

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)

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| | |
|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Commonwealth of Virginia (State or other jurisdiction of incorporation or organization) | 54-0850433 (I.R.S. Employer Identification No.) |
| 333 E. Franklin St., Richmond, VA (Address of principal executive offices) | 23219 (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 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 <input type="checkbox"/> | Accelerated filer <input type="checkbox"/> |
| Non-accelerated filer <input checked="" type="checkbox"/> | Smaller reporting company <input type="checkbox"/> |

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

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of 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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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 |

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| | | | | |
|---------------------------|-----------|-----------|-----------|-----------|
| 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 | 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) |

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| | | |
|--------------------------------------------------|-----------|----------|
| 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.

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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:

| <i>(In thousands)</i> | 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:

| <i>(In thousands)</i> | September 26, 2010 | | December 27, 2009 | |
|---------------------------|---------------------|---------------|---------------------|---------------|
| | 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:

| <i>(In thousands)</i> | 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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| <i>(In thousands)</i> | 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:

| <i>(In thousands)</i> | December 27, 2009 | | Change Amortization Expense | September 26, 2010 | |
|---------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------|-----------------------------------|--------------------------|-----------------------------|
| | Gross Carrying Amount | Accumulated Amortization | | 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.

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

| <i>(In thousands, except per share amounts)</i> | Nine Months Ended September 26, 2010 | | | Nine Months Ended September 27, 2009 | | |
|---------------------------------------------------------------------|--------------------------------------|-------------------------|---------------------|--------------------------------------|-------------------------|---------------------|
| | Loss (Numerator) | Shares (Denominator) | Per Share Amount | Loss (Numerator) | Shares (Denominator) | Per Share Amount |
| <i>Basic and Diluted EPS:</i> | | | | | | |
| 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:

| <i>(In thousands)</i> | Quarter Ended | | | |
|---------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Pension Benefits | | Other Benefits | |
| | 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) |
| Curtailement gain | | (2,050) | | |
| Net periodic benefit cost (income) | \$ 450 | \$ (1,719) | \$ 839 | \$ 811 |

| <i>(In thousands)</i> | Nine Months Ended | | | |
|---------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Pension Benefits | | Other Benefits | |
| | 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 curtailement gain | | (2,000) | | |
| Net periodic benefit cost | \$ 1,349 | \$ 972 | \$ 2,517 | \$ 2,572 |

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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:

| <i>(In thousands)</i> | Quarter Ended | | Nine Months Ended | |
|------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 26, 2010 | September 27, 2009 | September 26, 2010 | 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 | | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total |
|----------------------------------------------------------------------------|--------------|----------|----------------------------------|--------------------------------------------------------|----------------------|------------|
| | Class A | Class B | | | | |
| 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.

Table of Contents**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 |

Table of Contents**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 | | | | 173,017 |
| Deferred income taxes | | 7,233 | | | 7,233 |
| Other deferred credits | 46,740 | 5,162 | 1,164 | | 53,066 |
| Stockholders' equity | | | | | |
| Common stock | 113,969 | 4,872 | | (4,872) | 113,969 |
| Additional paid-in capital | 26,011 | 2,435,790 | (1,919) | (2,435,629) | 24,253 |
| Accumulated other comprehensive loss | (117,703) | | | | (117,703) |
| Retained earnings | 171,732 | (139,482) | 1,058 | 138,424 | 171,732 |
| Total stockholders' equity | 194,009 | 2,301,180 | (861) | (2,302,077) | 192,251 |
| TOTAL LIABILITIES & STOCKHOLDERS EQUITY | \$ 1,159,258 | \$ 3,146,519 | \$ 303 | \$ (3,070,032) | \$ 1,236,048 |

Table of Contents**Media General, Inc.****Condensed Consolidating Statements of Operations****Three Months Ended September 26, 2010**

(In thousands, unaudited)

| | Media General Corporate | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Media General Consolidated |
|----------------------------------------------------|------------------------------------|-----------------------------------|---------------------------------------|---------------------|---------------------------------------|
| Revenues | \$ 6,719 | \$ 189,375 | \$ | \$ (32,881) | \$ 163,213 |
| Operating costs: | | | | | |
| Employee compensation | 7,769 | 66,856 | (131) | | 74,494 |
| Production | | 38,212 | | (447) | 37,765 |
| Selling, general and administrative | 228 | 58,488 | | (32,428) | 26,288 |
| Depreciation and amortization | 523 | 12,681 | | | 13,204 |
| Total operating costs | 8,520 | 176,237 | (131) | (32,875) | 151,751 |
| Operating income (loss) | (1,801) | 13,138 | 131 | (6) | 11,462 |
| Other income (expense): | | | | | |
| Interest expense | (17,007) | (8) | | | (17,015) |
| Intercompany interest income (expense) | 14,137 | (14,137) | | | |
| Investment income (loss) - consolidated affiliates | (6,870) | | | 6,870 | |
| Other, net | 211 | (27) | | | 184 |
| Total other income (expense) | (9,529) | (14,172) | | 6,870 | (16,831) |
| Income (loss) before income taxes | (11,330) | (1,034) | 131 | 6,864 | (5,369) |
| Income tax expense (benefit) | (673) | 5,961 | | | 5,288 |
| Net income (loss) | (10,657) | (6,995) | 131 | 6,864 | (10,657) |
| Other comprehensive income (net of tax) | 935 | | | | 935 |
| Comprehensive income (loss) | \$ (9,722) | \$ (6,995) | \$ 131 | \$ 6,864 | \$ (9,722) |

Table of Contents**Media General, Inc.****Condensed Consolidating Statements of Operations****Three Months Ended September 27, 2009**

(In thousands, unaudited)

| | Media General Corporate | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Media General Consolidated |
|-----------------------------------------------------------------|------------------------------------|-----------------------------------|---------------------------------------|---------------------|---------------------------------------|
| Revenues | \$ 8,093 | \$ 180,931 | \$ | \$ (31,016) | \$ 158,008 |
| Operating costs: | | | | | |
| Employee compensation | 7,125 | 62,263 | 578 | | 69,966 |
| Production | | 37,491 | | (306) | 37,185 |
| Selling, general and administrative | (4,585) | 56,653 | | (30,714) | 21,354 |
| Depreciation and amortization | 600 | 14,281 | | | 14,881 |
| Goodwill and other asset impairment | | 84,220 | | | 84,220 |
| Gain on insurance recovery | | (1,915) | | | (1,915) |
| Total operating costs | 3,140 | 252,993 | 578 | (31,020) | 225,691 |
| Operating income (loss) | 4,953 | (72,062) | (578) | 4 | (67,683) |
| Other income (expense): | | | | | |
| Interest expense | (10,487) | (2) | | | (10,489) |
| Intercompany interest income (expense) | 11,946 | (11,946) | | | |
| Gain on sale of investments | | 910 | | | 910 |
| Investment income (loss) - consolidated affiliates | (68,447) | | | 68,447 | |
| Other, net | 262 | (50) | | | 212 |
| Total other income (expense) | (66,726) | (11,088) | | 68,447 | (9,367) |
| Income (loss) from continuing operations before income taxes | (61,773) | (83,150) | (578) | 68,451 | (77,050) |
| Income tax expense (benefit) | 689 | (17,359) | | | (16,670) |
| Income (loss) from continuing operations | (62,462) | (65,791) | (578) | 68,451 | (60,380) |
| Loss from discontinued operations (net of taxes) | | (98) | | | (98) |
| Loss related to divestiture of operations (net of taxes) | | (1,984) | | | (1,984) |
| Net Income (loss) | (62,462) | (67,873) | (578) | 68,451 | (62,462) |
| Other comprehensive loss (net of tax) | (21,337) | | | | (21,337) |
| Comprehensive income (loss) | \$ (83,799) | \$ (67,873) | \$ (578) | \$ 68,451 | \$ (83,799) |

Table of Contents**Media General, Inc.****Condensed Consolidating Statements of Operations****Nine Months Ended September 26, 2010**

(In thousands, unaudited)

| | Media General Corporate | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Media General Consolidated |
|----------------------------------------------------|------------------------------------|-----------------------------------|---------------------------------------|---------------------|---------------------------------------|
| Revenues | \$ 25,608 | \$ 564,389 | \$ | \$ (101,758) | \$ 488,239 |
| Operating costs: | | | | | |
| Employee compensation | 25,006 | 197,370 | 156 | (1) | 222,531 |
| Production | | 111,417 | | (1,288) | 110,129 |
| Selling, general and administrative | 435 | 178,549 | | (100,463) | 78,521 |
| Depreciation and amortization | 1,743 | 38,860 | | (1) | 40,602 |
| Total operating costs | 27,184 | 526,196 | 156 | (101,753) | 451,783 |
| Operating income (loss) | (1,576) | 38,193 | (156) | (5) | 36,456 |
| Other income (expense): | | | | | |
| Interest expense | (53,904) | (23) | | | (53,927) |
| Intercompany interest income (expense) | 38,269 | (38,269) | | | |
| Investment income (loss) - consolidated affiliates | (19,913) | | | 19,913 | |
| Other, net | 790 | (65) | | | 725 |
| Total other income (expense) | (34,758) | (38,357) | | 19,913 | (53,202) |
| Income (loss) before income taxes | (36,334) | (164) | (156) | 19,908 | (16,746) |
| Income tax expense (benefit) | (4,648) | 19,588 | | | 14,940 |
| Net income (loss) | (31,686) | (19,752) | (156) | 19,908 | (31,686) |
| Other comprehensive income (net of tax) | 6,025 | | | | 6,025 |
| Comprehensive income (loss) | \$ (25,661) | \$ (19,752) | \$ (156) | \$ 19,908 | \$ (25,661) |

Table of Contents**Media General, Inc.****Condensed Consolidating Statements of Operations****Nine Months Ended September 27, 2009**

(In thousands, unaudited)

| | Media General Corporate | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Media General Consolidated |
|-----------------------------------------------------------------|------------------------------------|-----------------------------------|---------------------------------------|---------------------|---------------------------------------|
| Revenues | \$ 23,245 | \$ 551,241 | \$ | \$ (93,955) | \$ 480,531 |
| Operating costs: | | | | | |
| Employee compensation | 20,925 | 208,596 | 596 | | 230,117 |
| Production | | 122,287 | | (1,974) | 120,313 |
| Selling, general and administrative | (3,729) | 163,833 | | (91,976) | 68,128 |
| Depreciation and amortization | 1,922 | 43,336 | | (2) | 45,256 |
| Goodwill and other asset impairment | | 84,220 | | | 84,220 |
| Gain on insurance recovery | | (1,915) | | | (1,915) |
| Total operating costs | 19,118 | 620,357 | 596 | (93,952) | 546,119 |
| Operating income (loss) | 4,127 | (69,116) | (596) | (3) | (65,588) |
| Other income (expense): | | | | | |
| Interest expense | (31,713) | (5) | | | (31,718) |
| Intercompany interest income (expense) | 33,367 | (33,367) | | | |
| Gain on sale of investments | | 701 | | | 701 |
| Investment income (loss) - consolidated affiliates | (70,550) | | | 70,550 | |
| Other, net | 806 | (185) | | | 621 |
| Total other income (expense) | (68,090) | (32,856) | | 70,550 | (30,396) |
| Income (loss) from continuing operations before income taxes | (63,963) | (101,972) | (596) | 70,547 | (95,984) |
| Income tax expense (benefit) | (836) | (26,789) | | | (27,625) |
| Income (loss) from continuing operations | (63,127) | (75,183) | (596) | 70,547 | (68,359) |
| Income from discontinued operations (net of taxes) | | 96 | | | 96 |
| Gain related to divestiture of operations (net of taxes) | | 5,136 | | | 5,136 |
| Net Income (loss) | (63,127) | (69,951) | (596) | 70,547 | (63,127) |
| Other comprehensive income (net of tax) | 35,527 | | | | 35,527 |
| Comprehensive income (loss) | \$ (27,600) | \$ (69,951) | \$ (596) | \$ 70,547 | \$ (27,600) |

Table of Contents**Media General, Inc.****Condensed Consolidating Statements of Cash Flows****Nine Months Ended September 26, 2010**

(In thousands, unaudited)

| | Media General Corporate | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Media General Consolidated |
|--------------------------------------------------|----------------------------|---------------------------|-------------------------------|--------------|-------------------------------|
| Cash flows from operating activities: | | | | | |
| Net cash (used) provided by operating activities | \$ (26,146) | 81,073 | \$ (48) | \$ | \$ 54,879 |
| Cash flows from investing activities: | | | | | |
| Capital expenditures | (3,151) | (12,453) | | | (15,604) |
| Net change in intercompany note receivable | 69,202 | | | (69,202) | |
| Other, net | 51 | 548 | | | 599 |
| Net cash provided (used) by investing activities | 66,102 | (11,905) | | (69,202) | (15,005) |
| Cash flows from financing activities: | | | | | |
| Proceeds from notes | 293,070 | | | | 293,070 |
| Increase in debt | 134,156 | | | | 134,156 |
| Payment of debt | (466,625) | (21) | | | (466,646) |
| Debt issuance costs | (12,078) | | | | (12,078) |
| Net change in intercompany loan | | (69,202) | | 69,202 | |
| Other, net | 203 | (2) | 48 | | 249 |
| Net cash (used) provided by financing activities | (51,274) | (69,225) | 48 | 69,202 | (51,249) |
| Net decrease in cash and cash equivalents | (11,318) | (57) | | | (11,375) |
| Cash and cash equivalents at beginning of year | 31,691 | 1,541 | | | 33,232 |
| Cash and cash equivalents at end of period | \$ 20,373 | \$ 1,484 | \$ | \$ | \$ 21,857 |

Table of Contents**Media General, Inc.****Condensed Consolidating Statements of Cash Flows****Nine Months Ended September 27, 2009**

(In thousands, unaudited)

| | Media General Corporate | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Media General Consolidated |
|-----------------------------------------------------------------|------------------------------------|-----------------------------------|---------------------------------------|---------------------|---------------------------------------|
| Cash flows from operating activities: | | | | | |
| Net cash provided (used) by operating activities | \$ (6,085) | \$ 15,509 | \$ (14) | \$ | \$ 9,410 |
| Cash flows from investing activities: | | | | | |
| Capital expenditures | (2,407) | (9,218) | | | (11,625) |
| Net change in intercompany note receivable | 16,097 | | | (16,097) | |
| Proceeds from sale of discontinued operations and investment | 17,442 | | | | 17,442 |
| Collection of receivable note | | 5,000 | | | 5,000 |
| Other, net | (1,019) | 4,571 | | | 3,552 |
| Net cash provided (used) by investing activities | 30,113 | 353 | | (16,097) | 14,369 |
| Cash flows from financing activities: | | | | | |
| Increase in debt | 171,400 | | | | 171,400 |
| Payment of debt | (195,758) | (18) | | | (195,776) |
| Net change in intercompany loan | | (16,097) | | 16,097 | |
| Other, net | 166 | | 14 | | 180 |
| Net cash (used) provided by financing activities | (24,192) | (16,115) | 14 | 16,097 | (24,196) |
| Net decrease in cash and cash equivalents | (164) | (253) | | | (417) |
| Cash and cash equivalents at beginning of year | 5,593 | 1,549 | | | 7,142 |
| Cash and cash equivalents at end of period | \$ 5,429 | \$ 1,296 | \$ | \$ | \$ 6,725 |

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**
OVERVIEW

The Company is a diversified communications company located primarily in the southeastern United States and is committed to providing excellent local content in growth markets over multiple platforms, to continually developing new products and services that will stimulate audience and revenue growth, and to nurturing traditional audience viewership while embracing the expanding opportunities arising in the digital media arena. The Company is comprised of five geographic market segments (Virginia/Tennessee, Florida, Mid-South (which includes South Carolina, Georgia, Alabama, and Mississippi), North Carolina, and Ohio/Rhode Island) along with a sixth segment that includes interactive advertising services and certain other operations. The Company's mission of being the leading provider of high-quality news, information and entertainment in the Southeast by continually building its position of strength in strategically located markets was enhanced by its evolution in July 2009, to geographic-based markets. By combining its resources in a designated geographic market under one leader, a leaner more cohesive structure thrives and more closely connects the Company to its customers and non-customers, accelerates the Company's digital strategy, and facilitates streamlined decision-making.

The Company's fiscal year ends on the last Sunday in December.

RESULTS OF OPERATIONS

The Company recorded a net loss of \$10.7 million (\$0.48 per share) and \$31.7 million (\$1.42 per share) in the third quarter and first nine months of 2010, respectively, compared to a net loss of \$62.5 million and \$63.1 million in the equivalent 2009 periods. The 2009 third quarter and nine-month period included an impairment charge and discontinued operations embedded within its results. The Company recorded an after-tax non-cash impairment charge of \$64.8 million in the third quarter of 2009. See Note 7 of this Form 10-Q for a complete discussion regarding this impairment charge. In the second quarter of 2009, the Company completed the divestiture of a held-for-sale station, WCWJ in Jacksonville, Florida; in the third quarter of 2009, the Company also sold a small business magazine located in the Virginia/Tennessee Market. The Company recognized after-tax gains of \$5.1 million in the first nine months of 2009 related to these divestitures. Their results were reported as discontinued operations and, excluding the above-mentioned gain, had limited impact on the Company's results in 2009. See Note 4 of this Form 10-Q for additional details regarding prior-year discontinued operations.

In the third quarter of 2010, the Company had a loss from continuing operations before income taxes of \$5.4 million as compared to a loss of \$77.1 million in the comparable quarter of 2009; excluding the \$84.2 million pretax impairment charge in 2009, income from continuing operations before income taxes was \$7.2 million in the third quarter. This quarter-over-quarter decline was accounted for by higher interest expense and increased operating costs. Interest costs rose 62%, reflecting the new financing structure put into place in February 2010; see the Liquidity section of this Form 10-Q for a further discussion. Despite a 3% increase in revenues, segment operating income decreased 4% in the third quarter from the similar prior-year quarter. Segment operating costs were up 4% due primarily to higher employee compensation costs as the third quarter of 2009 reflected 4 days of furlough and the third quarter of 2010 included the expense associated with the reimbursement to employees of 2 days furlough time (which was paid to the employees early in the fourth quarter). Corporate expense was up \$3.1 million primarily because 2009 included a \$2 million gain resulting from the final freeze on a retirement plan and the impact of employee furlough days. Additionally, total operating costs in 2009 were favorably impacted by a \$1.9 million gain associated with an insurance recovery and substantially higher gains on fixed assets sales. Income taxes of \$5.3 million in the third quarter of 2010, as compared to an income tax benefit of \$16.7 million in the equivalent quarter of 2009, were the result of several matters, most notably a non-cash netted credit, all of which are described in the Income Taxes section of this Form 10-Q.

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The Company recorded a loss from continuing operations before income taxes of \$16.7 million in the first nine months of 2010, as compared to \$96 million loss in the equivalent prior-year period; excluding the \$84.2 million pretax impairment charge in 2009, loss from continuing operations before income taxes was \$11.8 million in the first nine months of 2009. The largest factor contributing to the year-over-year increased loss was a 70% rise in interest costs for reasons similar to those detailed above in the third quarter discussion. Corporate expense was up \$3.6 million due to the combined impact of the furlough program and the inclusion in 2009 of a \$2 million gain from the final freeze on a retirement plan. Additionally, there were several singular 2009 gains similar to those discussed in the preceding paragraph. Offsetting these items were considerable expense savings in the areas of compensation and newsprint costs, combined with other successful cost management efforts that yielded a 4% reduction in segment operating expense. Income taxes of \$14.9 million in the first nine months of 2010, as compared to an income tax benefit of \$27.6 million in the equivalent period of 2009, were primarily the result of the non-cash naked credit issue and more fully described in the Income Taxes section of this Form 10-Q.

SEGMENT RESULTS**Revenues**

Revenues are grouped primarily into five major categories: Local, National, Political, Classified, and Subscription/Content/Circulation (which includes newspaper circulation, broadcast retransmission revenues, and interactive subscription and content revenues). The following chart summarizes the total consolidated period-over-period changes in these select revenue categories:

Change in Market Revenue by Major Category**2010 versus 2009**

| <i>(In thousands)</i> | Third Quarter Change | | Year-to-date Change | |
|--------------------------|----------------------|---------|---------------------|---------|
| | Amount | Percent | Amount | Percent |
| Local | \$ (563) | (0.7) | \$ (978) | (0.4) |
| National | 2,375 | 9.0 | 4,283 | 5.2 |
| Political | 8,129 | NM | 15,209 | NM |
| Classified | (2,059) | (9.1) | (6,813) | (9.7) |
| Subs/Content/Circulation | (833) | (3.8) | 380 | 0.6 |

NM is not meaningful.

Robust Political advertising and an underlying firming in television transactional advertising contributed to higher total revenues in the third quarter (up 3%) and first nine months (up 2%) of 2010, as compared with the prior year's equivalent periods. Strong Political and solid National advertising more than offset lower Local and Classified advertising. Subscription/Content/Circulation revenues stalled in the third quarter due to decreased newspaper circulation (lower home delivery and single copy sales), but remained up in the first nine months of 2010 as a 20% rise in cable and satellite retransmission revenues more than offset a 4% decrease in newspaper circulation revenues. While not yet a major revenue category, the Company's Printing/Distribution operations have continued to expand and are becoming an increasingly important contributor to overall revenues.

Revenues in the Virginia/Tennessee Market fell 4% and 3% in the third quarter and first nine months of 2010 as compared to the prior year. With the exception of Political, advertising dollars were down across all categories. Classified advertising was down 6% in both the quarter and year-to-date. National advertising fell 9% and 16% in the quarterly and year-to-date periods, while Local advertising was off approximately 3% in both periods. Revenues from third-party printing and distribution produced double digit growth.

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Revenues in the Florida Market increased 7% in the third quarter and decreased 2% in the year to date of 2010 from equivalent prior-year periods. The Company's Florida operations have benefited from political advertising, as indicated by its quarter-over-quarter revenue increase, and despite the continued soft housing market and high unemployment in the Tampa Bay area. Political advertising was robust as a result of Florida's hotly contested gubernatorial, congressional, and attorney general races, combined with issue spending. National advertising improved 2% to 3% in the quarter and first nine months of 2010 due primarily to image ads run by BP regarding the oil spill in the Gulf of Mexico. Despite these period-over-period revenue improvements, Classified and Local advertising declines were still more than offsetting in the first nine months of 2010. Classified advertising (down 18% and 22% in the quarter and year to date, respectively) suffered across all categories, while Local advertising was down less than 4% in both periods.

Revenues in the Mid-South Market increased 10% in the both the third quarter and first nine months of 2010 due to strong Political advertising (resulting from both primary and general election spending) and solid Local advertising growth (up more than 5% in the quarter and year to date). Local advertising benefited from certain first-quarter events (the Super Bowl and Winter Olympics), along with year-over-year strength in the automotive and tourism advertising categories. Increases in National advertising of 11% in the quarter and 4% in the year to date more than offset lower Classified advertising which fell 8% and 6% in the equivalent periods.

Revenues in the North Carolina Market declined 4% and 2% in the third quarter and first nine months of 2010 from similar 2009 periods. Increases in National advertising were unable to overcome weak Local advertising (down 6% and 5% in the quarter and year to date, respectively) and Classified advertising (off 6% and 3% in equivalent periods). Counter to trend, Political advertising was down slightly in the third quarter due predominately to the absence of hotly contested races in the state; however, Political advertising increased moderately in the year-to-date period due primarily to higher issue spending earlier in the year.

Revenues in the Ohio/Rhode Island Market increased 19% and 17% in the third quarter and first nine months of 2010 compared to the equivalent prior-year periods. This is the Company's only geographic market which does not include any newspapers and is therefore less influenced by Classified advertising; rather it is more affected by the ebb and flow of Political and Olympic revenues in corresponding odd and even-numbered years. Both of this Market's television stations are NBC affiliates and, consequently, reaped the full benefit of 2010 Winter Olympics advertising. Political and National advertising were the largest contributors to the Segment's revenue improvement. Political advertising advances were the result of gubernatorial and congressional elections, combined with intense issue spending. National advertising continued to thrive on the strength of the automotive, furniture, and grocery categories. Local advertising made a comeback from the second quarter, increasing 3% and 5% in the third quarter and first nine months of 2010, respectively.

Operating Expenses

Over the past few years, the Company has reacted to the challenging advertising environment by reducing costs across all markets while achieving greater efficiencies and implementing aggressive actions to better align expenses with current economic opportunities. In the first nine months of the year, cost-containment efforts resulted in a 4% reduction (excluding the \$84.2 million impairment charge, gain on insurance recovery, curtailment gain from freezing a retirement plan and gain on sale of fixed assets) in operating expense as compared to the similar period of 2009. However, the third quarter of 2010 generated a 3% rise (excluding the impairment charge, gain on insurance recovery, curtailment gain from freezing a retirement plan and gain on sale of fixed assets) in operating costs due primarily to the impact of employee furlough days. Workforce reductions (largely undertaken in the first half of 2009) across the entire Company were instrumental in aligning expenses with the prevailing economic environment. The Company's results included pretax severance costs of \$.7 million and \$1.1 million in the third quarter and first nine months of 2010, respectively, and \$.2 million and \$6.2 million for the equivalent periods of 2009. However, 2009 also included lower salary costs as a result of mandatory furlough days for employees (four days in the third quarter and eleven days in the first nine months of the year). Company-wide employee compensation expense rose 6% in the third quarter and decreased 3% in

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the first nine months of 2010 from the prior year. Newsprint expense fell 2% and 34% in the third quarter and first nine months of 2010 from the prior year due to a substantial reduction in consumption because of lower advertising lineage, decreased circulation volumes, web-width reductions and concerted conservation efforts. For the year-to-date period, average cost per ton for newsprint was 18% lower than the first nine months of 2009. In the third quarter of 2010, newsprint price per ton was 6% higher than the prior year, reflecting the increase in prices during 2010. Additionally, depreciation expense was down (due primarily to lower capital expenditures) approximately 11% in both the third quarter and first nine months of 2010.

Operating costs rose across all markets in the third quarter and, with the exception of the Mid-South Market, declined in all markets during the first nine months of 2010. Employee compensation was the seemingly contradictory force behind both of these fluctuations. In the third quarter, higher employee compensation drove the increase due in large part to the impact of furlough days on 2010. The year-to-date decrease in company-wide employee compensation was due to a \$5.1 million year-over-year decline in severance costs, reduced headcount, reduced healthcare costs, and the absence of certain first-quarter employee benefits such as the Company's suspended 401(k) match.

Operating expenses in the Virginia/Tennessee Market increased 4% in the third quarter and decreased 5% in the first nine months of 2010 from the equivalent periods of 2009. In the quarter, a 5% reduction in newsprint cost was unable to offset a 4% increase in compensation expense. In the first nine months of 2010, approximately three-quarters of the overall expense decrease was attributable to lower compensation expense (down 9%); a 33% reduction in newsprint costs was responsible for the majority of the remaining decrease.

Operating expenses in the Florida Market were up 3% in the third quarter and decreased 8% in the first nine months of 2010 from the same periods in 2009. Higher compensation expense (up 7%) and newsprint costs (up 2%) were responsible for the Market's increased operating expenses in the quarter. Quite the reverse was true for the first nine months of 2010 as a 7% decrease in compensation costs combined with a 38% drop in newsprint expense to produce the year-over-year cost reduction in the market.

Operating expenses in the Mid-South Market rose 7% in the third quarter of 2010 and, running counter to trend, also rose 2% in the first nine months of the year. The Market's increased period-over-period expenses were primarily the result of higher employee compensation (up 11% and 3% in the third quarter and first nine months of 2010, respectively) due to the impact of furlough days and to increased commissions which grew proportionately with the Market's strong revenue growth. The Market also incurred several singular expenses in the third quarter totaling over \$500,000 related to repairs and maintenance and write-offs. As in most markets, newsprint cost rose (up 11%) in the third quarter and remained down (19%) in the first nine months of the year, while lower depreciation costs helped to mitigate the overall increase of market operating expense.

Operating expenses in the North Carolina Market rose 4% in the third quarter and decreased 5% in the first nine months of 2010 as compared to 2009's equivalent periods. In the quarter, a 7% reduction in newsprint cost was unable to offset a 5% increase in compensation expense. In the first nine months of 2010, a 7% drop in employee compensation combined with a 33% decline in newsprint expense to produce the Market's overall cost savings.

Operating expenses in the Ohio/Rhode Island Market were up 5% in the third quarter and down 1% in the first nine months of 2010. The rise in quarter-over-quarter costs resulted from several small increases including higher programming, editorial and content costs and in employee compensation costs. In the year to date, an 8% drop in employee compensation costs was the largest component of the Market's overall cost reduction, offset by small increases in a variety of other expense categories, including outside services, programming and travel and entertainment. The remaining savings were achieved primarily through concerted efforts to manage departmental spending.

Table of Contents**ADVERTISING SERVICES & OTHER**

Advertising Services & Other (ASO) primarily includes:

Blockdot - a leading advergaming business;

Dealtaker.com - an online social shopping portal;

NetInformer - a leading provider of mobile advertising and marketing services;

Production Services - comprised primarily of a provider of broadcast equipment and studio design services.

Revenue in ASO decreased 6% in the third quarter and was comprised of revenue declines of 35% at Blockdot (attributable to fewer advergaming projects) and 12% at Dealtaker (due to lower placement within search engine results), partially offset by a 29% increase in revenues in the Production Services operations due to higher sales and installation of broadcast equipment. In the first nine months of the year, revenues declined 5% due to a 22% revenue decrease at Blockdot (for a similar reason as in the quarter) and to the absence of certain products which are now either being managed in their respective geographic market or have been discontinued. *Dealtaker.com* grew its revenues by 9% in the year-to-date period of 2010, reflecting higher spending per visit.

Operating expenses increased 11% in the third quarter and decreased 5% in the first nine months of 2010 primarily due to higher compensation costs in the quarter and lower compensation costs in the year to date. This seemingly contradictory result was consistent with most of the geographic markets as well.

Operating Profit (Loss)

The following chart shows the change in operating profit by market. The period-over-period movement in market operating profit was driven by the underlying fluctuations in revenue and expense as detailed in the previous discussions.

Change in Market Operating Profits**2010 versus 2009**

| <i>(In thousands)</i> | Third Quarter Change | | Year-to-date Change | |
|-----------------------|----------------------|--------------|---------------------|-------------|
| | Amount | Percent | Amount | Percent |
| Virginia/Tennessee | \$ (3,275) | (30.7) | \$ 1,458 | 6.1 |
| Florida | 1,528 | NM | 7,136 | NM |
| Mid-South | 1,551 | 28.3 | 8,753 | 69.9 |
| North Carolina | (1,481) | NM | 1,242 | 91.7 |
| Ohio/Rhode Island | 1,917 | 76.4 | 6,143 | 117.1 |
| Adv. Services & Other | (1,046) | (68.4) | (86) | (3.0) |
| Eliminations | (6) | NM | 38 | (82.6) |
| Total | \$ (812) | (3.7) | \$ 24,684 | 56.5 |

In the third quarter, robust Political advertising revenues and solid National advertising were unable to offset a 4% increase in segment operating expense, producing a segment operating profit that was down 4%. In the first nine months of 2010, segment operating profit increased 57% as

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compared to the prior year as a result of reduced expense and robust Political spending across most segments along with higher revenues from strong Local and National advertising in the Mid-South and Ohio/Rhode Island Markets. In the year to date, all segments except Advertising Services made meaningful contributions to the improved year-over-year operating results, with the Florida Market converting a 2009 nine-month operating loss into an operating profit in the first nine months of 2010.

Table of Contents**INTEREST EXPENSE**

Interest expense increased \$6.5 million and \$22.2 million in the third quarter and first nine months of 2010 from the prior-year equivalent periods as a direct result of the Company's new financing structure that was completed in February 2010. Approximately one-quarter of the year-over-year increase in interest expense was attributable to debt issuance costs totaling \$5.5 million that were immediately expensed upon entering into the financing structure. A \$55 million decline in average debt levels in the third quarter of 2010 as compared to 2009 only partially mitigated a 430 basis point increase in the average interest rate. A \$59 million decline in average debt levels in the first nine months of 2010 as compared to 2009, minimally offset a 370 basis point increase in the average interest rate (excluding the impact of debt issuance costs immediately expensed). See the Liquidity section of this Form 10-Q for a more detailed discussion of the new financing structure.

In the third quarter of 2006, the Company entered into three interest rate swaps (where it pays a fixed rate and receives a floating rate) to manage interest cost and cash flows associated with variable interest rates, primarily short-term changes in LIBOR, not to trade such instruments for profit or loss. The interest rate swaps are carried at fair value based on a discounted cash flow analysis (predicated on quoted LIBOR prices) of the estimated amounts the Company would have received or paid to terminate the swaps. These interest rate swaps were cash flow hedges with notional amounts originally totaling \$300 million; swaps with notional amounts of \$100 million matured in 2009, and \$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 bank debt. These swaps effectively convert the Company's variable rate bank debt to fixed rate debt with a weighted average interest rate approximating 9.9% at September 26, 2010.

INCOME TAXES

The Company recorded income tax expense of \$5.3 million and \$14.9 million in the third quarter and first nine months of 2010 as compared to an income tax benefit of \$16.7 million and \$27.6 million for the same periods in 2009. 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. 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 a \$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 \$.7 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. Last year's \$16.7 million and \$27.6 million benefit related primarily to the non-cash impairment charge and also included \$3.6 million in the year-to-date from a favorable determination concerning a state tax issue. 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 that are difficult to forecast 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.

LIQUIDITY

Net cash generated from operating activities grew to \$54.9 million in the current period from \$9.4 million in the first nine months of 2009. The Company received a tax refund in April of approximately \$26 million, the majority of which was used to reduce debt. Higher cash flow generation by the operating segments was another significant contributor. During 2010, the Company made retirement plan contributions of \$20 million, paid debt issuance costs of \$12 million, made capital expenditures of \$15.6 million and reduced debt by \$39 million.

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Over the past several years the overall economy has been faced with a recession and a credit crisis, both of which have had a direct impact on the Company. In February 2010, the Company established a new financing structure that is expected to serve its needs for the next several years. The Company simultaneously amended and extended its bank debt and issued Senior Notes in a private placement. The proceeds from the Senior Notes, which mature in 2017, were used to pay down existing bank credit facilities. At the same time, the maturity of the bank facility was extended to March 2013; the revised operating covenants under the agreements provide additional financial flexibility for the Company. The steps that the Company has taken to lower its debt levels in recent years and the implementation of the financing structure should allow the Company the flexibility necessary to operate within the debt covenants at a cost the Company believes to be manageable. The Company fully expects to be in compliance with the debt covenants in both the near and long term due to the lower debt levels and improved operating results.

As of September 26, 2010, the Company has in place with its lenders a fully-drawn \$380 million term loan, and a \$70 million revolving credit line with nothing outstanding. Additionally, the Company has 11.75% Senior Notes with a par value of \$300 million that were sold at a discount. The amended bank credit facilities mature in March 2013 and bear an interest rate of LIBOR plus a margin (4.6% at the close of the third quarter) based on the Company's leverage ratio, as defined in the agreement. Total debt outstanding was \$673 million on September 26, 2010. The 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 rolling four-quarter calculations of EBITDA all as defined in the agreements. These ratios position the Company to emerge solidly from the economic downturn. The Company has 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 or 2011), make capital expenditures and retirement plan contributions above certain levels, repurchase its stock, and engage in certain other transactions such as making investments or entering into capital leases above certain preset levels.

OUTLOOK

Although the outlook for improvement in the economy in the final quarter of 2010 remains uncertain, advertising spending patterns continued to show signs of improvement in the first nine months of the year, particularly in the Mid-South and Ohio/Rhode Island Markets. The Company expects total revenue growth to continue in the fourth quarter, especially at its broadcast television stations due to additional advertising revenues from Political spending in this even-numbered year. However, higher interest expense and expected non-cash income tax expense will also have an impact on the bottom line. Furthermore, fourth-quarter expenses are expected to increase due to the absence of prior-year furlough savings, higher newsprint prices, and costs to support new revenue initiatives. Together, these higher expenses are expected to virtually offset revenue increases. The Company plans to continue to seize new opportunities and develop new revenue streams in the increasingly important realm of digital media. The Company recently extended its partnerships for Yahoo! display and Zillow real estate advertising to several television markets and announced a new partnership for locally branded daily deals with Groupon. The Company's enhanced financial flexibility should position it to capitalize on an improving economy and to build shareholder value over the long term.

Non-GAAP Financial Metrics

The Company has presented the following non-GAAP financial metrics in Management's Discussion and Analysis: income (loss) from continuing operations excluding the after-tax effect of impairment charges, operating costs excluding impairment charges, gain on insurance recovery, freeze on retirement plan and gain on fixed asset sales and operating costs excluding impairment charges. The Company believes these metrics are useful to shareholders and investors in understanding the Company's financial results due to the outsized impact that impairment charges have had on the Company's consolidated statements of operations. Specifically, the Company believes these metrics help investors and shareholders evaluate the effect the Company's

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cost-cutting initiatives have had on its financial performance. A reconciliation of these non-GAAP financial metrics to amounts on the consolidated statements of operations is included in the charts that follow:

| <i>(in thousands, except percentages)</i> | Three Months Ended September 27, 2009 | Nine Months Ended September 27, 2009 |
|----------------------------------------------------------------------|---------------------------------------------|--------------------------------------------|
| Loss from continuing operations before income taxes | \$ (77,050) | \$ (95,984) |
| Goodwill and other asset impairment | 84,220 | 84,220 |
| Income (loss) from continuing operations excluding impairment charge | \$ 7,170 | \$ (11,764) |

| | Three Months Ended September 26, 2010 | Three Months Ended September 27, 2009 |
|--------------------------------------------------|------------------------------------------------|---------------------------------------------|
| Operating costs | \$ 151,751 | \$ 225,691 |
| Goodwill and other asset impairment | | (84,220) |
| Gain on insurance recovery | | 1,915 |
| Curtailment gain from freezing a retirement plan | | 2,049 |
| Gain on fixed asset sales | 36 | 2,355 |

| | | |
|----------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Operating costs excluding impairment charge, gain on insurance recovery, freeze on retirement plan and gain on fixed asset sales | \$ 151,787 | \$ 147,790 |
|----------------------------------------------------------------------------------------------------------------------------------|------------|------------|

| | |
|--------------------------------------|----|
| Percentage change from previous year | 3% |
|--------------------------------------|----|

| | Nine Months Ended September 26, 2010 | Nine Months Ended September 27, 2009 |
|--------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Operating costs | \$ 451,783 | \$ 546,119 |
| Goodwill and other asset impairment | | (84,220) |
| Gain on insurance recovery | | 1,915 |
| Curtailment gain from freezing a retirement plan | | 2,049 |
| Gain on fixed asset sales | 394 | 3,832 |

| | | |
|----------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Operating costs excluding impairment charge, gain on insurance recovery, freeze on retirement plan and gain on fixed asset sales | \$ 452,177 | \$ 469,695 |
|----------------------------------------------------------------------------------------------------------------------------------|------------|------------|

| | |
|--------------------------------------|------|
| Percentage change from previous year | (4%) |
|--------------------------------------|------|

* * * * *

Certain statements in this quarterly report that are not historical facts are forward-looking statements, as that term is defined by the federal securities laws. Forward-looking statements include statements related to accounting estimates and assumptions, expectations regarding interest expense, the economic recovery, the impact of cost-containment measures, staff reductions, income taxes, the Internet, debt compliance, general advertising levels and political advertising levels. Forward-looking statements, including those which use words such as the Company believes, anticipates, expects, estimates, intends, projects, plans, may and similar words, are made as of the date of this filing and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements.

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Some significant factors that could affect actual results include: the effect of the economy on advertising demand, interest rates, the availability of newsprint, changes to accounting standards, health care cost trends and regulations, a natural disaster, the level of political advertising, and regulatory rulings and laws.

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Item 3. Quantitative and Qualitative Disclosure About Market Risk.

The Company's Annual Report on Form 10-K for the year ended December 27, 2009, details our disclosures about market risk. As of September 26, 2010, there have been no material changes in the Company's market risk from December 27, 2009.

Item 4. Controls and Procedures

The Company's management, including the chief executive officer and chief financial officer, performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the chief executive officer and chief financial officer, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. There have been no significant changes in the Company's internal controls or in other factors that are reasonably likely to adversely affect internal control subsequent to the date of this evaluation.

During the first six months of 2010, the Company completed the installation and integration of a traffic and billing system for its broadcast TV stations which manages commercial pricing and spot inventory utilization, and should improve business processes and expand customer service opportunities. This new system was installed at six broadcast stations (including the three largest stations) in 2009 and at the Company's remaining twelve broadcast stations in the first half of 2010.

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PART II. OTHER INFORMATION

Item 6. Exhibits

(a) Exhibits

31.1 Section 302 Chief Executive Officer Certification

31.2 Section 302 Chief Financial Officer Certification

32 Section 906 Chief Executive Officer and Chief Financial Officer Certification

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MEDIA GENERAL, INC.

DATE: November 4, 2010

/s/ Marshall N. Morton
Marshall N. Morton

President and Chief Executive Officer

DATE: November 4, 2010

/s/ John A. Schauss
John A. Schauss

Vice President - Finance and Chief Financial Officer