MEDIA GENERAL INC
Form 10-Q
August 03, 2012

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 24, 2012
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 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 29, 2012.

| | |
|---|---|
| Class A Common shares: | 22,733,767 |
| Class B Common shares: | 548,564 |

MEDIA GENERAL, INC.

TABLE OF CONTENTS
FORM 10-Q REPORT
June 24, 2012

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MEDIA GENERAL, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)
(000's except shares)

| | June 24, 2012 | December 25, 2011 |
|---|---|---|
| ASSETS | | |
| | | |
| Current assets: | | |
| Cash and cash equivalents | $16,661 | $23,108 |
| Accounts receivable - net | 60,702 | 59,260 |
| Other | 18,796 | 17,513 |
| Assets of discontinued operations | 183,615 | 337,853 |
| Total current assets | 279,774 | 437,734 |
| | | |
| Other assets | 35,870 | 28,350 |
| | | |
| Property, plant and equipment - net | 159,408 | 169,827 |
| | | |
| FCC licenses and other intangibles - net | 201,250 | 203,023 |
| | | |
| Excess of cost over fair value of net identifiable assets of acquired businesses | 247,107 | 247,107 |
| | $923,409 | $1,086,041 |

See accompanying notes.

MEDIA GENERAL, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)
(000's except shares and per share data)

| | June 24, 2012 | December 25, 2011 |
|---|---|---|
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable | $19,334 | $16,631 |
| Accrued expenses and other liabilities | 54,644 | 46,815 |
| Liabilities of discontinued operations | 32,547 | 38,269 |
| Total current liabilities | 106,525 | 101,715 |
| Long-term debt | 651,911 | 658,199 |
| Retirement, post-retirement and post-employment plans | 218,820 | 223,132 |
| Deferred income taxes | 52,721 | 45,954 |
| Other liabilities and deferred credits | 22,694 | 23,088 |
| Stockholders' equity (deficit): | | |
| 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 22,803,358 and 22,548,741 shares | 114,017 | 112,744 |
| Class B, authorized 600,000 shares; issued 548,564 shares | 2,743 | 2,743 |
| Additional paid-in capital | 44,922 | 28,711 |
| Accumulated other comprehensive loss | (185,116) | (185,116) |
| Retained earnings (accumulated deficit) | (105,828) | 74,871 |
| Total stockholders' equity (deficit) | (129,262) | 33,953 |
| | $923,409 | $1,086,041 |

See accompanying notes.

MEDIA GENERAL, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(Unaudited)
(000's except for per share data)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 24, 2012 | June 26, 2011 | June 24, 2012 | June 26, 2011 |
| Revenues | | | | |
| Broadcast television | $ 80,631 | $ 68,833 | $ 152,783 | $ 132,778 |
| Digital media and other | 3,481 | 2,889 | 6,448 | 6,232 |
| Total revenues | 84,112 | 71,722 | 159,231 | 139,010 |
| Operating costs: | | | | |
| Employee compensation | 32,302 | 30,220 | 69,186 | 66,738 |
| Production | 18,923 | 17,779 | 37,011 | 34,882 |
| Selling, general and administrative | 10,423 | 10,263 | 19,189 | 19,104 |
| Depreciation and amortization | 6,110 | 7,279 | 13,425 | 14,497 |
| Total operating costs | 67,758 | 65,541 | 138,811 | 135,221 |
| Operating income | 16,354 | 6,181 | 20,420 | 3,789 |
| Other income (expense): | | | | |
| Interest expense | (21,657) | (17,190) | (36,808) | (33,753) |
| Debt modification and extinguishment costs | (7,689) | - | (18,097) | - |
| Other, net | 236 | 227 | 421 | 469 |
| Total other expense | (29,110) | (16,963) | (54,484) | (33,284) |
| | | | | |
| Loss from continuing operations before income taxes | (12,756) | (10,782) | (34,064) | (29,495) |
| Income tax expense | 3,409 | 2,558 | 6,817 | 5,154 |
| Loss from continuing operations | (16,165) | (13,340) | (40,881) | (34,649) |
| Discontinued operations: | | | | |
| Income (loss) from discontinued operations (net of taxes) | 1,566 | (2,042) | (8,142) | (6,537) |
| Loss related to divestiture of discontinued operations (net of taxes) | (131,697) | - | (131,697) | - |
| Net loss | (146,296) | (15,382) | (180,720) | (41,186) |
| Unrealized gain on derivative contracts (net of deferred taxes of $997 and $1,955, respectively) | - | 1,560 | - | 3,058 |
| Comprehensive loss | $ (146,296) | $ (13,822) | $ (180,720) | $ (38,128) |
| Net loss per common share: | | | | |
| Loss from continuing operations | $ (0.71) | $ (0.59) | $ (1.81) | $ (1.54) |
| Discontinued operations | (5.77) | (0.09) | (6.20) | (0.30) |
| Net loss per common share – basic and assuming dilution | $ (6.48) | $ (0.68) | $ (8.01) | $ (1.84) |

See accompanying notes.

3

MEDIA GENERAL, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(000's)

| | Six Months Ended | |
|---|---|---|
| | June 24, 2012 | June 26, 2011 |
| Operating activities: | | |
| Net loss | $(180,720) | $(41,186) |
| Adjustments to reconcile net loss: | | |
| Depreciation and amortization | 21,086 | 26,060 |
| Deferred income taxes | 11,613 | 12,432 |
| Loss related to divestiture of discontinued operations (net of taxes) | 131,697 | - |
| Goodwill and other asset impairment (net of taxes) | 6,472 | - |
| Non-cash interest expense | 4,405 | 1,744 |
| Debt modification and extinguishment costs | 18,097 | - |
| Change in assets and liabilities: | | |
| Accounts receivable and inventories | 8,096 | 16,669 |
| Accounts payable, accrued expenses, and other liabilities | 9,819 | (6,224) |
| Retirement plan contributions | (4,440) | (7,053) |
| Other, net | (5,914) | (5,380) |
| Net cash provided (used) by operating activities | 20,211 | (2,938) |
| | | |
| Investing activities: | | |
| Capital expenditures | (4,253) | (10,579) |
| Collateral deposit related to letters of credit | (5,441) | - |
| Other, net | 1,836 | 259 |
| Net cash used by investing activities | (7,858) | (10,320) |
| | | |
| Financing activities: | | |
| Increase in borrowings | 395,500 | 45,000 |
| Repayment of borrowings | (387,098) | (50,000) |
| Debt issuance costs | (27,172) | - |
| Other, net | (30) | (3) |
| Net cash used by financing activities | (18,800) | (5,003) |
| | | |
| Net decrease in cash and cash equivalents | (6,447) | (18,261) |
| Cash and cash equivalents at beginning of period | 23,108 | 31,860 |
| Cash and cash equivalents at end of period | $16,661 | $13,599 |
| | | |
| Cash paid for interest | $29,833 | $32,288 |
| Non-cash financing activites: | | |
| Issuance of common stock warrants | $(16,912) | $- |
| Discount accretion | 1,270 | 495 |
| Payment-in-kind interest | 972 | - |

See accompanying notes.

4

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 25, 2011.

As explained further below, the Company has adjusted its historical financial statements to present certain components of the Company as discontinued operations for all periods presented. 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 the first day of the third quarter of 2012, the Company sold all of its newspapers (with the exception of the Tampa group) to World Media Enterprises, Inc. (World Media), a subsidiary of Berkshire Hathaway, for $142 million in cash subject to working capital adjustments and other specified items. The Company is in discussions with other prospective buyers for its Tampa print assets and associated websites. Additionally, in the second quarter of 2012, the Company sold DealTaker.com for a nominal amount and shut down its production services company which provided broadcast equipment and design services. As illustrated in the following chart, the results of these newspapers (as well as their associated web sites), DealTaker.com and the Company’s production services unit have been presented as discontinued operations in the accompanying consolidated condensed statements of operations for the second quarters and six months ended June 24, 2012, and June 26, 2011. Depreciation and amortization on assets related to these properties ceased during the second quarter of 2012. The accompanying consolidated condensed balance sheets have been adjusted to present assets and liabilities of discontinued operations separately from those of continuing operations. The Company also recorded a $132 million after-tax loss related to the expected divestiture of discontinued operations, in the second quarter. The total after-tax loss includes an estimated loss on the sale of newspapers to World Media of $110 million, an estimated loss on the sale of the Tampa print properties of $18 million, and a loss on the sale of DealTaker.com of $4 million. The Company will provide transition services to World Media over the next twelve months in the areas of human resources, information technology and digital support. Conversely, World Media will provide selected services (particularly the use of certain systems) which will primarily be utilized during the period the Company continues to operate the Tampa print properties.

| (In thousands) | Three Months Ended June 24, 2012 | Three Months Ended June 26, 2011 | Six Months Ended June 24, 2012 | Six Months Ended June 26, 2011 |
|---|---|---|---|---|
| Revenues | $ 74,999 | $ 83,064 | $ 149,394 | $ 164,719 |
| Costs and expense | 71,034 | 82,445 | 156,350 | 165,933 |
| Income before income taxes | 3,965 | 619 | (6,956 ) | (1,214 ) |
| Income taxes | 2,399 | 2,661 | 1,186 | 5,323 |
| Income (loss) from discontinued operations | $ 1,566 | $ (2,042 ) | $ (8,142 ) | $ (6,537 ) |

The Company performed an interim impairment test on DealTaker.com as of the end of the first quarter, 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.  This impairment charge is included in the loss from discontinued operations for the six months ended June 24, 2012.

5

The assets of discontinued operations consisted of approximately $40 million and $47 million of current assets and $144 million and $291 million of long-lived assets at June 24, 2012 and December 25, 2011, respectively. Long-lived assets at June 24, 2012, included $200 million of fixed assets, $69 million of allocated goodwill, $2 million of other intangible assets, and $5 million of other assets (primarily software) which were offset by the $132 million loss related to divestiture of discontinued operations. Long-lived assets at December 25, 2011, included $205 million of fixed assets, $78 million of allocated goodwill, $3 million of other intangible assets, and $5 million of other assets (primarily software).

Liabilities of discontinued operations of approximately $33 million and $38 million at June 24, 2012 and December 25, 2011, respectively primarily represent accounts payable and accrued expenses.

3. The Consolidated Condensed Statements of Operations include amortization expense from amortizing intangible assets of $.4 million and $1.4 million for the second quarters of 2012 and 2011, respectively, and $1.8 million and $2.7 million for the respective first six months of 2012 and 2011. Currently, intangibles amortization expense is projected to be approximately $2.8 million in total for 2012, decreasing to $1.8 million in 2013 and for each year through 2017.

The Company has recorded pretax cumulative impairment losses related to goodwill approximating $724 million through June 24, 2012. For impairment tests, the Company compares the carrying value of the reporting unit or asset tested to its estimated fair value. The estimated fair value is determined using a combination of the income approach and the market approach. The income approach utilizes the estimated discounted cash flows expected to be generated by the assets. The market approach employs comparable company information, and where available, recent transaction information for similar assets. The determination of fair value requires the use of significant judgment and estimates about assumptions that management believes are appropriate in the circumstances although it is reasonably possible that actual performance will differ from these assumptions. These assumptions include those relating to revenue growth, compensation levels, capital expenditures, discount rates and market trading multiples for comparable assets. The fair value measurements determined for purposes of performing the Company’s impairment tests are considered to be Level 3 under the fair value hierarchy because they required significant unobservable inputs to be developed using estimates and assumptions determined by the Company and reflecting those that a market participant would use.

The following table shows the gross carrying amount and accumulated amortization for intangible assets as of June 24, 2012 and December 25, 2011:

| | December 25, 2011 | | Change | June 24, 2012 | |
|---|---|---|---|---|---|
| (In thousands) | Gross Carrying Amount | Accumulated Amortization | Amortization Expense | Gross Carrying Amount | Accumulated Amortization |
| Amortizing intangible assets (including network affiliation, advertiser and programming relationships): | | | | | |
| Virginia/Tennessee | $ 30,537 | $ 19,338 | $ 298 | $ 30,537 | $ 19,636 |
| Florida | - | - | - | - | - |
| Mid-South | 78,118 | 65,169 | 1,205 | 78,118 | 66,374 |
| North Carolina | 7,276 | 5,808 | 73 | 7,276 | 5,881 |
| Ohio/Rhode Island | 9,157 | 5,580 | 179 | 9,157 | 5,759 |
| Advert. Serv. & Other | 2,820 | 2,802 | 18 | 2,820 | 2,820 |
| Total | $ 127,908 | $ 98,697 | $ 1,773 | $ 127,908 | $ 100,470 |
| | | | | | |
| Indefinite-lived intangible assets: | | | | | |
| Goodwill: | | | | | |
| Virginia/Tennessee | $ 22,025 | | | $ 22,025 | |
| Florida | 40,663 | | | 40,663 | |
| Mid-South | 112,564 | | | 112,564 | |
| North Carolina | 8,545 | | | 8,545 | |
| Ohio/Rhode Island | 61,408 | | | 61,408 | |
| Advert. Serv. & Other | 1,902 | | | 1,902 | |
| Total goodwill | 247,107 | | | 247,107 | |
| 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 | 114 | | | 114 | |
| Total | $ 420,919 | | | $ 420,919 | |

4. The Company recorded non-cash income tax expense from continuing operations of $3.4 million and $6.8 million in the second quarter and first six months of 2012, compared to $2.6 million and $5.2 million in the equivalent quarter and six months of 2011. 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 would otherwise be recognized is offset by the change to the valuation allowance. However, tax expense recorded in the second quarters of 2012 and 2011 included the accrual of non-cash tax expense of approximately $3.4 million and $3.6 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"). Both periods reflected approximately $6 million of non-cash tax expense in total that was allocated between continuing and discontinued operations. The "naked credit" expense was partially offset in the second quarter of 2011

by approximately $1 million of tax benefit related to the intraperiod allocation items in Other Comprehensive Income. After the sale of discontinued operations, the Company expects the naked credit to generate approximately $14 million of non-cash income tax expense from continuing operations for the full-year 2012; other discrete tax adjustments and intraperiod tax allocations that are difficult to forecast may impact the remainder of 2012. A full discussion of the naked credit issue is contained in Note 3 of Item 8 of the Company's Form 10-K for the year ended December 25, 2011.

5. On May 24 2012, the Company consummated a financing arrangement with BH Finance LLC, an affiliate of Berkshire Hathaway, that provides the Company with a $400 million term loan and a $45 million revolving credit line. The funding of the new financing arrangement's term loan and an initial draw of the revolving credit facility resulted in cash proceeds to the Company of $382.5 million, which were immediately used to fully repay all amounts outstanding under the Company's existing credit facility, pay fees and expenses related to the financing and to fund working capital requirements. The new 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. The new term loan has an interest rate of 10.5%, which could step down to 9% if total leverage were to reach 3.50x. While the new 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 voluntarily repaid 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 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. In addition, the Company may apply up to a maximum of $80 million of the proceeds from the sale of newspapers to World Media to its term loan at par without premium or penalty. The Company considers the prepayment feature to be an embedded derivative which it has bifurcated from the term loan as shown in the chart below. The new loan and revolving credit facility will mature in May of 2020 and is guaranteed by the Company's subsidiaries. The revolving credit line bears interest at a rate of 10% and is subject to a 2% commitment fee.

Concurrent with the funding of the new financing arrangement and pursuant to a Warrant Agreement entered into on May 24, 2012, the Company issued warrants to Berkshire Hathaway to purchase 4.6 million shares of Class A common stock, which represented approximately 19.9% of the number of then outstanding shares of the Company's common stock. The warrants are exercisable immediately at a price of $0.01 per share and expire on May 24, 2020. The Warrant Agreement contains customary anti-dilution provisions that increase the amount of shares that each warrant is exercisable for in the event that certain dilutive events occur.

In conjunction with the secured financing with Berkshire Hathaway and the repayment of the previous 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 former credit agreement. In addition, the Company capitalized $11 million of arrangement and legal fees related to the new financing; these fees will be amortized as interest expense over the term of the new financing arrangement. In March of 2012, the Company amended its previous 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%, which were determined by the Company's leverage ratio, as defined in the agreement. In addition to this cash interest, the Company accrued payment-in-kind (PIK) interest of 1.5%. PIK interest increased the bank term loan by nearly $1 million between March and May and was paid in cash upon repayment of the entire facility.

As of June 24, 2012, the Company had in place a $400 million term loan that was fully drawn and a revolving credit facility with an $18.5 million outstanding balance and availability of $26.5 million. Also outstanding were 11.75% senior notes with a par value of $300 million that were sold at a discount and carried on the balance sheet at quarter end at $295 million. The new term loan with BH Finance matures in March 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 all provisions at June 24, 2012. The chart below summarizes the carrying value of long-term debt at June 24, 2012:

| (In thousands) | | June 24, 2012 Carrying Amount | |
|---|---|---|---|
| Term loan: | | | |
| Face value | $ | 400,000 | |
| Remaining original issue discount | | (45,497 | ) |
| Remaining warrant discount | | (16,727 | ) |
| Embedded derivative liability | | 8,809 | |
| Remaining embedded derivative discount | | (8,713 | ) |
| Carrying value | | 337,872 | |
| | | | |
| Revolving credit facility ($26.5 million remaining availability) | | 18,500 | |
| | | | |
| Senior notes: | | | |
| Face value | | 300,000 | |
| Remaining original issue discount | | (4,595 | ) |
| Carrying value | | 295,405 | |
| | | | |
| Capital lease liability | | 134 | |
| | | | |
| Total carrying value | $ | 651,911 | |

Subsequent to the end of the second quarter, the Company completed the sale of its newspapers to World Media Enterprises (a subsidiary of Berkshire Hathaway) for $142 million in cash, subject to normal adjustments. The Company has used the net proceeds from the newspaper sale to further reduce debt. The Company has repaid $54 million on the term loan at par and the $18.5 million balance on the revolver. On June 29, 2012, the Company commenced a cash tender offer to purchase up to $45 million of its 11.75% senior notes due 2017. The tender offer expired on July 30, 2012, with only $200,000 of acceptances received. The Company has offered and Berkshire Hathaway will accept repayment at par for the amount the noteholders elected not to take. Any early repayment will result in additional interest expense from accelerated recognition of a pro rata portion of discounts and deferred issuance costs.

In the third quarter of 2011, the Company's last remaining interest rate swaps matured. Interest rate swaps were 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 was predicated on quoted LIBOR prices and current market spreads for unsecured borrowings. In the first six months of 2011, $5.4 million was reclassified from Other Comprehensive Income (OCI) into interest expense on the Consolidated Condensed Statement of Operations as the effective portion of the interest rate swap. The pretax change deferred in OCI in the first six months of 2011 was $5.0 million, which was recorded in the Consolidated Condensed Statement of Operations in the "Interest expense" line.

9

The following table includes information about the carrying values and estimated fair values of the Company's financial instruments at June 24, 2012 and December 25, 2011:

| | June 24, 2012 | | December 25, 2011 | |
|---|---|---|---|---|
| (In thousands) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets: | | | | |
| Investments | | | | |
| Trading | $ 180 | $ 180 | $ 205 | $ 205 |
| Liabilities: | | | | |
| Long-term debt: | | | | |
| Revolving credit facility ($26.5 million available at 6/24/2012) | 18,500 | 18,500 | - | - |
| Term loan (including embedded derivative) | 337,872 | 420,000 | 363,126 | 340,639 |
| 11.75% senior notes | 295,405 | 322,500 | 294,919 | 285,000 |
| Stockholders' Equity (Deficit): | | | | |
| Common stock warrants | 16,912 | 18,585 | - | - |

Trading securities held by the Supplemental 401(k) Plan are carried at fair value and are determined by reference to quoted market prices. At June 24, 2012, the fair values of the revolving credit facility and term loan were determined using a discounted cash flow analysis and an estimate of the current yield by reference to market interest rates for the Company's senior notes. At December 25, 2011, the fair value of the bank term loan debt was estimated using discounted cash flow analyses and the Company's bank 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. The fair value of the common stock warrants at June 24, 2012, was determined by reference to a Black-Scholes model. Under the fair value hierarchy, the Company's trading securities fall under Level 1 (quoted prices in active markets), its senior notes, its common stock warrants, and it term loan that existed at December 25, 2011, fall under Level 2 (other observable inputs). Its revolving credit facility and term loan at June 24, 2012, fall under Level 3 (unobservable inputs).

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 service companies. See Note 2 of this Form 10-Q for a complete discussion regarding what comprises discontinued operations and is consequently excluded from the following segment disclosure.

Revenues for the geographic markets include revenues from 18 network-affiliated television stations and their associated websites. Revenues for the sixth segment, Advertising Services & Other, are generated by two interactive advertising services companies.

Management measures segment performance based on profit or loss from operations before acquisition-related amortization, impairment charges, and other corporate-related charges such as debt modification and extinguishment costs. Impairment charges and amortization of acquired intangibles are 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. The Company's reportable segments are managed separately, largely based on geographic market considerations and a desire to provide services to customers regardless of media platform. In certain instances, operations have been aggregated based on similar economic characteristics.

10

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 June 24, 2012 | | | |
| Virginia/Tennessee | $ 6,736 | $ (349 ) | $ 2,011 |
| Florida | 15,120 | (383 ) | 5,646 |
| Mid-South | 36,588 | (2,719 ) | 9,457 |
| North Carolina | 7,562 | (371 ) | 1,790 |
| Ohio/Rhode Island | 17,146 | (738 ) | 6,603 |
| Advertising Services & Other | 1,203 | (544 ) | (977 ) |
| Eliminations | (243 ) | - | 32 |
| | | | 24,562 |
| Unallocated amounts: | | | |
| Acquisition intangibles amortization | - | (442 ) | (442 ) |
| Corporate expense | - | (564 ) | (8,492 ) |
| | $ 84,112 | $ (6,110 ) | |
| | | | |
| Corporate interest expense | | | (21,641 ) |
| Debt modification and extinguishment costs | | | (7,689 ) |
| Other | | | 946 |
| | | | |
| Consolidated loss from continuing operations before income taxes | | | $ (12,756 ) |
| | | | |
| Three Months Ended June 26, 2011 | | | |
| Virginia/Tennessee | $5,653 | $(378 ) | $1,039 |
| Florida | 12,944 | (422 ) | 3,067 |
| Mid-South | 32,488 | (2,557 ) | 6,567 |
| North Carolina | 5,840 | (428 ) | 504 |
| Ohio/Rhode Island | 14,070 | (752 ) | 3,540 |
| Advertising Services & Other | 1,009 | (722 ) | (1,033 ) |
| Eliminations | (282 ) | - | 43 |
| | | | 13,727 |
| Unallocated amounts: | | | |
| Acquisition intangibles amortization | - | (1,361 ) | (1,361 ) |
| Corporate expense | - | (659 ) | (8,423 ) |
| | $71,722 | $(7,279 ) | |
| | | | |
| Corporate interest expense | | | (17,180 ) |
| Other | | | 2,455 |
| | | | |
| Consolidated loss from continuing operations before income taxes | | | $(10,782 ) |

| (In thousands) | Assets | Revenues | Depreciation and Amortization | Operating Profit (Loss) |
|---|---|---|---|---|
| Six Months Ended June 24, 2012 | | | | |
| Virginia/Tennessee | $ 65,342 | $ 12,644 | $ (697 ) | $ 3,399 |
| Florida | 78,506 | 29,090 | (793 ) | 9,996 |
| Mid-South | 332,163 | 71,662 | (5,435 ) | 18,660 |
| North Carolina | 47,081 | 13,547 | (742 ) | 2,179 |
| Ohio/Rhode Island | 130,099 | 30,476 | (1,393 ) | 9,784 |
| Advertising Services & Other | 10,114 | 2,276 | (1,094 ) | (1,391 ) |
| Eliminations | - | (464 ) | - | 59 |
| | | | | 42,686 |
| Unallocated amounts: | | | | |
| Acquisition intangibles amortization | - | - | (1,773 ) | (1,773 ) |
| Corporate | 76,489 | - | (1,498 ) | (17,359 ) |
| Assets of discontinued operations | 183,615 | | | |
| | $ 923,409 | $ 159,231 | $ (13,425 ) | |
| Corporate interest expense | | | | (36,777 ) |
| Debt modification and extinguishment costs | | | | (18,097 ) |
| Other | | | | (2,744 ) |
| Consolidated loss from continuing operations before income taxes | | | | $ (34,064 ) |

| | Revenues | Depreciation and Amortization | Operating Profit (Loss) |
|---|---|---|---|
| Six Months Ended June 26, 2011 | | | |
| Virginia/Tennessee | $ 10,764 | $ (760 ) | $ 1,754 |
| Florida | 25,826 | (851 ) | 6,030 |
| Mid-South | 62,581 | (5,091 ) | 11,630 |
| North Carolina | 11,151 | (857 ) | 671 |
| Ohio/Rhode Island | 26,428 | (1,525 ) | 5,883 |
| Advertising Services & Other | 2,738 | (1,425 ) | (1,481 ) |
| Eliminations | (478 ) | - | 76 |
| | | | 24,563 |
| Unallocated amounts: | | | |
| Acquisition intangibles amortization | - | (2,709 ) | (2,709 ) |
| Corporate expense | - | (1,279 ) | (17,292 ) |
| | $ 139,010 | $ (14,497 ) | |
| Corporate interest expense | | | (33,733 ) |
| Other | | | (324 |