid-South	106,252	(10,152)	12,516
North Carolina	57,601	(5,095)	1,355
Ohio/Rhode Island	36,014	(2,541)	5,245
Advertising Services & Other	19,963	(657)	2,894
Eliminations	(1,093)	2	(46)
			43,684
Unallocated amounts:			
Acquisition intangibles amortization		(5,361)	(5,361)
Corporate expense		(4,661)	(20,014)
	$ 480,531	$ (45,256)	
Interest expense			(31,718)
Gain on sale of investments			701
Gain on insurance recovery			1,915
Goodwill and other asset impairment			(84,220)
Other			(971)
Consolidated loss from continuing operations before income taxes			$ (95,984)

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7. The Company recorded a non-cash impairment charge of $84 million in the third quarter of 2009 due to the continuation of challenging business conditions and the more granular testing required by accounting standards as a result of the Company s new reporting structure, implemented at the beginning of the third quarter of 2009. Of the total charge, approximately $66 million related to goodwill and approximately $18 million related to FCC licenses, network affiliation and other intangibles. The pretax charge was recorded on the Goodwill and other asset impairment line.

The Consolidated Condensed Statements of Operations include amortization expense from amortizing intangible assets of $1.5 million and $1.8 million for the third quarters of 2010 and 2009, and $4.7 million and $5.4 million for the first nine months of 2010 and 2009. Currently, intangibles amortization expense is projected to be approximately $6 million in total for both 2010 and 2011, decreasing to $3 million in 2012, and to $2 million in 2013 and 2014.

In the past ten years, the Company has recorded pretax cumulative impairment losses related to goodwill approximating $685 million. The following table shows the gross carrying amount and accumulated amortization for intangible assets as of September 26, 2010 and December 27, 2009:

	December 27, 2009		Change	September 26, 2010	
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Amortization Expense	Gross Carrying Amount	Accumulated Amortization
Amortizing intangible assets (including network affiliation, advertiser, programming and subscriber relationships):					
Virginia/Tennessee	$ 55,326	$ 42,377	$ 534	$ 55,326	$ 42,911
Florida	1,055	1,055		1,055	1,055
Mid-South	84,048	61,770	3,215	84,048	64,985
North Carolina	11,931	10,095	184	11,931	10,279
Ohio/Rhode Island	9,157	4,864	268	9,157	5,132
Advert. Serv. & Other	6,614	3,249	459	6,614	3,708
Total	$ 168,131	$ 123,410	$ 4,660	$ 168,131	$ 128,070
Indefinite-lived intangible assets:					
Goodwill:					
Virginia/Tennessee	$ 96,725			$ 96,725	
Florida	43,123			43,123	
Mid-South	118,153			118,153	
North Carolina	20,896			20,896	
Ohio/Rhode Island	61,408			61,408	
Advert. Serv. & Other	14,712			14,712	
Total goodwill	355,017			355,017	
FCC licenses					
Virginia/Tennessee	20,000			20,000	
Mid-South	93,694			93,694	
North Carolina	24,000			24,000	
Ohio/Rhode Island	36,004			36,004	
Total FCC licenses	173,698			173,698	
Other	2,172			2,172	
Total	$ 530,887			$ 530,887	

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8. The following table sets forth the computation of basic and diluted earnings per share from continuing operations. There were approximately 125,000 shares that were not included in the computation of diluted EPS for the third quarter and first nine months of 2010, because to do so would have been anti-dilutive for the periods presented.

	Quarter Ended September 26, 2010			Quarter Ended September 27, 2009		
(In thousands, except per share amounts)	Loss (Numerator)	Shares (Denominator)	Per Share Amount	Loss (Numerator)	Shares (Denominator)	Per Share Amount
Basic and Diluted EPS:						
Loss from continuing operations attributable to common stockholders	$ (10,657)	22,366	$ (0.48)	$ (60,380)	22,273	$ (2.71)

	Nine Months Ended September 26, 2010			Nine Months Ended September 27, 2009		
(In thousands, except per share amounts)	Loss (Numerator)	Shares (Denominator)	Per Share Amount	Loss (Numerator)	Shares (Denominator)	Per Share Amount
Basic and Diluted EPS:						
Loss from continuing operations attributable to common stockholders	$ (31,686)	22,333	$ (1.42)	$ (68,359)	22,236	$ (3.07)

9. The following table provides the components of net periodic employee benefits expense for the Company s benefit plans for the third quarter and first nine months of 2010 and 2009:

	Quarter Ended			
	Pension Benefits		Other Benefits	
(In thousands)	Sept. 26, 2010	Sept. 27, 2009	Sept. 26, 2010	Sept. 27, 2009
Service cost	$ 10	$ 118	$ 50	$ 50
Interest cost	5,727	5,890	580	617
Expected return on plan assets	(5,955)	(5,814)		
Amortization of prior-service (credit)/cost		(101)	430	424
Amortization of net loss/(gain)	668	238	(221)	(280)
Curtailment gain		(2,050)		
Net periodic benefit cost (income)	$ 450	$ (1,719)	$ 839	$ 811

	Nine Months Ended			
	Pension Benefits		Other Benefits	
(In thousands)	Sept. 26, 2010	Sept. 27, 2009	Sept. 26, 2010	Sept. 27, 2009
Service cost	$ 29	$ 450	$ 151	$ 175
Interest cost	17,182	18,298	1,740	1,884
Expected return on plan assets	(17,865)	(17,868)		
Amortization of prior-service (credit)/cost		(193)	1,290	1,298
Amortization of net loss/(gain)	2,003	2,285	(664)	(785)
Net curtailment gain		(2,000)		
Net periodic benefit cost	$ 1,349	$ 972	$ 2,517	$ 2,572

In the third quarter of 2009, the Company amended the Executive Supplemental Retirement Plan so that service provided after January 31, 2010 would not increase a participant s benefit. The third-quarter amendment resulted in a curtailment of the Executive Supplemental Retirement Plan, for which the Company recorded a gain of $2 million. As a result of this action, the plan was effectively frozen. This change did not affect the benefits of current retirees.

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10. The Company s comprehensive loss consisted of the following:

(In thousands)	Quarter Ended September 26, 2010	Quarter Ended September 27, 2009	Nine Months Ended September 26, 2010	Nine Months Ended September 27, 2009
Net loss	$ (10,657)	$ (62,462)	$ (31,686)	$ (63,127)
Unrealized gain (loss) on derivative contracts (net of deferred taxes)	935	(165)	2,911	3,807
Change in pension and postretirement (net of deferred taxes)		(21,172)	3,114	31,720
Comprehensive loss	$ (9,722)	$ (83,799)	$ (25,661)	$ (27,600)

11. The Company accrues severance expense when payment of benefits is both probable and the amount is reasonably estimable. The Company records severance expense in the Employee compensation line item on the Consolidated Condensed Statements of Operations related to involuntary employee terminations. Workforce reductions have been utilized, mainly in prior periods, in response to the deep economic recession and the Company s continuing efforts to align its costs with available revenues. The Company recorded severance expense of $.7 million and $1.1 million in the third quarter and first nine months of 2010, as compared to $.2 million and $6.2 million in the third quarter and first nine months of 2009. As of September 26, 2010 and September 27, 2009 accrued severance was immaterial.

12. The following table shows the Company s Statement of Stockholders Equity as of September 26, 2010:

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at December 27, 2009	$ 111,210	$ 2,759	$ 24,253	$ (117,703)	$ 171,732	$ 192,251
Net loss					(31,686)	(31,686)
Unrealized gain on derivative contracts (net of deferred taxes of $2,077)				2,911		2,911
Pension and postretirement (net of deferred taxes of $1,774)				3,114		3,114
Comprehensive loss						(25,661)
Exercise of stock options	460		(262)			198
Performance accelerated restricted stock	935		(935)			
Stock-based compensation			2,432			2,432
Other	18	(16)	48			50
Balance at September 26, 2010	$ 112,623	$ 2,743	$ 25,536	$ (111,678)	$ 140,046	$ 169,270

13. From time to time, the Company s subsidiaries may guarantee the debt securities of the parent company. 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(which is the Company s Supplemental 401(k) Plan), together with certain eliminations.

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Media General, Inc.

Condensed Consolidating Balance Sheet

As of September 26, 2010

(In thousands, unaudited)

	Media General Corporate	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Media General Consolidated
ASSETS					
Current assets:					
Cash & cash equivalents	$ 20,373	$ 1,484	$	$	$ 21,857
Accounts receivable, net		89,571		(25)	89,546
Inventories	4	7,766			7,770
Other current assets	4,180	61,090		(25,591)	39,679
Total current assets	24,557	159,911		(25,616)	158,852
Investment in and advances to subsidiaries	317,943	1,963,229		(2,281,172)	
Intercompany note receivable	673,017			(673,017)	
Other assets	25,462	16,744	251		42,457
Property, plant & equipment, net	27,704	372,145			399,849
FCC licenses and other intangibles		215,931			215,931
Excess cost over fair value		355,017			355,017
TOTAL ASSETS	$ 1,068,683	$ 3,082,977	$ 251	$ (2,979,805)	$ 1,172,106
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$ 8,612	$ 16,578	$	$ (32)	$ 25,158
Accrued expenses and other liabilities	38,675	81,339		(25,590)	94,424
Total current liabilities	47,287	97,917		(25,622)	119,582
Long-term debt	673,094	6			673,100
Intercompany loan		673,017		(673,017)	
Retirement, post-retirement and post-employment plans	148,790				148,790
Deferred income taxes		27,603			27,603
Other deferred credits	28,559	3,982	1,220		33,761
Stockholders equity					
Common stock	115,366	4,872		(4,872)	115,366
Additional paid-in capital	27,219	2,434,814	(1,871)	(2,434,626)	25,536
Accumulated other comprehensive loss	(111,678)				(111,678)
Retained earnings	140,046	(159,234)	902	158,332	140,046
Total stockholders equity	170,953	2,280,452	(969)	(2,281,166)	169,270
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	$ 1,068,683	$ 3,082,977	$ 251	$ (2,979,805)	$ 1,172,106

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Media General, Inc.

Condensed Consolidating Balance Sheet

As of December 27, 2009

(In thousands, unaudited)

	Media General Corporate	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Media General Consolidated
ASSETS					
Current assets:					
Cash & cash equivalents	$ 31,691	$ 1,541	$	$	$ 33,232
Accounts receivable, net		104,405			104,405
Inventories	2	6,630			6,632
Other current assets	3,141	83,375		(25,730)	60,786
Total current assets	34,834	195,951		(25,730)	205,055
Investment in and advances to subsidiaries	336,575	1,965,508		(2,302,083)	
Intercompany note receivable	742,219			(742,219)	
Other assets	16,928	16,946	303		34,177
Property, plant & equipment, net	28,702	392,506			421,208
FCC licenses and other intangibles		220,591			220,591
Excess cost over fair value		355,017			355,017
TOTAL ASSETS	$ 1,159,258	$ 3,146,519	$ 303	$ (3,070,032)	$ 1,236,048
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$ 9,074	$ 17,330	$	$ (6)	$ 26,398
Accrued expenses and other liabilities	24,537	73,367		(25,730)	72,174
Total current liabilities	33,611	90,697		(25,736)	98,572
Long-term debt	711,881	28			711,909
Intercompany loan		742,219		(742,219)	
Retirement, post-retirement and post-employment plans	173,017				