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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of The  
Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported) January 28, 2010**

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**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)

**1-6383**  
(Commission  
File Number)

**54-0850433**  
(I.R.S. Employer  
Identification No.)

**333 E. Franklin St., Richmond, VA**  
(Address of principal executive offices)

**23219**  
(Zip Code)

**Registrant's telephone number, including area code (804) 649-6000**

**N/A**  
(Former name or former address, if changed since last report.)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## ITEM 8.01. OTHER EVENTS.

The Company issued its consolidated financial statements as of December 27, 2009, and December 28, 2008, and for each of the three years in the period ended December 27, 2009, today by posting them to its Web site, [www.mediageneral.com](http://www.mediageneral.com), in accordance with Securities and Exchange Commission rules. Those financial statements are included as Exhibit 99.1 in this Form 8-K.

Additionally, effective at the beginning of the third quarter of 2009, Media General changed its management structure from three platform-based divisions to five geographic market segments and a sixth segment that includes the Company's interactive advertising services and certain other operations. The segments are: the Virginia/Tennessee Market, the Florida Market, the Mid-South Market, the North Carolina Market, the Ohio/Rhode Island Market, and Advertising Services and Other. As previously disclosed in the Quarterly Report on Form 10-Q for the quarter ended September 27, 2009, the Company changed its reported segments as a result of this change in management structure with no impact on the previously reported consolidated results of the Corporation. Additionally, the Company sold a small magazine during the third quarter of 2009 and reflected its results as a discontinued operation for all periods in accordance with applicable accounting literature.

This Current Report on Form 8-K reclassifies the historical business information related to the change in segments and the discontinued operations in the Annual Report on Form 10-K for the year ended December 28, 2008 (the "Annual Report"), in the Quarterly Report on Form 10-Q for the quarter ended March 29, 2009, and in the Quarterly Report on Form 10-Q for the quarter and six month periods ended June 28, 2009. The following items contain the reclassified information:

Form 10-K dated December 28, 2008:

Part I, Item 1. Business (filed as Exhibit 99.2).

Part I, Item 1A. Risk Factors (filed as Exhibit 99.3).

Part I, Item 2. Properties (filed as Exhibit 99.4).

Part II, Item 6. Selected Financial Data (filed as Exhibit 99.5).

Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (filed as Exhibit 99.6).

Part II, Item 8. Financial Statements and Supplementary Data (filed as Exhibit 99.7).

Form 10-Q dated March 29, 2009 (filed as Exhibit 99.8).

Form 10-Q dated June 28, 2009 (filed as Exhibit 99.9).

The reclassification of historical business information in the Annual Report or in the Forms 10-Q had no impact on the Corporation's consolidated statements of stockholders' equity or consolidated statements of cash flows. Note 12 to the consolidated financial statements, included in Exhibit 99.7 of this Form 8-K, describes the changes to the consolidated financial statements.

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.**

(d) Exhibits

The following exhibits are filed herewith:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
23.2	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
99.1	Consolidated financial statements as of December 27, 2009, and December 28, 2008, and for each of the three years in the period ended December 27, 2009
99.2	Form 10-K dated December 28, 2008, Part I, Item 1. Business
99.3	Form 10-K dated December 28, 2008, Part I, Item 1A. Risk Factors
99.4	Form 10-K dated December 28, 2008, Part I, Item 2. Properties
99.5	Form 10-K dated December 28, 2008, Part II, Item 6. Selected Financial Data
99.6	Form 10-K dated December 28, 2008, Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
99.7	Form 10-K dated December 28, 2008, Part II, Item 8. Financial Statements and Supplementary Data
99.8	Form 10-Q dated March 29, 2009
99.9	Form 10-Q dated June 28, 2009
99.10	Consolidating financial statements of Media General, Inc. as of December 27, 2009, December 28, 2008, and December 30, 2007

**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 hereunto duly authorized.

**MEDIA GENERAL, INC.**

(Registrant)

Date January 28, 2010

*/s/* JOHN A. SCHAUSS

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**John A. Schauss**  
**Vice President - Finance and Chief Financial Officer**

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of Media General, Inc.:

Form S-8 (No. 2-56905),

Form S-8 (No. 33-23698),

Form S-3 (No. 33-26853),

Form S-8 (No. 33-52472),

Form S-8 (No. 333-16731),

Form S-8 (No. 333-16737),

Form S-8 (No. 333-69527),

Form S-8 (No. 333-54624),

Form S-8 (No. 333-57538),

Form S-8 (No. 333-138843),

Form S-8 (No. 333-142769), and

Form S-8 (No. 333-148976);

of our reports dated January 28, 2010, with respect to the consolidated financial statements of Media General, Inc. as of December 27, 2009, and December 28, 2008, and for each of the three fiscal years in the period ended December 27, 2009, and the effectiveness of internal control over financial reporting of Media General, Inc., for the year ended December 27, 2009 all included in Current Report on Form 8-K dated January 28, 2010.

/s/ Ernst & Young LLP  
Richmond, Virginia  
January 28, 2010

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of Media General, Inc.:

Form S-8 (No. 2-56905),

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Form S-8 (No. 333-57538),

Form S-8 (No. 333-138843),

Form S-8 (No. 333-142769), and

Form S-8 (No. 333-148976);

of our report dated January 28, 2009, except with respect to the matters discussed in Note 12, for which the date is January 28, 2010, with respect to the consolidated financial statements and schedule of Media General, Inc. as of December 28, 2008, and December 30, 2007, and for each of the three fiscal years in the period ended December 28, 2008, and of our report dated January 28, 2009, with respect to the effectiveness of internal control over financial reporting of Media General, Inc. as of December 28, 2008, all included in Current Report on Form 8-K dated January 28, 2010.

/s/ Ernst & Young LLP  
Richmond, Virginia  
January 28, 2010

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## **Report of Management on Media General, Inc.'s Internal Control over Financial Reporting**

Management of Media General, Inc., (the Company) has assessed the Company's internal control over financial reporting as of December 27, 2009, based on criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that as of December 27, 2009, the Company's system of internal control over financial reporting was properly designed and operating effectively based upon the specified criteria.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is comprised of policies, procedures and reports designed to provide reasonable assurance, to the Company's management and board of directors, that the financial reporting and the preparation of financial statements for external purposes has been handled in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that (1) govern records to accurately and fairly reflect the transactions and dispositions of assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable safeguards against or timely detection of material unauthorized acquisition, use or disposition of the Company's assets.

Internal controls over financial reporting may not prevent or detect all misstatements. Additionally, projections as to the effectiveness of controls to future periods are subject to the risk that controls may not continue to operate at their current effectiveness levels due to changes in personnel or in the Company's operating environment.

January 28, 2010

/s/ Marshall N. Morton  
Marshall N. Morton  
President and  
Chief Executive Officer

/s/ John A. Schauss  
John A. Schauss  
Vice President-Finance  
and Chief Financial Officer

/s/ O. Reid Ashe Jr.  
O. Reid Ashe Jr.  
Executive Vice President  
and Chief Operating Officer

## **Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting**

The Board of Directors and Stockholders  
Media General, Inc.

We have audited Media General, Inc.'s internal control over financial reporting as of December 27, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Media General, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Media General, Inc.'s Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Media General, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 27, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Media General, Inc., as of December 27, 2009, and December 28, 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three fiscal years in the period ended December 27, 2009, and our report dated January 28, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Richmond, Virginia  
January 28, 2010

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Media General, Inc.

We have audited the accompanying consolidated balance sheets of Media General, Inc., as of December 27, 2009, and December 28, 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three fiscal years in the period ended December 27, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Media General, Inc., at December 27, 2009, and December 28, 2008, and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended December 27, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Media General, Inc.'s internal control over financial reporting as of December 27, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 28, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Richmond, Virginia  
January 28, 2010

Media General, Inc.

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

	Fiscal Years Ended		
	December 27, 2009	December 28, 2008	December 30, 2007
<b>Revenues</b>			
Publishing	\$ 357,502	\$ 436,870	\$ 524,775
Broadcasting	258,967	322,106	336,479
Digital media and other	41,143	38,399	35,039
Total revenues	<u>657,612</u>	<u>797,375</u>	<u>896,293</u>
<b>Operating costs:</b>			
Employee compensation	300,439	380,434	399,157
Production	154,785	193,034	211,426
Selling, general and administrative	94,031	111,549	124,884
Depreciation and amortization	59,178	71,464	72,998
Goodwill and other asset impairment (Note 2)	84,220	908,701	—
Gain on insurance recovery	(1,915)	(3,250)	(17,604)
Total operating costs	<u>690,738</u>	<u>1,661,932</u>	<u>790,861</u>
Operating income (loss)	<u>(33,126)</u>	<u>(864,557)</u>	<u>105,432</u>
<b>Other income (expense):</b>			
Interest expense	(41,978)	(43,449)	(59,577)
Impairment of and income (loss) on investments	701	(4,419)	(34,825)
Other, net	972	979	1,126
Total other expense	<u>(40,305)</u>	<u>(46,889)</u>	<u>(93,276)</u>
Income (loss) from continuing operations before income taxes	(73,431)	(911,446)	12,156
Income tax expense (benefit)	<u>(28,638)</u>	<u>(288,191)</u>	<u>2,921</u>
Income (loss) from continuing operations	(44,793)	(623,255)	9,235
<b>Discontinued operations:</b>			
Income from discontinued operations (net of income taxes of \$2 in 2009, \$1,727 in 2008 and \$2,207 in 2007)	155	2,701	3,452
Net gain (loss) related to divestiture of discontinued operations (net of income taxes of \$144 in 2009, and income tax benefit of \$5,846 in 2008 and \$722 in 2007)	8,873	(11,300)	(2,000)
Net income (loss)	<u>\$ (35,765)</u>	<u>\$ (631,854)</u>	<u>\$ 10,687</u>
<b>Earnings (loss) per common share:</b>			
Income (loss) from continuing operations	\$ (2.01)	\$ (28.21)	\$ 0.39
Income (loss) from discontinued operations	0.40	(0.39)	0.06
Net income (loss)	<u>\$ (1.61)</u>	<u>\$ (28.60)</u>	<u>\$ 0.45</u>
<b>Earnings (loss) per common share - assuming dilution:</b>			
Income (loss) from continuing operations	\$ (2.01)	\$ (28.21)	\$ 0.39
Income (loss) from discontinued operations	0.40	(0.39)	0.06
Net income (loss)	<u>\$ (1.61)</u>	<u>\$ (28.60)</u>	<u>\$ 0.45</u>

Notes to Consolidated Financial Statements begin on page 10.

Media General, Inc.

**CONSOLIDATED BALANCE SHEETS**

*(In thousands, except shares and per share amounts)*

**ASSETS**

	December 27, 2009	December 28, 2008
<b>Current assets:</b>		
Cash and cash equivalents	\$ 33,232	\$ 7,142
Accounts receivable (less allowance for doubtful accounts 2009 - \$5,371; 2008 - \$5,961)	104,405	102,174
Inventories	6,632	12,035
Other	60,786	38,849
Assets of discontinued operations	—	12,402
Total current assets	<u>205,055</u>	<u>172,602</u>
Other assets	<u>34,177</u>	<u>41,287</u>
<b>Property, plant and equipment, at cost:</b>		
Land	37,362	37,736
Buildings	308,538	312,141
Machinery and equipment	545,050	540,999
Construction in progress	4,191	17,229
Accumulated depreciation	<u>(473,933)</u>	<u>(454,478)</u>
Net property, plant and equipment	<u>421,208</u>	<u>453,627</u>
FCC licenses and other intangibles - net	<u>220,591</u>	<u>245,266</u>
Excess of cost over fair value of net identifiable assets of acquired businesses	<u>355,017</u>	<u>421,470</u>
Total assets	<u><u>\$1,236,048</u></u>	<u><u>\$1,334,252</u></u>

Notes to Consolidated Financial Statements begin on page 10.

## LIABILITIES AND STOCKHOLDERS' EQUITY

	December 27, 2009	December 28, 2008
<b>Current liabilities:</b>		
Accounts payable	\$ 26,398	\$ 41,365
Accrued expenses and other liabilities	72,174	86,291
Liabilities of discontinued operations	—	3,053
Total current liabilities	<u>98,572</u>	<u>130,709</u>
Long-term debt	<u>711,909</u>	<u>730,049</u>
Retirement, post-retirement, and post-employment plans	<u>173,017</u>	<u>251,175</u>
Deferred income taxes	<u>7,233</u>	<u>—</u>
Other liabilities and deferred credits	<u>53,066</u>	<u>67,092</u>
Commitments and contingencies (Note 11)		
<b>Stockholders' equity:</b>		
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 22,241,959 and 22,250,130 shares	111,210	111,251
Class B, authorized 600,000 shares; issued 551,881 shares	2,759	2,759
Additional paid-in capital	24,253	21,934
Accumulated other comprehensive loss:		
Unrealized loss on derivative contracts	(9,691)	(17,927)
Pension and postretirement	(108,012)	(170,212)
Retained earnings	171,732	207,422
Total stockholders' equity	<u>192,251</u>	<u>155,227</u>
Total liabilities and stockholders' equity	<u>\$1,236,048</u>	<u>\$1,334,252</u>

Notes to Consolidated Financial Statements begin on page 10.

Media General, Inc.

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(In thousands, except shares and per share amounts)

	Class A Shares	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
		Class A	Class B				
Balance at December 31, 2006	23,556,472	\$117,782	\$2,780	\$ 55,173	\$ (111,248)	\$ 872,873	\$ 937,360
Net income		—	—	—	—	10,687	10,687
Unrealized loss on equity securities (net of deferred tax benefit of \$912)		—	—	—	(1,600)	—	(1,600)
Reclassification of loss included in net income (net of deferred taxes of \$1,314)		—	—	—	2,306	—	2,306
Unrealized loss on derivative contracts (net of deferred tax benefit of \$1,874)		—	—	—	(3,288)	—	(3,288)
Pension and postretirement (net of deferred taxes of \$21,021)		—	—	—	36,553	—	36,553
Comprehensive income							44,658
Uncertain tax position adoption		—	—	—	—	(4,921)	(4,921)
Cash dividends to shareholders (\$0.92 per share)		—	—	—	—	(21,156)	(21,156)
Exercise of stock options	14,800	74	—	348	—	—	422
Repurchase of common stock	(1,500,000)	(7,500)	—	(41,216)	—	—	(48,716)
Stock-based compensation		—	—	5,649	—	—	5,649
Income tax benefits relating to stock- based compensation		—	—	110	—	—	110
Other	(15,437)	(77)	—	(351)	—	29	(399)
Balance at December 30, 2007	22,055,835	110,279	2,780	19,713	(77,277)	857,512	913,007
Net loss		—	—	—	—	(631,854)	(631,854)
Unrealized loss on derivative contracts (\$0 tax benefit)		—	—	—	(9,510)	—	(9,510)
Pension and postretirement (\$0 tax benefit)		—	—	—	(101,352)	—	(101,352)
Comprehensive loss							(742,716)
Cash dividends to shareholders (\$0.81 per share)		—	—	—	—	(18,510)	(18,510)
Performance accelerated restricted stock	131,333	657	—	(1,602)	—	274	(671)
Stock-based compensation		—	—	5,756	—	—	5,756
Income tax benefits relating to stock- based compensation		—	—	99	—	—	99
Other	62,962	315	(21)	(2,032)	—	—	(1,738)
Balance at December 28, 2008	22,250,130	111,251	2,759	21,934	(188,139)	207,422	155,227
Net loss		—	—	—	—	(35,765)	(35,765)
Unrealized gain on derivative contracts (net of deferred taxes of \$134)		—	—	—	8,236	—	8,236
Pension and postretirement (net of deferred taxes of \$1,011)		—	—	—	62,200	—	62,200
Comprehensive income							34,671
Performance accelerated restricted stock	(55,253)	(276)	—	(333)	—	75	(534)
Stock-based compensation		—	—	2,389	—	—	2,389
Other	47,082	235	—	263	—	—	498
Balance at December 27, 2009	22,241,959	\$111,210	\$2,759	\$ 24,253	\$ (117,703)	\$ 171,732	\$ 192,251

Notes to Consolidated Financial Statements begin on page 10.

Media General, Inc.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Fiscal Years Ended		
	December 27, 2009	December 28, 2008	December 30, 2007
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ (35,765)	\$ (631,854)	\$ 10,687
Adjustments to reconcile net income (loss):			
Depreciation	46,015	51,591	53,109
Amortization	13,177	20,270	25,341
Deferred income taxes	10,948	(272,620)	16,289
Uncertain tax positions	(4,771)	—	—
Impairment of and (income) loss on investments	(701)	4,419	34,825
Goodwill and other asset impairment	84,220	908,701	—
Provision for doubtful accounts	4,087	7,690	5,929
Insurance proceeds related to repair costs	374	—	19,959
Gain on insurance recovery	(1,915)	(3,250)	(17,604)
Net (gain) loss related to divestiture of discontinued operations	(8,873)	11,300	2,000
Change in assets and liabilities:			
Retirement plan contributions	(15,000)	(10,000)	—
Income taxes refundable	(22,587)	(15,855)	(17,518)
Intraperiod tax allocation	(1,145)	—	—
Company owned life insurance (cash surrender value less policy loans)	(1,216)	19,137	(1,110)
Accounts receivable and inventory	(669)	20,710	(3,721)
Accounts payable, accrued expenses and other liabilities	(28,985)	(14,007)	(6,636)
Other, net	(3,416)	2,526	9,279
Net cash provided by operating activities	<u>33,778</u>	<u>98,758</u>	<u>130,829</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(18,453)	(31,517)	(78,142)
Purchases of businesses	—	(23,804)	(2,525)
Proceeds from sales of discontinued operations and investments	17,625	138,302	—
Insurance proceeds related to machinery and equipment	3,120	—	27,841
Distribution from unconsolidated affiliate	—	—	5,000
Collection (funding) of note receivable	5,000	(5,000)	—
Other, net	2,991	5,882	8,245
Net cash provided (used) by investing activities	<u>10,283</u>	<u>83,863</u>	<u>(39,581)</u>
<b>Cash flows from financing activities:</b>			
Increase in debt	215,700	330,000	570,000
Repayment of debt	(233,840)	(497,523)	(588,823)
Stock repurchase	—	—	(48,716)
Debt issuance costs	—	(4,182)	(1,010)
Cash dividends paid	—	(18,510)	(21,156)
Other, net	169	522	743
Net cash used by financing activities	<u>(17,971)</u>	<u>(189,693)</u>	<u>(88,962)</u>
Net increase (decrease) in cash and cash equivalents	26,090	(7,072)	2,286
Cash and cash equivalents at beginning of year	7,142	14,214	11,928
Cash and cash equivalents at end of year	<u>\$ 33,232</u>	<u>\$ 7,142</u>	<u>\$ 14,214</u>

Notes to Consolidated Financial Statements begin on page 10.

Media General, Inc.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **Note 1: Summary of Significant Accounting Policies**

#### ***Fiscal year***

The Company's fiscal year ends on the last Sunday in December. Results for 2009, 2008 and 2007 are for the 52-week periods ended December 27, 2009, December 28, 2008 and December 30, 2007, respectively. The Company has evaluated events occurring subsequent to December 27, 2009 through January 28, 2010 for recognition and/or disclosure in these consolidated financial statements.

#### ***Principles of consolidation***

The accompanying financial statements include the accounts of Media General, Inc., subsidiaries more than 50% owned and certain variable interest entities, from time to time, for which Media General, Inc. is the primary beneficiary (collectively, the Company). All significant intercompany balances and transactions have been eliminated. The equity method of accounting is used for investments in companies in which the Company has significant influence; generally, this represents investments comprising approximately 20 to 50 percent of the voting stock of companies and certain partnership interests.

#### ***Use of estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company re-evaluates its estimates on an ongoing basis. Actual results could differ from those estimates.

#### ***Presentation***

Certain prior-year financial information has been reclassified to conform with the current year's presentation.

#### ***Revenue recognition***

The Company's principal sources of revenue are the sale of advertising in newspapers, the sale of newspapers to individual subscribers and distributors, and the sale of airtime on television stations. The Company also derives revenues from cable and satellite retransmissions of its broadcast programs, as well as from the sale of broadcast equipment and studio design services. In addition, the Company sells advertising on its newspaper and television Web sites and portals, and derives revenues from other online activities, including an online advergaming development firm and an online shopping portal. Advertising revenue is recognized when advertisements are published, aired or displayed, or when related advertising services are rendered. Newspaper advertising contracts, which generally have a term of one year or less, may provide rebates or discounts based upon the volume of advertising purchased during the terms of the contracts. Estimated rebates and discounts are recorded as a reduction of revenue in the period the advertisement is displayed. This requires the Company to make certain estimates regarding future advertising volumes. Estimates are based on various factors including historical experience and advertising sales trends. These estimates are revised as necessary based on actual volume realized. Subscription revenue is recognized on a pro-rata basis over the term of the subscription. Amounts received from customers in advance are deferred until earned. Revenues from fixed price contracts (such as studio design services or advergaming development) are recognized under the percentage of completion method, measured by actual cost incurred to date compared to estimated total costs of each contract. Retransmission revenues from cable and satellite are recognized based on average monthly subscriber counts and contractual rates. Commission revenues from the online shopping portal are recognized upon third-party notification of consumer purchase.

#### ***Cash and cash equivalents***

Cash in excess of current operating needs is invested in various short-term instruments carried at cost that approximates fair value. Those short-term investments having an original maturity of three months or less are classified in the balance sheet as cash equivalents.

#### ***Derivatives***

Derivatives are recognized as either assets or liabilities on the balance sheet at fair value. If a derivative is a hedge, a change in its fair value is either offset against the change in the fair value of the hedged item through earnings,

or recognized in Other Comprehensive Income (OCI) until the hedged item is recognized in earnings. Any difference between the fair value of the hedge and the item being hedged, known as the ineffective portion, is immediately recognized in earnings in the line item "Other, net" during the period of change. For derivative instruments that are designated as cash flow hedges, the effective portion of the change in value of the derivative instrument is reported as a component of the Company's OCI and is reclassified into earnings (interest expense for interest rate swaps and newsprint expense for newsprint swaps) in the same period or periods during which the hedged transaction affects earnings. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in the Company's current earnings during the period of change. Derivative instruments are carried at fair value on the Consolidated Balance Sheets in the applicable line item "Other assets" or "Other liabilities and deferred credits."

#### ***Accounts receivable and concentrations of credit risk***

Media General is a diversified communications company which sells products and services to a wide variety of customers located principally in the southeastern United States. The Company's trade receivables result from the sale of advertising and content within its operating segments. The Company routinely assesses the financial strength of significant customers, and this assessment, combined with the large number and geographic diversity of its customer base, limits its concentration of risk with respect to trade receivables. The Company maintains an allowance for doubtful accounts based on both the aging of accounts at period end and specific reserves for certain customers.

#### ***Inventories***

Inventories consist principally of raw materials (primarily newsprint) and broadcast equipment, and are valued at the lower of cost or market using the specific identification method.

#### ***Self-insurance***

The Company self-insures for certain employee medical and disability income benefits, workers' compensation costs, as well as automobile and general liability claims. The Company's responsibility for workers' compensation and auto and general liability claims is capped at a certain dollar level (generally \$100 thousand to \$500 thousand depending on claim type). Insurance liabilities are calculated on an undiscounted basis based on actual claim data and estimates of incurred but not reported claims. Estimates for projected settlements and incurred but not reported claims are based on development factors, including historical trends and data, provided by a third party.

#### ***Broadcast film rights***

Broadcast film rights consist principally of rights to broadcast syndicated programs, sports and feature films and are stated at the lower of cost or estimated net realizable value. Program rights and the corresponding contractual obligations are recorded as other assets (based upon the expected use in succeeding years) and as other liabilities (in accordance with the payment terms of the contract) in the Consolidated Balance Sheets when programs become available for use. Generally, program rights of one year or less are amortized using the straight-line method; program rights of longer duration are amortized using an accelerated method based on the expected useful life of the program.

#### ***Property and depreciation***

Plant and equipment are depreciated, primarily on a straight-line basis, over the estimated useful lives which are generally 40 years for buildings and range from 3 to 30 years for machinery and equipment. Depreciation deductions are computed by accelerated methods for income tax purposes. Major renovations and improvements and interest cost incurred during the construction period of major additions are capitalized. Expenditures for maintenance, repairs and minor renovations are charged to expense as incurred.

#### ***Intangible and other long-lived assets***

Intangible assets consist of goodwill (which is the excess of purchase price over the net identifiable assets of businesses acquired), FCC licenses, network affiliations, subscriber lists, other broadcast intangibles, intellectual property, and trademarks. Indefinite-lived intangible assets are not amortized, but finite-lived intangibles are amortized using the straight-line method over periods ranging from one to 25 years (see Note 2). Internal use software is amortized on a straight-line basis over its estimated useful life, not to exceed five to seven years.

When indicators of impairment are present, management evaluates the recoverability of long-lived tangible and finite-lived intangible assets by reviewing current and projected profitability using undiscounted cash flows of such

assets. Annually, or more frequently if impairment indicators are present, management evaluates the recoverability of indefinite-lived intangibles using estimated discounted cash flows and market factors to determine fair value.

FCC broadcast licenses are granted for maximum terms of eight years and are subject to renewal upon application to the FCC. The terms of several of the Company's FCC licenses have expired, however the licenses remain in effect until action on the renewal applications has been completed. The Company filed all of its applications for renewal in a timely manner prior to the applicable expiration dates and expects its applications will be approved as the FCC works through its backlog. The Company's network affiliation agreement intangible assets are due for renewal in a weighted-average period of three years. The Company currently expects that it will renew each network affiliation agreement prior to its expiration date. Costs associated with renewing or extending intangible assets are insignificant and are expensed as incurred.

### ***Income taxes***

The Company provides for income taxes using the liability method. The provision for, or benefit from, income taxes includes deferred taxes resulting from temporary differences in income for financial statement and tax purposes. Such temporary differences result primarily from differences in the carrying value of assets and liabilities. Future realization of deferred income tax assets requires sufficient taxable income. Valuation allowances are established when it is estimated that it is "more likely than not" that the deferred tax asset will not be realized. The evaluation prescribed includes the consideration of all available evidence regarding historical operating results including the estimated timing of future reversals of existing taxable temporary differences, estimated future taxable income exclusive of reversing temporary differences and carryforwards, and potential tax planning strategies which may be employed to prevent an operating loss or tax credit carryforward from expiring unused. Once a valuation allowance is established, it is maintained until a change in factual circumstances gives rise to sufficient income of the appropriate character and timing that will allow a partial or full utilization of the deferred tax asset. Any subsequent change in a valuation allowance due to a change in facts concerning the realizability of the deferred tax asset is reported as an increase or decrease in tax expense in the period in which the event or factual change occurs.

### ***Comprehensive income***

The Company's comprehensive income consists of net income, pension and postretirement related adjustments, unrealized gains and losses on certain investments in equity securities (including reclassification adjustments), and changes in the value of derivative contracts as well as the Company's share of Other Comprehensive Income from its investments accounted for under the equity method.

### ***Recent accounting pronouncements***

Effective with the Company's 2009 annual financial statements, the Company began providing expanded disclosures related to its postretirement benefit plan assets. In accordance with the FASB's Accounting Standards Codification (ASC) Topic 715, enhanced disclosures included the following: fair values of each major category of plan assets segregated into appropriate levels as required by ASC Topic 820 (Fair Value Measurement), a description of the types of investment funds used, any concentration of risk in plan assets and additional disclosures regarding investment strategy.

### **Note 2: Intangible Assets and Impairment**

In addition to the annual impairment test, which is performed as of the first day of the fourth quarter, the Company has performed several interim impairment tests during 2008 and 2009 and recorded impairment charges in the second and fourth quarters of 2008 and third quarter of 2009. Due to the continuation of challenging business conditions in the second quarter of 2008 and the market's perception of the value of media company stocks at that time, the Company performed an interim impairment assessment as of June 29, 2008. Business conditions worsened during the fourth quarter of that year, and the market's perception of the value of media company stocks deteriorated further resulting in another interim impairment test as of December 28, 2008. As 2009 progressed, it became clear that the anticipated economic recovery would be delayed, leading the Company to perform a second-quarter interim impairment test, with no impairment indicated. Several developments in the third quarter of 2009 had relevance for purposes of impairment testing. First, at the beginning of the quarter the Company changed its structure from one organized by division (media platform) to one organized primarily by geographic market (see Note 6). At the same time, the Company reallocated goodwill in accordance with the new market structure. Second, the market's perception of

the value of media stocks rose considerably, which contributed to an increase of approximately \$50 million in the estimated fair value of all of the Company's reporting units in total. Third, there were signs of the economy bottoming out. However, continued lackluster consumer spending in the quarter resulted in further ad revenue erosion, and the Company's expectation regarding a recovery in ad spending was delayed into 2010. These factors, together with the more granular testing required by accounting standards as a result of the Company's new reporting structure, resulted in a third-quarter impairment test.

As a result of the testing performed in the third quarter of 2009, the Company recorded non-cash impairment charges related to goodwill totaling approximately \$66 million and FCC licenses, network affiliation and other intangibles of approximately \$18 million. The pretax charge totaled \$84 million and was recorded on the "Goodwill and other asset impairment" line. The associated tax benefit is subject to limitations as discussed more fully in Note 3.

As a result of the testing in 2008, the Company recorded non-cash impairment charges related to goodwill (associated with its publishing operations) of \$512 million, FCC licenses of \$289 million, network affiliation agreements of \$103 million, trade names and other intangibles assets of \$2.2 million, and certain investments (whose impairment was other than temporary) and real estate of \$5.7 million. The pretax charge totaled \$912 million (\$615 million after-tax) and was included on the line items "Goodwill and other asset impairment" and "Impairment of and income (loss) on investments" on the Consolidated Statements of Operations.

For impairment tests, the Company compares the carrying value of the reporting unit or asset tested to its estimated fair value. The fair value is determined using the estimated discounted cash flows expected to be generated by the assets along with, where appropriate, market inputs. 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, newsprint prices, discount rates and market trading multiples for broadcast and newspaper assets.

The Company has recorded pretax cumulative impairment losses related to goodwill approximating \$685 million through December 27, 2009. The following table shows the change in the gross carrying amount and the accumulated amortization for intangible assets and goodwill from December 28, 2008 to December 27, 2009, including the current-year impairment write-down:

<i>(In thousands)</i>	December 28, 2008		Change			December 27, 2009	
	Gross Carrying Amount	Accumulated Amortization	Acquisitions/ Other	Amortization Expense	Impairment Charge <sup>1</sup>	Gross Carrying Amount	Accumulated Amortization
<b>Amortizing intangible assets (including network affiliation, advertiser, programming and subscriber relationships):</b>							
Virginia/Tennessee	\$ 55,326	\$ 41,130		\$ 1,247	\$ —	\$ 55,326	\$ 42,377
Florida	1,055	1,055		—	—	1,055	1,055
Mid-South	84,048	57,483		4,287	—	84,048	61,770
North Carolina	15,347	9,591		504	(3,416)	11,931	10,095
Ohio/Rhode Island	9,157	4,506		358	—	9,157	4,864
Advert. Serv. & Other	6,614	2,581		668	—	6,614	3,249
Total	<u>\$171,547</u>	<u>\$ 116,346</u>		<u>\$ 7,064</u>	<u>\$ (3,416)</u>	<u>\$168,131</u>	<u>\$ 123,410</u>
<b>Indefinite-lived intangible assets:</b>							
<b>Goodwill<sup>2</sup>:</b>							
Virginia/Tennessee	\$104,925		\$ —		\$ (8,200)	\$ 96,725	
Florida	43,123		—		—	43,123	
Mid-South	137,775		(26)		(19,596)	118,153	
North Carolina	43,225		—		(22,329)	20,896	
Ohio/Rhode Island	76,576		—		(15,168)	61,408	
Advert. Serv. & Other	15,846		(126)		(1,008)	14,712	
Total goodwill	421,470		(152)		(66,301)	355,017	
<b>FCC licenses</b>							
Virginia/Tennessee	26,211		—		(6,211)	20,000	
Mid-South	96,945		—		(3,251)	93,694	
North Carolina	28,733		—		(4,733)	24,000	
Ohio/Rhode Island	36,004		—		—	36,004	
Total FCC licenses	187,893		—		(14,195)	173,698	
Other	2,172		—		—	2,172	
Total	<u>\$611,535</u>		<u>\$ (152)</u>		<u>\$ (80,496)</u>	<u>\$530,887</u>	

<sup>1</sup> Additionally, \$308 thousand of certain publishing licenses that were included in Other Assets on the accompanying Consolidated Balance Sheet were written off.

<sup>2</sup> The beginning balance for goodwill by market was based on a fair-value allocation upon adoption of the new structure at the beginning of the third quarter of 2009.

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. Following the Company's most recent impairment test at the beginning of the fourth quarter, approximately 30% of the Company's goodwill and 45% of its FCC licenses were measured at fair value.

After considering the 2009 impairment charge, intangibles amortization expense is projected to be approximately \$6 million in 2010 and 2011, decreasing to \$3 million in 2012, and to \$2 million in 2013 and 2014.

### Note 3: Taxes on Income

The Company's effective tax rate on income (loss) from continuing operations in 2009, 2008, and 2007 was 39%, 32%, and 24%, respectively. A reconciliation of income taxes computed at the federal statutory tax rate to actual income tax expense from continuing operations is as follows:

<i>(In thousands)</i>	2009	2008	2007
Income taxes computed at federal statutory tax rate	\$(25,701)	\$(319,006)	\$ 4,255
Increase (reduction) in income taxes resulting from:			
Impairment writedown of non-deductible goodwill	—	32,956	—
State income taxes, net of federal income tax benefit	(3,102)	(10,687)	513
Increase in deferred tax valuation allowance	6,529	7,527	—
Intraperiod tax allocation	(1,291)	—	—
Change in reserve for uncertain tax positions	(4,771)	—	—
Other	(302)	1,019	(1,847)
Income taxes	\$(28,638)	\$(288,191)	\$ 2,921

As of December 28, 2008, the Company established a valuation allowance against its deferred tax assets of \$47.6 million. The Company evaluates the recoverability of its deferred tax assets each period by considering whether it is more likely than not that all or a portion of the deferred tax assets will not be realized. Due to the 2008 impairment charges, the Company had a cumulative financial reporting loss (when considering the current and two preceding years) and, therefore, under applicable accounting interpretations, could not consider expectations of future income to utilize the deferred tax assets. Other sources of income, such as income available in a carryback period, future reversal of existing temporary differences, or available tax planning strategies were taken into consideration; however, a valuation allowance was deemed necessary. While the Company has continued to make adjustments throughout 2009 to its deferred tax valuation allowance, these same basic considerations regarding the recoverability of deferred tax assets remained essentially in place. At the end of the 2009, the Company's deferred tax asset valuation allowance stood at \$23.9 million. The decrease in the valuation allowance of \$23.7 million was due primarily to a decrease in deferred tax assets as a result of the November 2009 change in tax law that now permits a five-year carryback period for the Company's 2009 net operating loss (NOL), which resulted in an income tax benefit of approximately \$24.6 million.

With the passage of time, the Company will continue to generate additional deferred tax assets and liabilities related to its amortization of acquired intangible assets for tax purposes (e.g., tax amortization is expected to be approximately \$76.9 million in 2010). These long-lived intangible assets are not amortized for financial reporting purposes under accounting standards applicable to accounting for goodwill and other intangible assets. Therefore, the tax amortization in future years will give rise to a temporary difference, and a tax liability (approximately \$30 million in 2010), which will only reverse at the time of a further impairment or ultimate sale of the underlying intangible assets. Due to the uncertain timing of this reversal, the temporary difference cannot be considered as a source of future taxable income for purposes of determining a valuation allowance; therefore, the tax liability cannot be used to offset the deferred tax asset related to the NOL carryforward for tax purposes that will be generated by the same amortization. In accounting literature parlance, this "naked credit" (a deferred tax liability that cannot be used to offset deferred tax assets) will give rise to the need for additional valuation allowance.

Thus, the Company anticipates recording additional deferred tax valuation allowance of approximately \$30 million, \$25 million, and \$23 million in 2010, 2011, and 2012, respectively. This additional valuation allowance will be recorded as a non-cash charge to income tax expense.

The anticipated additional income tax expense for 2010, 2011, 2012 would be altered by an event supporting reversal of a portion or all of the Company's valuation allowance. Examples of such an event include:

- Generation of sufficient income to support the realization of the Company's deferred tax assets
- Additional impairment charges or sales of the underlying intangible assets
- The passage of time coupled with the achievement of positive cumulative financial reporting income (generally interpreted in accounting literature as the current and two preceding years)

The Company did not record a significant temporary difference in 2009 related to the tax amortization of intangible assets due to the \$84 million impairment charge recognized in the third quarter.

Significant components of income taxes from continuing operations are as follows:

<i>(In thousands)</i>	2009	2008	2007
Federal	\$(29,982)	\$ (13,369)	\$(11,303)
State	(4,833)	(2,204)	(2,065)
Current	<u>(34,815)</u>	<u>(15,573)</u>	<u>(13,368)</u>
Federal	4,358	(265,911)	13,432
State	61	(14,234)	2,857
Deferred	<u>4,419</u>	<u>(280,145)</u>	<u>16,289</u>
Valuation allowance	6,529	7,527	—
Change in reserve for uncertain tax positions	(4,771)	—	—
Income taxes	<u>\$(28,638)</u>	<u>\$(288,191)</u>	<u>\$ 2,921</u>

Temporary differences, which gave rise to significant components of the Company's deferred tax liabilities and assets at December 27, 2009, and December 28, 2008, are as follows:

<i>(In thousands)</i>	2009	2008
Deferred tax liabilities:		
Difference between book and tax bases of intangible assets	\$ 2,986	\$ 7,630
Tax over book depreciation	69,666	71,526
Other	674	626
Total deferred tax liabilities	<u>73,326</u>	<u>79,782</u>
Deferred tax assets:		
Employee benefits	(29,952)	(36,688)
Net operating losses	(7,562)	(2,107)
Other comprehensive income items	(58,371)	(84,355)
Other	(962)	(4,270)
Total deferred tax assets	<u>(96,847)</u>	<u>(127,420)</u>
Net deferred tax assets	(23,521)	(47,638)
Valuation allowance*	23,891	47,638
Deferred tax assets included in other current assets	6,863	—
Deferred tax liabilities	<u>\$ 7,233</u>	<u>\$ —</u>

\* The valuation allowance allocated to current assets is \$2.2 million.

The Company paid income taxes of \$.1 million, \$1.6 million and \$6.9 million, respectively, net of refunds in 2009, 2008 and 2007.

The Company adopted an accounting standard related to the uncertainty in income taxes on January 1, 2007 and recognized a net increase of approximately \$4.9 million in the liability for uncertain tax positions, which was accounted for as a reduction of retained earnings, as of January 1, 2007. A reconciliation of the beginning and ending balances of the gross liability for uncertain tax positions is as follows:

<i>(In thousands)</i>	
Balance at December 28, 2008	\$14,971
Additions for tax positions for prior years	665
Reductions for tax positions for prior years	<u>(7,490)</u>
Balance at December 27, 2009	\$ 8,146

The entire balance of the liability for uncertain tax positions would impact the effective rate (net of related asset for uncertain tax positions) if underlying tax positions were sustained or favorably settled. The Company recognizes interest and penalties accrued related to uncertain tax positions in the provision for income taxes. As of December 27, 2009, the liability for uncertain tax positions included approximately \$3.2 million of estimated interest and penalties.

For federal tax purposes, the Company's tax returns have been audited or closed by statute through 2005 and remain subject to audit for years 2006 and beyond. The Company has various state income tax examinations ongoing and at varying stages of completion, but generally its state income tax returns have been audited or closed to audit through 2005.

#### Note 4: Acquisitions, Dispositions and Discontinued Operations

In 2009, the Company sold a small magazine and its related website located in the Virginia/Tennessee Market. It also completed the sale of WCWJ in Jacksonville, Florida, which was the last of five television station divestitures under plans initiated in December 2007. The 2009 divestitures, along with certain post-closing adjustments related to the 2008 sale of the first four television stations, resulted in an after-tax gain of \$8.9 million in 2009. In 2008, the Company completed the sale of the above-mentioned TV stations that were classified as held for sale in three transactions: WTVQ in Lexington, Kentucky; WMBB in Panama City, Florida and KALB/NALB in Alexandria, Louisiana; and WNEG in Toccoa, Georgia. The Company recognized gross proceeds of \$78 million, including working capital adjustments which have all been settled, and an after-tax loss of \$11.3 million in 2008 and \$2 million in 2007 related to these divestitures. With the completion of the divestitures of all five stations, the Company generated proceeds of approximately \$95 million. Depreciation and amortization of the assets for the five stations sold ceased during the first quarter of 2008.

The gains and losses related to these sales are shown on the face of the Consolidated Statements of Operations on the line "Net gain (loss) related to divestiture of discontinued operations (net of income taxes)." The results of these stations and the magazine, and their associated web sites, have been presented as discontinued operations in the accompanying Balance Sheets and the Statements of Operations for all periods presented. Income from discontinued operations in the accompanying Consolidated Statements of Operations for the years ended December 27, 2009, December 28, 2008, and December 30, 2007 included:

<i>(In thousands)</i>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues	\$4,084	\$24,597	\$41,708
Costs and expenses	<u>3,927</u>	<u>20,169</u>	<u>36,049</u>
Income before income taxes	157	4,428	5,659
Income taxes	2	<u>1,727</u>	<u>2,207</u>
Income from discontinued operations	<u>\$ 155</u>	<u>\$ 2,701</u>	<u>\$ 3,452</u>

In 2008, the Company made additions to its Advertising Services operations including: *DealTaker.com*, an online social shopping portal that provides coupons and bargains to its users, and NetInformer, a leading provider of mobile advertising and marketing services. Additionally, the Company purchased a small group of weekly newspapers in South Carolina and *Richmond.com*, a local news and entertainment portal.

**Note 5: Long-Term Debt and Other Financial Instruments**

Long-term debt at December 27, 2009, and December 28, 2008, was as follows:

<i>(In thousands)</i>	2009	2008
Revolving credit facility	\$426,037	\$425,000
Bank term loan facility	285,844	300,000
Bank lines	—	5,000
Capitalized lease	28	49
Long-term debt	<u>\$711,909</u>	<u>\$730,049</u>

The Company has a revolving credit facility as well as a variable bank term loan agreement (together the “Facilities”) both of which mature on June 30, 2011. The Company amended its revolving credit facility and its variable bank term loan agreement in the fourth quarter of 2008. The Company’s debt covenants require the maintenance of an interest coverage ratio and a leverage ratio, as defined. Pursuant to the 2008 amendment, the maximum leverage ratios increased for the fourth quarter of 2008 and the first quarter of 2009; they subsequently reduced slightly for the first three quarters of 2009 and will also be reduced for the first three quarter of 2010 and will remain at a constant level thereafter. These covenants, which involve debt levels, interest expense, and a rolling four-quarter calculation of EBITDA (a measure of cash earnings as defined in the revolving credit agreement), affected the Company’s maximum borrowing capacity allowed by the Facilities (which was approximately \$861 million at December 27, 2009). Because the leverage ratio exceeded certain pre-established levels in 2009, the Company was and remains subject to restrictions on dividends, capital spending, indebtedness, capital leases, and investments under the Facilities. The Company pledged its cash, assets, and the capital stock of its subsidiaries as collateral. Interest rates under the Facilities are based on the London Interbank Offered Rate (LIBOR) plus a margin ranging from .3% to 3.5% (2.75% at December 27, 2009), determined by the Company’s leverage ratio. The Company pays fees (.5% at December 27, 2009) on the entire commitment of the facility at a rate also based on its leverage ratio. As of December 27, 2009, the Company was in compliance with all covenants and expects that the covenants will continue to be met.

Long-term debt maturities during the five years subsequent to December 27, 2009, aggregated \$711.9 million and are due in 2011.

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 were designated as cash flow hedges with notional amounts totaling \$300 million; swaps with notional amounts of \$100 million matured in the third quarter of 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 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 8.4% at December 27, 2009. The following table includes information about the Company’s derivative instruments as of December 27, 2009.

<i>(In thousands)</i>		Fair Value	Amount of Pretax Derivative Gain Recognized in 2009 OCI
<u>Derivatives Designated as Hedging Instruments</u>	<u>Balance Sheet Location</u>		
Interest rate swaps	Other liabilities and deferred credits	\$14,353	\$ 8,370

The table that follows includes information about the carrying values and estimated fair values of the Company's financial instruments at December 27, 2009, and December 28, 2008:

<i>(In thousands)</i>	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Assets:</i>				
Investments				
Trading	\$ 303	\$ 303	\$ 243	\$ 243
<i>Liabilities:</i>				
Long-term debt:				
Revolving credit facility	426,037	413,771	425,000	425,000
Bank term loan facility	285,844	277,614	300,000	300,000
Bank lines	—	—	5,000	5,000
Interest rate swap agreements	14,353	14,353	22,723	22,723

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 long-term debt in the chart above was estimated using discounted cash flow analyses and an estimate of the Company's bank borrowing rate (by reference to publicly traded debt rates as of December 27, 2009) for similar types of borrowings. 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. Under the fair value hierarchy, the Company's trading securities fall under Level 1 (quoted prices in active markets), and its interest rate swaps fall under Level 2 (other observable inputs).

#### **Note 6: Business Segments**

The Company is a diversified communications company located primarily in the southeastern United States. Effective at the beginning of the third quarter of 2009, the Company changed its management structure, shifting from its three-division structure (Publishing, Broadcast, and Interactive Media) to five geographic segments (Virginia/Tennessee, Florida, Mid-South, North Carolina, Ohio/Rhode Island) along with a sixth segment that includes interactive advertising services and certain other operations. This change was undertaken to more closely connect the Company to its customers and non-customers, to accelerate its Web-first strategy, to speed decision-making, and to create and serve new market opportunities. The Company has reclassified the corresponding items of segment information for prior years to conform with its current structure.

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 Web sites that are associated with many of these specialty publications 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. Intercompany sales are primarily accounted for as if the sales were at current market prices and are eliminated in the consolidated financial statements. Certain promotion 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. Goodwill balances of \$421.5 and \$917.5 million for 2008 and 2007, respectively, were included in corporate assets as they were not allocated by market until the adoption of the new structure at the beginning of the third quarter in 2009.

Information by segment is as follows:

<i>(In thousands)</i>	Assets	Capital Expenditures	Revenues	Depreciation and Amortization	Operating Profit (Loss)
<b>2009</b>					
Virginia/Tennessee	\$ 324,528	\$ 4,813	\$199,290	\$ (13,807)	\$ 39,644
Florida	152,264	930	158,232	(8,111)	4,262
Mid-South	387,361	4,677	145,621	(13,426)	21,201
North Carolina	110,031	2,520	78,762	(6,801)	4,719
Ohio/Rhode Island	139,479	1,527	50,613	(3,371)	10,514
Advertising Services and Other	41,618	113	26,683	(884)	4,579
Eliminations	—	—	(1,589)	2	(46)
					<u>84,873</u>
Unallocated amounts:					
Acquisition intangibles amortization	—	—		(7,064)	(7,064)
Corporate	80,767	3,873		(5,716)	(27,067)
	<u>\$1,236,048</u>	<u>\$ 18,453</u>	<u>\$657,612</u>	<u>\$ (59,178)</u>	
Interest expense					(41,978)
Impairment of and income (loss) on investments					701
Gain on insurance recovery					1,915
Goodwill and other asset impairment					(84,220)
Other					(591)
Consolidated loss from continuing operations before income taxes					<u>\$ (73,431)</u>
<b>2008</b>					
Virginia/Tennessee	\$ 240,035	\$ 10,375	\$232,465	\$ (15,244)	\$ 40,609
Florida	110,805	3,641	201,291	(9,905)	(1,467)
Mid-South	277,396	6,442	171,531	(14,836)	24,967
North Carolina	99,989	5,009	105,372	(7,371)	11,642
Ohio/Rhode Island	75,731	623	62,921	(3,869)	13,949
Advertising Services and Other	29,458	220	26,647	(796)	1,495
Eliminations	—	—	(2,852)	10	(1,113)
					<u>90,082</u>
Unallocated amounts:					
Acquisition intangibles amortization	—	—		(13,670)	(13,670)
Corporate	488,436	4,698		(5,783)	(38,504)
Discontinued operations	12,402	509		—	
	<u>\$1,334,252</u>	<u>\$ 31,517</u>	<u>\$797,375</u>	<u>\$ (71,464)</u>	
Interest expense					(43,449)
Impairment of and income (loss) on investments					(4,419)
Gain on insurance recovery					3,250
Goodwill and other asset impairment					(908,701)
Other					3,965
Consolidated loss from continuing operations before income taxes					<u>\$ (911,446)</u>

<i>(In thousands)</i>	Assets	Capital Expenditures	Revenues	Depreciation and Amortization	Operating Profit (Loss)
<b>2007</b>					
Virginia/Tennessee	\$ 246,306	\$ 25,196	\$265,879	\$ (13,043)	\$ 64,683
Florida	102,195	8,865	253,442	(9,381)	30,299
Mid-South	503,475	18,630	180,236	(15,070)	30,252
North Carolina	179,589	5,829	110,308	(6,574)	14,204
Ohio/Rhode Island	182,665	5,336	60,578	(3,799)	10,294
Advertising Services and Other	29,469	795	34,486	(551)	(840)
Eliminations	—	—	(8,636)	31	(1,755)
					<u>147,137</u>
Unallocated amounts:					
Acquisition intangibles amortization	—	—		(17,003)	(17,003)
Corporate	1,120,012	11,460		(7,608)	(39,061)
Discontinued operations	107,355	2,031		—	
	<u>\$2,471,066</u>	<u>\$ 78,142</u>	<u>\$896,293</u>	<u>\$ (72,998)</u>	
Interest expense					(59,577)
Impairment of and income (loss) on investments					(34,825)
Gain on insurance recovery					17,604
Other					(2,119)
Consolidated income from continuing operations before income taxes					<u>\$ 12,156</u>

#### Note 7: Common Stock and Stock Options

Holders of the Class A common stock are entitled to elect 30% of the Board of Directors and, with the holders of Class B common stock, are also entitled to vote on the reservation of shares for stock awards and on certain specified types of major corporate reorganizations or acquisitions. Class B common stock can be converted into Class A common stock on a share-for-share basis at the option of the holder. When a dividend is paid, both classes of common stock receive the same amount per share.

Under the Company's Long-Term Incentive Plan (LTIP), the Company has historically granted stock-based awards to key employees in the form of nonqualified stock options (Non-Qualified Stock Option Plan) and non-vested shares (Performance Accelerated Restricted Stock Plan (PARS)). At the Company's 2006 Annual Meeting, amendments, including one allowing for additional shares to be made available for future awards, were not approved. Consequently, the Company did not grant additional stock options or PARS in 2007. The Company resumed this practice in 2008 after amendments to the LTIP were approved at the 2007 Annual Stockholder Meeting. In the first quarter of 2007, in order to maintain long-term compensation objectives for key employees, the Board adopted the Stock Appreciation Rights (SARs) Plan and approved grants of individual awards thereunder on January 31, 2007.

The LTIP is administered by the Compensation Committee and permits the grant of share options and shares to its employees. At December 27, 2009, a combined 1,308,503 shares remained available for grants of PARS (up to 354,944 shares) and stock options under the LTIP. Grant prices of stock options are equal to the fair market value of the underlying stock on the date of grant. Unless changed by the Compensation Committee, options are exercisable during the continued employment of the optionee but not for a period greater than ten years and not for a period greater than one year after termination of employment; they generally become exercisable at the rate of one-third each year from the date of grant. For awards granted prior to 2006, the optionee may exercise any option in full in the event of death or disability or upon retirement after at least ten years of service with the Company and after attaining age 55. For awards granted in 2006 and thereafter, the optionee must be 63 years of age, with ten years of service, and must be an employee on December 31 of the year of grant in order to be eligible to exercise an award upon retirement. The Company has options for approximately 53,000 shares outstanding under former plans with slightly different exercise terms.

The Company valued stock options granted in 2009 and 2008 using a binomial lattice valuation method. The volatility factor was estimated based on the Company's historical volatility over the contractual term of the options.

The Company also used historical data to derive the option's expected life. The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the date of grant. The dividend yield was predicated on the most current annualized dividend payment and the average stock price over the year prior to the grant date. The key assumptions used to value stock options granted in 2009 and 2008 and the resulting grant date fair values are summarized below:

	<u>2009</u>	<u>2008</u>
Risk-free interest rate	2.30%	3.31%
Dividend yield	2.00%	2.90%
Volatility factor	51.10%	29.00%
Expected life (years)	6.60	6.50
Exercise price	\$ 2.16	\$20.30
Grant date fair value	\$ 0.89	\$04.88

The following is a summary of option activity for the year ended December 27, 2009:

<i>(In thousands, except per share amounts)</i>	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Term (in years)*</u>	<u>Aggregate Intrinsic Value</u>
Outstanding - beginning of year	2,223	\$ 45.88		
Granted	584	2.16		
Forfeited or expired	(446)	46.18		
Outstanding - end of year	<u>2,361</u>	<u>\$ 35.01</u>	<u>6.3</u>	<u>\$ 3,194</u>
Outstanding - end of year less estimated forfeitures	<u>2,309</u>	<u>\$ 35.63</u>	<u>6.2</u>	<u>\$ 2,976</u>
Exercisable - end of year	<u>1,488</u>	<u>\$ 50.19</u>	<u>4.8</u>	<u>\$ 10</u>

\* Excludes 400 options which are exercisable during the lifetime of the optionee and 52,900 options which are exercisable during the continued employment of the optionee and for a three-year period thereafter.

The Company recognized non-cash compensation expense related to stock options of approximately \$.9 million (\$.6 million after-tax), \$3.3 million (\$2.1 million after-tax), and \$3.4 million (\$2.2 million after-tax) for 2009, 2008 and 2007, respectively. As of December 27, 2009, there was \$.9 million of total unrecognized compensation cost related to stock options expected to be recognized over a weighted-average period of approximately 1.3 years.

The Company granted 512,600 SARs with an exercise price of \$40.01 in the first quarter of 2007. Because SARs are settled in cash, the related compensation expense is variable. Due to the decline in the Company's stock price since the grant date, the cumulative compensation expense related to SARs is not material.

Certain executives are eligible for PARS, which vest over a ten-year period. If certain earnings targets are achieved (as defined in the plan), vesting may accelerate to either a three, five or seven year period. The recipient of PARS must remain employed by the Company during the vesting period. PARS are awarded at the fair value of Class A shares on the date of the grant. All restrictions on PARS granted prior to 2001 have been released. The following is a summary of PARS activity for the year ended December 27, 2009:

<i>(In thousands, except per share amounts)</i>	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Nonvested balance - beginning of year	508	\$ 40.42
Restrictions released	(58)	49.48
Forfeited	(35)	35.94
Nonvested balance - end of year	<u>415</u>	<u>\$ 39.52</u>

As of the end of 2009, there was \$6.8 million of total unrecognized compensation cost related to PARS under the LTIP; that cost is expected to be recognized over a weighted-average period of approximately 6 years. The amount recorded as expense in 2009, 2008 and 2007, was \$1.4 million (\$.9 million after-tax), \$2 million (\$1.3 million after-tax), and \$1.8 million (\$1.5 million after-tax), respectively. During 2009, 58,414 PARS with a fair value of \$.1 million had restrictions released upon vesting of the 1999 grant and the retirement of a participant.

The Company has maintained a Supplemental 401(k) Plan (the Plan) for many years which allows certain employees to defer salary and obtain Company match where federal regulations would otherwise limit those amounts. The Company is the primary beneficiary of the variable interest entity that holds the Plan's investments and consolidates the Plan accordingly. With certain 2008 amendments to the Plan, participants will now receive cash payments upon termination of employment, and participants age 55 and above can now choose from a range of investment options including the Company's Class A common stock fund. The Plan's liability to participants (\$1.2 million and \$.4 million at December 27, 2009 and December 28, 2008, respectively) is adjusted to its fair value each reporting period. The Plan's investments (\$.3 million and \$.2 million at December 27, 2009 and December 28, 2008, respectively) other than its Class A common stock fund, are considered trading securities, reported as assets, and are adjusted to fair value each reporting period. Investments in the Class A common stock fund are measured at historical cost and are recorded as a reduction of additional paid-in capital. Consequently, fluctuations in the Company's stock price will have an impact on the Company's net income when the liability is adjusted to fair value and the common stock fund remains at historical cost. The Company recognized an expense of \$.7 million (\$.4 million after-tax) and a benefit of \$1.7 million (\$1.1 million after-tax) in 2009 and 2008, respectively, under the Plan due to the fluctuations in the Company's stock price. The Company suspended the match on the Plan effective April 1, 2009.

Each member of the Board of Directors that is neither an employee nor a former employee of the Company (an Outside Director) participates in the Directors' Deferred Compensation Plan. The plan provides that each Outside Director shall receive half of his or her annual compensation for services to the Board in the form of Deferred Stock Units (DSU); each Outside Director additionally may elect to receive the balance of his or her compensation in either cash, DSU, or a split between cash and DSU. Other than dividend credits (when dividends are declared), deferred stock units do not entitle Outside Directors to any rights due to a holder of common stock. DSU account balances may be settled after the Outside Director's retirement date by a cash lump-sum payment, a single distribution of common stock, or annual installments of either cash or common stock over a period of up to ten years. The Company records expense annually based on the amount of compensation paid to each director as well as recording an adjustment for changes in fair value of DSU. The Company recognized an expense of \$2.5 million (\$1.6 million after-tax) and benefits of \$1 million (\$.6 million after-tax), and \$.5 million (\$.3 million after-tax) in 2009, 2008, and 2007, respectively, under the plan due to the fluctuations in the fair value of DSU.

Because both the Supplemental 401(k) Plan and the Director's Deferred Compensation Plan were designed to align the interest of participants with those of shareholders, fluctuations in stock price have an effect on the expense recognized by the Company. Each \$1 change in the Company's stock price as of December 27, 2009 would have adjusted the Company's pretax income by approximately \$.4 million.

In the second quarter of 2007, the Company entered into an accelerated share repurchase program with an investment bank. Under this program, the investment bank delivered 1.5 million shares of Class A Common Stock to the Company for approximately \$57 million (\$38.10 per share). Those shares were immediately retired and accounted for as a reduction of stockholders' equity. The share repurchase was funded with borrowings under the

Company's existing credit agreements. As part of the transaction, the Company entered into a forward contract with the investment bank. The forward contract was settled in the third quarter of 2007 and included a price adjustment based on the volume weighted-average price of the Company's Class A Common Stock, as defined in the agreement. After this adjustment, the final share repurchase totaled \$48.7 million (\$32.48 per share).

#### Note 8: Retirement Plans

The Company has a funded, qualified non-contributory defined benefit retirement plan which covers substantially all employees hired before January 1, 2007, and non-contributory unfunded supplemental executive retirement and ERISA excess plans which supplement the coverage available to certain executives. The Company also has a retiree medical savings account (established as of the beginning of 2007) which reimburses eligible employees who retire from the Company for certain medical expenses. In addition, the Company has an unfunded plan that provides certain health and life insurance benefits to retired employees who were hired prior to 1992. The previously mentioned plans are collectively referred to as the "Plans." The measurement date for the Plans is the Company's fiscal year end.

In the second quarter of 2009, the Company amended certain of its plans so that future retirement benefits under the retirement, ERISA Excess and Executive Supplemental Retirement plans will now be based on final average earnings as of May 31, 2009. Service accruals under the retirement and ERISA Excess plans ceased at the beginning of 2007 and the retirement plan was closed to new participants at that time, but benefits had been allowed to grow based on future compensation. In the third quarter of 2009, the Company further amended the Executive Supplemental Retirement Plan so that service provided after January 31, 2010 will not increase a participant's benefit. The two plan amendments in 2009 resulted in a net curtailment gain of \$2.0 million and adjusted Other Comprehensive Income (OCI) by approximately \$37 million pretax due to the remeasurement. As a result of these actions, all three plans are effectively frozen. These changes did not affect the benefits of current retirees.

#### Benefit Obligations

The following table provides a reconciliation of the changes in the Plans' benefit obligations for the years ended December 27, 2009, and December 28, 2008:

<i>(In thousands)</i>	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
<b>Change in benefit obligation:</b>				
Benefit obligation at beginning of year	\$417,555	\$408,293	\$41,552	\$47,748
Service cost	596	944	227	415
Interest cost	24,150	26,125	2,500	3,011
Participant contributions	—	—	1,276	1,454
Plan amendments	(2,023)	—	—	—
Actuarial (gain) loss	6,197	258	(89)	(7,008)
Benefit payments, net of subsidy	(19,600)	(18,065)	(5,176)	(4,068)
Curtailments	(36,562)	—	—	—
Benefit obligation at end of year	<u>\$390,313</u>	<u>\$417,555</u>	<u>\$40,290</u>	<u>\$41,552</u>

The accumulated benefit obligation at the end of 2009 and 2008 was \$390 million and \$368 million, respectively. The Company's policy is to fund benefits under the supplemental executive retirement, excess, and all postretirement benefits plans as claims and premiums are paid. As of December 27, 2009, and December 28, 2008, the benefit obligation related to the supplemental executive retirement and ERISA excess plans included in the preceding table was \$42.1 million and \$48.6 million, respectively. The Plans' benefit obligations were determined using the following assumptions:

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Discount rate	6.10%	6.50%	6.10%	6.50%
Compensation increase rate	—	4.00	4.00	4.00

A 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2009 (9.0% for 2008). This rate was assumed to decrease gradually each year to a rate of 5% in 2016 and remain at that level thereafter. These rates have an effect on the amounts reported for the Company's postretirement obligations. A one-percentage point increase or decrease in the assumed health care trend rates would change the Company's accumulated postretirement benefit obligation by approximately \$800 thousand, and the Company's net periodic cost by less than \$60 thousand.

### Plan Assets

The following table provides a reconciliation of the changes in the fair value of the Plans' assets for the years ended December 27, 2009, and December 28, 2008:

<i>(In thousands)</i>	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of year	\$209,049	\$308,408	\$ —	\$ —
Actual return on plan assets	52,789	(93,105)	—	—
Employer contributions	16,825	11,811	4,288	2,963
Participant contributions	—	—	1,276	1,454
Benefit payments	(19,600)	(18,065)	(5,564)	(4,417)
Fair value of plan assets at end of year	<u>\$259,063</u>	<u>\$209,049</u>	<u>\$ —</u>	<u>\$ —</u>

Under the fair value hierarchy, the Company's retirement plan assets fall under Level 1 (quoted prices in active markets) and Level II (other observable inputs). The following table provides the fair value by each major category of plan assets at December 27, 2009:

	Level 1	Level 2
U.S. Small/Mid Cap Equity	\$28,772	\$ —
U.S. Large Cap Equity	56,234	35,798
International/Global Equity	11,898	37,331
Fixed Income	64,106	23,072

The asset allocation for the Company's funded retirement plan at the end of 2009 and 2008, and the asset allocation range for 2010, by asset category, are as follows:

Asset Category	Asset allocation Range	Percentage of Plan Assets at Year End	
	2010	2009	2008
Equity securities	60% - 75%	66%	64%
Fixed income securities	25% - 45%	34%	36%
Total		<u>100%</u>	<u>100%</u>

As plan sponsor of the funded retirement plan, the Company's investment strategy is to achieve a rate of return on the plan's assets that, over the long-term, will fund the plan's benefit payments and will provide for other required amounts in a manner that satisfies all fiduciary responsibilities. A determinant of the plan's returns is the asset allocation policy. The Company's investment policy provides absolute ranges (30-50% U.S. large cap equity, 5-17% U.S. small/mid cap equity, 10-30% international/global equity, 25-45% fixed income, and 0-5% cash) for the plan's long-term asset mix. The Company periodically (at least annually) reviews and rebalances the asset mix if necessary.

The Company also reviews the plan's overall asset allocation to determine the proper balance of securities by market capitalization, value or growth, U.S., international or global, or the addition of other asset classes.

An investment policy is updated frequently and distributed to the investment managers. Periodically, the Company evaluates each investment manager to determine if that manager has performed satisfactorily when compared to the defined objectives, similarly invested portfolios, and specific market indices. The policy contains general guidelines for prohibited transactions such as:

- borrowing of money
- purchase of securities on margin
- short sales
- pledging any securities except loans of securities that are fully-collateralized
- purchase or sale of futures or options for speculation or leverage

Restricted transactions include:

- purchase or sale of commodities, commodity contracts, or illiquid interests in real estate or mortgages
- purchase of illiquid securities such as private placements
- use of various futures and options for hedging or for taking limited risks with a portion of the portfolio's assets

### ***Funded Status***

The following table provides a statement of the funded status of the Plans at December 27, 2009, and December 28, 2008:

<i>(In thousands)</i>	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
<b>Amounts recorded in the balance sheet:</b>				
Current liabilities	\$ (2,119)	\$ (1,735)	\$ (2,957)	\$ (2,652)
Noncurrent liabilities	(129,131)	(206,771)	(37,333)	(38,900)
Net amount recognized	<u>\$(131,250)</u>	<u>\$(208,506)</u>	<u>\$(40,290)</u>	<u>\$(41,552)</u>

The following table provides a reconciliation of the Company's accumulated other comprehensive income prior to any deferred tax effects:

<i>(In thousands)</i>	Pension Benefits			Other Benefits		
	Net actuarial loss	Prior service (credit) cost	Total	Net actuarial gain	Prior service (credit) cost	Total
December 28, 2008	\$ 209,672	\$ (170)	\$209,502	\$ (13,373)	\$ 13,548	\$ 175
Current year change	(62,097)	170	(61,927)	389	(1,721)	(1,332)
December 27, 2009	<u>\$ 147,575</u>	<u>\$ —</u>	<u>\$147,575</u>	<u>\$ (12,984)</u>	<u>\$ 11,827</u>	<u>\$(1,157)</u>

The Company anticipates recognizing \$2 million of actuarial loss and \$1.7 million of prior service cost, both of which are currently in accumulated other comprehensive income, as a component of its net periodic cost in 2010. The Company currently anticipates making contributions of \$15 million to its Retirement Plan in 2010, although only \$6 million of contributions would be required.

### ***Expected Cash Flows***

The following table includes amounts that are expected to be contributed to the Plans by the Company and amounts the Company expects to receive in Medicare subsidy payments. It reflects benefit payments that are made from the Plans' assets as well as those made directly from the Company's assets and includes the participants' share

of the costs, which is funded by participant contributions. The amounts in the table are actuarially determined and reflect the Company's best estimate given its current knowledge; actual amounts could be materially different.

<i>(In thousands)</i>	Pension Benefits	Other Benefits	Medicare Subsidy Receipts
<b>Employer Contributions</b>			
2010 (expectation) to participant benefits	\$ 17,119	\$ 3,046	\$ —
<b>Expected Benefit Payments / Receipts</b>			
2010	20,101	3,443	(397)
2011	21,123	3,694	(401)
2012	22,183	3,751	(405)
2013	23,365	4,092	(412)
2014	24,275	4,420	(411)
2015-2019	133,920	20,230	(2,311)

### Net Periodic Cost

The following table provides the components of net periodic benefit cost for the Plans for fiscal years 2009, 2008, and 2007:

<i>(In thousands)</i>	Pension Benefits			Other Benefits		
	2009	2008	2007	2009	2008	2007
Service cost	\$ 596	\$ 944	\$ 1,096	\$ 227	\$ 415	\$ 491
Interest cost	24,150	26,125	24,995	2,500	3,011	2,943
Expected return on plan assets	(23,682)	(25,898)	(24,808)	—	—	—
Amortization of prior-service (credit) cost	(193)	(53)	(53)	1,721	1,721	1,721
Amortization of net loss (gain)	2,625	5,525	8,296	(1,065)	(377)	(74)
Curtailement gain	(2,000)	—	—	—	—	—
Net periodic benefit cost	<u>\$ 1,496</u>	<u>\$ 6,643</u>	<u>\$ 9,526</u>	<u>\$ 3,383</u>	<u>\$4,770</u>	<u>\$5,081</u>

The net periodic costs for the Company's pension and other benefit plans were determined using the following assumptions:

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Discount rate*	6.64%	6.50%	6.50%	6.50%
Expected return on plan assets	8.25	8.50	—	—
Compensation increase rate	4.00	4.00	4.00	4.00

\* 2009 reflects a blended average discount rate for the initial valuation and two subsequent remeasurements.

The reasonableness of the expected return on the funded retirement plan assets was determined by four separate analyses: 1) review of 10 years of historical data of portfolios with similar asset allocation characteristics done by a third party, 2) analysis of 20 years of historical performance assuming the current portfolio mix and investment manager structure done by a third party, 3) review of the Company's actual portfolio performance over the past 5 years, and 4) projected portfolio performance for 10 years, assuming the plan's asset allocation range, done by a third party. Net periodic costs for 2010 will use a discount rate of 5.75%, and an expected rate of return on plan assets of 8.25%.

The Company also sponsors a 401(k) plan covering substantially all employees under which the Company matches 100% of participant pretax contributions up to a maximum of 5% of the employee's salary. The Company

suspended the match effective April 1, 2009. Eligible account balances may be rolled over from a prior employer's qualified plan. Contributions charged to expense under the plan were \$2.4 million, \$10.3 million, and \$16.4 million (including profit sharing) in 2009, 2008 and 2007, respectively.

**Note 9: Investments**

In the second quarter of 2008, the Company and its two equal partners completed the sale of SP Newsprint Company (SPNC) to White Birch Paper Company. The sale generated proceeds to the Company of approximately \$60 million which were used to reduce debt; associated income taxes approximated \$20 million. In the second quarter of 2009, a small adverse adjustment related to working capital was recognized, and in the third quarter of 2009, a small favorable resolution of a retained liability for an income tax dispute at SPNC was recorded.

In the fourth quarter of 2007, the Company recorded a pretax write-down to its investment in SPNC (in addition to the Company's equity in SPNC's net loss) of \$10.7 million. In 2008, the Company recorded an additional net loss of \$1.6 million based on the estimated fair values of certain post-closing items. These losses were included in the Statement of Operations in the line item "Impairment of and income (loss) on investments."

For the year ended December 30, 2007, SP Newsprint recorded net sales of \$572.1 million, a gross loss of \$.5 million, and a net loss of \$59.9 million; the Company recorded \$20 million as its equity share of the net loss of SPNC in 2007.

The Company purchased approximately 48 thousand tons of newsprint from SPNC in 2009 at market prices, which totaled \$26 million and approximated 83% of the Company's newsprint needs. In 2008 and 2007, the Company purchased approximately 55 thousand and 58 thousand tons, respectively, of newsprint from SPNC which approximated 63% and 56% of the Company's newsprint needs in each of those years and totaled approximately \$31 million and \$30 million in 2008 and 2007, respectively. The Company is committed to purchase a minimum of approximately 42 thousand tons of newsprint in 2010 and 35 thousand tons per year through 2013.

In 2008, the Company wrote off its entire remaining investment of \$1.9 million (which was included as a part of the Company's pretax impairment charge discussed in Note 2) in a company that produces interactive entertainment including games; the Company recovered \$.5 million of its investment in the latter part of 2008. Additionally, the Company carried this investment at fair value and recognized a write-down of \$3.6 million in 2007, to reflect the decrease in fair value due to the extended period the stock price of this publicly traded security was below the Company's carrying value.

## Note 10: Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share from continuing operations as presented in the Consolidated Statements of Operations:

<i>(In thousands, except per share amounts)</i>	2009			2008			2007		
	Loss (Numerator)	Shares (Denominator)	Per Share Amount	Loss (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
<b>Basic and Diluted EPS</b>									
Income (loss) from continuing operations	\$ (44,793)			\$(623,255)			\$ 9,235		
Distributed earnings attributable to participating securities	<u>—</u>			<u>(504)</u>			<u>(421)</u>		
Income (loss) from continuing operations available to common stock-holders	<u>\$ (44,793)</u>	<u>22,245</u>	<u>\$ (2.01)</u>	<u>\$(623,759)</u>	<u>22,113</u>	<u>\$ (28.21)</u>	<u>\$ 8,814</u>	<u>22,656</u>	<u>\$ 0.39</u>

## Note 11: Commitments, Contingencies and Other

### *Broadcast film rights*

Over the next 5 years the Company is committed to purchase approximately \$25 million of program rights that currently are not available for broadcast, including programs not yet produced. If such programs are not produced, the Company's commitment would expire without obligation.

### *Lease obligations*

The Company rents certain facilities and equipment under operating leases. These leases extend for varying periods of time ranging from one year to more than twenty years and in many cases contain renewal options. Total rental expense from continuing operations amounted to \$6.8 million in 2009, \$7.9 million in 2008 and \$8 million in 2007. Minimum rental commitments for continuing operations under operating leases with noncancelable terms in excess of one year are as follows: 2010 – \$6.4 million; 2011 – \$5 million; 2012 – \$3.8 million; 2013 – \$2.1 million; 2014 – \$1.2 million; subsequent years – \$7.8 million.

### *Barter transactions*

The Company engages in barter transactions primarily with its television air time and recognized revenues of \$9.4 million, \$10.3 million and \$10.2 million in 2009, 2008 and 2007, respectively.

### *Interest*

In 2009, 2008 and 2007, the Company's interest expense related to continuing operations was \$42 million (net of \$.2 million capitalized), \$43.4 million (net of \$.2 million capitalized) and \$59.6 million (net of \$1.4 million capitalized), respectively. Interest paid during 2009, 2008 and 2007, net of amounts capitalized, was \$36.3 million, \$41.3 million and \$58.3 million, respectively.

### *Other current assets*

Other current assets included program rights of \$15.4 million at December 27, 2009 and December 28, 2008. Additionally, as of December 27, 2009, the Company had \$27.8 million of refundable income taxes primarily as a result of the tax law change discussed in Note 3.

***Accrued expenses and other current liabilities***

Accrued expenses and other current liabilities consisted of the following:

<i>(In thousands)</i>	2009	2008
Payroll and employee benefits	\$23,472	\$29,280
Unearned revenue	19,431	20,837
Program rights	14,677	14,876
Other	14,594	21,298
Total	<u>\$72,174</u>	<u>\$86,291</u>

### Insurance Recoveries

In the third quarter of 2009, the Company received cash of \$3.5 million related to the collapse of a television tower at WSPA in South Carolina following a storm; a portion of that settlement related to clean-up costs of the site. The Company wrote off the net book value of the destroyed tower totaling \$1.3 million and recorded a gain of \$1.9 million as the insured value of the property exceeded its net book value. In the second quarter of 2007, one of three presses at the Company's Richmond Times-Dispatch printing facility caught fire. In the fourth quarter of 2007, the Company reached a settlement with the insurance company and received cash of \$47.7 million which covered the damaged press as well as the Company's clean-up and repair costs. A portion of that settlement related to repair and clean-up costs in subsequent years. In 2007, the Company wrote off the net book value of the destroyed equipment totaling \$10.2 million and recorded a gain of \$17.6 million as the insured value of the property exceeded its net book value. In 2008, the Company identified a more cost-effective method to clean the equipment and remediate the facility than previously anticipated, and consequently, recorded a pretax gain of \$3.3 million related to the insurance settlement. Gains in all years were recorded on the Statements of Operations in the line item "Gain on insurance recovery."

### Other

The FCC mandated a reallocation of a portion of the broadcast spectrum to others, including Sprint/Nextel. According to the FCC order, broadcasters must surrender their old equipment to prevent interference within a narrowed broadcasting frequency range. In exchange for the relinquished equipment, Sprint/Nextel provided broadcasters with new digital equipment and reimbursed associated out-of-pocket expenses. The Company recorded gains of \$2.6 million in 2009, \$5.2 million in 2008, and \$.9 million in 2007 in the line item "Selling, general and administrative" on the Consolidated Statements of Operations. The Company's television stations have completed the replacement of equipment; the Company does not expect further gains under the program.

### Severance

In an effort to better align its costs with current revenue opportunities, the Company implemented cost-reduction plans which included voluntary and non-voluntary separation programs. These workforce reductions were in response to a general economic downturn, and particularly, to the deep housing-induced recession in the Florida market. As the Company reduced its workforce, severance costs of \$6.6 million, \$10.9 million and \$3 million were included in operating expenses for 2009, 2008 and 2007, respectively. Accrued severance costs are included in "Accrued expenses and other liabilities" on the Consolidated Balance Sheet. Following is a summary of activity in accrued severance for these work-force reductions:

<i>(In thousands)</i>	Virginia/ Tennessee	Florida	Mid- South	North Carolina	Ohio/ Rhode Island	Advertising Services & Other	Corporate	Consolidated
Accrued severance-12/30/2007	\$ 9	\$ 262	\$ —	\$ —	\$ —	\$ 158	\$ —	\$ 429
Severance expense	1,474	4,939	1,445	712	1,124	301	913	10,908
Severance payments	(613)	(3,679)	(359)	(329)	(217)	(238)	(746)	(6,181)
Accrued severance-12/28/2008	<u>870</u>	<u>1,522</u>	<u>1,086</u>	<u>383</u>	<u>907</u>	<u>221</u>	<u>167</u>	<u>5,156</u>
Severance expense	2,623	2,051	389	688	330	334	170	6,585
Severance payments	(3,368)	(3,573)	(1,462)	(1,060)	(1,237)	(536)	(270)	(11,506)
Accrued severance-12/27/2009	<u>\$ 125</u>	<u>\$ —</u>	<u>\$ 13</u>	<u>\$ 11</u>	<u>\$ —</u>	<u>\$ 19</u>	<u>\$ 67</u>	<u>\$ 235</u>

**Part I**  
**Item 1. Business****General**

Media General, Inc. is a leading provider of proprietary local news and information over multiple media platforms in leading small- and mid-size communities throughout the Southeastern United States. The Company owns three metro and 20 community newspapers and 18 network-affiliated broadcast television stations. Each newspaper and television station has a full-service associated web site. The Company's television stations are mostly ranked number one or two in their respective markets, and its newspapers are the number one print brand in virtually all of their respective markets. The Company's Web sites are fast growing and attract new audience and advertisers every year.

Increasingly the Company's online content is accessed by mobile devices, and the Company also pushes news and advertising content to mobile devices on demand. In addition, the Company has been adding new interactive advertising services to its product mix. These include interactive games used by advertisers for branding and promotion and also a Top 15 shopping and coupon Web site called DealTaker.com. The Company owns 200 specialty publications targeted at specific communities of interest and most have an associated Web site.

The Company was founded in 1850 as a newspaper company in Richmond, Virginia and later diversified into broadcast television. The Company has grown through acquisition, mostly by purchasing high-quality, privately-owned local media entities in the Southeast. The Company was incorporated in Virginia and became a public company in 1969. The Company has approximately 4,700 full-time equivalent employees.

The Company's revenues are derived mostly from advertising that is placed with its leading local media platforms that connect its advertisers to the audiences they seek to reach. The Company's business is seasonally the strongest in the holiday-intensive fourth and second quarters.

In 2009, the Company shifted its management structure from a product-based structure to a market-based structure. This change brought all platforms within a given market under the responsibility of a single leader. By eliminating platform-bias in decision making, the Company is accelerating its digital strategy and increasing its speed to market with customer-focused solutions. This capability is critical at a time when technology and customer preferences are constantly and rapidly changing. The Company has also moved aggressively to transform its sales force to focus on all of its platforms in a market, thereby providing a total media solution to advertisers.

**Geographic Operations**

The geographic operations as of December 27, 2009 included publishing, television stations and Web sites in contiguous markets as shown on the following map.

## Media General, Inc. Markets



### Virginia / Tennessee

The Virginia / Tennessee Market consists of eight daily newspapers and two TV stations. For the year ended December 27, 2009, the Virginia / Tennessee region generated approximately \$200 million in revenue and \$ 40 million in operating profit, or 30% and 47% of total company revenue and operating profit, respectively.

### Daily Newspapers:

Daily Newspapers	Market	Circulation (000s)*	
		Daily	Sunday
<i>Richmond Times-Dispatch</i>	Richmond, VA	143	184
<i>The News &amp; Advance</i>	Lynchburg, VA	29	36
<i>Bristol Herald Courier</i>	Bristol, VA	30	33
<i>The Daily Progress</i>	Charlottesville, VA	24	27
<i>Danville Register &amp; Bee</i>	Danville, VA	17	19
<i>News &amp; Messenger</i>	Prince William County, VA	16	15
<i>Culpeper Star-Exponent</i>	Culpeper, VA	7	7
<i>The News Virginian</i>	Waynesboro, VA	6	6
		272	327

\* All Circulation data represents average net paid circulation for the nine-month period ended September 2009.

Television Operations\*\*:

Market	Market Rank	Station	Affiliation	Station Rank	Audience % Share	Expiration Date of
						Primary Network Agreement
Roanoke-Lynchburg, VA	67	WSLS	NBC	3	9%	1/1/2012
Tri-Cities, TN-VA	93	WJHL	CBS	2	14%	12/31/2014

\*\* Source: The Nielsen Company (November 2009)

Florida

The Florida Market consists of three daily newspapers and one TV station. For the year ended December 27, 2009, the Florida region generated \$158 million in revenue and \$4 million in operating profit, or 24% and 5% of total company revenue and operating profit, respectively.

Daily Newspapers:

Daily Newspapers	Market	Circulation (000s)*	
		Daily	Sunday
<i>The Tampa Tribune</i>	Tampa, FL	167	266
<i>Hernando Today</i>	Brooksville, FL	3	3
<i>Highlands Today</i>	Sebring, FL	3	3
		173	272

Television Operations:

Market	Market Rank	Station	Affiliation	Station Rank	Audience % Share	Expiration Date of
						Primary Network Agreement
Tampa, FL	14	WFLA	NBC	2 (Tied)	7%	1/1/2012

Mid-South

The Mid-South Market consists of four daily newspapers and 13 TV stations. For the year ended December 27, 2009, the Mid-South region generated approximately \$146 million in revenue and \$21 million in operating profit, or 22% and 25% of total company revenue and operating profit, respectively.

Daily Newspapers:

Daily Newspapers	Market	Circulation (000s)*	
		Daily	Sunday
<i>Dothan Eagle</i>	Dothan, AL	30	31
<i>Morning News</i>	Florence, SC	26	29
<i>Opelika-Auburn News</i>	Opelika, AL	14	14
<i>Jackson County Floridan</i>	Marianna, FL	5	6
		75	80

*Television Operations:*

Market	Market Rank	Station	Affiliation	Station Rank	Audience % Share	Expiration Date of Primary Network Agreement
Greenville, SC/Spartanburg, SC	36	WSPA	CBS	1	12%	6/30/2015
Ashville, NC	36	WYCW	CW	5 (Tied)	2%	9/17/2011
Birmingham, AL	40	WVTM	NBC	4	5%	1/1/2012
Mobile, AL/Pensacola, FL	60	WKRK	CBS	1 (Tied)	12%	4/2/2015
Jackson, MS	90	WJTV	CBS	1	16%	12/31/2014
Savannah, GA	96	WSAV	NBC	2	9%	1/1/2012
Charleston, SC	97	WCBD	NBC	2	11%	1/1/2012
Myrtle Beach/Florence, SC	104	WBTW	CBS	1	18%	6/30/2015
Augusta, GA	114	WJBF	ABC	2	13%	6/30/2014
Columbus, GA	128	WRBL	CBS	2	10%	3/31/2015
Hattiesburg, MS	167	WHLT	CBS	2	6%	8/31/2015

*North Carolina*

The North Carolina Market consists of five daily newspapers and two TV stations. For the year ended December 27, 2009, the North Carolina region generated \$79 million in revenue and \$5 million in operating profit, or 12% and 6% of total company revenue and operating profit, respectively.

*Daily Newspapers:*

Daily Newspapers	Market	Circulation (000s)*	
		Daily	Sunday
<i>The Winston-Salem Journal</i>	Winston-Salem, NC	70	84
<i>Hickory Daily Record</i>	Hickory, NC	18	21
<i>Statesville Record &amp; Landmark</i>	Statesville, NC	12	15
<i>The News Herald</i>	Morganton, NC	9	10
<i>The McDowell News</i>	Marion, NC	4	—
		113	130

*Television Operations:*

Market	Market Rank	Station	Affiliation	Station Rank	Audience % Share	Expiration Date of Primary Network Agreement
Raleigh-Durham, NC	26	WNCN	NBC	4	4%	1/1/2012
Greenville, NC	103	WNCT	CBS	1	13%	12/31/2014

*Ohio / Rhode Island*

The Ohio / Rhode Island Market consists of two TV stations. For the year ended December 27, 2009, the Ohio / Rhode Island region generated approximately \$51 million in revenue and \$11 million in operating profit, or 8% and 12% of total company revenue and operating profit, respectively.

*Television Operations:*

Market	Market Rank	Station	Affiliation	Station Rank	Audience % Share	Expiration Date of Primary Network Agreement
Columbus, OH	34	WCMH	NBC	3	9%	1/1/2012
Providence/New Bedford, RI	53	WJAR	NBC	1	12%	1/1/2012

## **Advertising Services & Other**

Advertising Services & Other consists of several growing digital media enterprises. The segment focuses on driving audience and revenue growth by serving customers with innovative products in digital media. In April of 2008, the Company acquired *DealTaker.com*, a Dallas-based online social shopping and coupon site, which specializes in driving online shoppers to merchant sites in exchange for a sales-based commission. Also in 2008, the Company acquired NetInformer, a California-based mobile marketing and advertising services provider. The Company owns Blockdot, Inc., a Dallas-based advergame and branded entertainment company, which serves major brands with creative and innovative gaming and messaging solutions. Collectively, these enterprises comprise the Company's Advertising Services Group. The enterprises within the Advertising Services Group compete for revenue associated with advergame production, shopping and coupons, business and mobile marketing and advertising services. Additionally, the Company's Professional Communications Systems operating unit derives revenue from the sale and integration of broadcast equipment to third parties including other broadcasters, corporate and governmental enterprises, and colleges and universities. For the year ended December 27, 2009, the Advertising Services & Other segment generated \$27 million in revenue and \$5 million in operating profit or 4% and 5% of total company revenue and operating profit, respectively.

## **Broadcast Regulation**

Television broadcasters have implemented the transition from analog to digital technology in accordance with a mandated conversion timetable established by the FCC through the Digital Television Transition and Public Safety Act of 2005, as amended in February 2009. Congress amended the Communications Act to establish a deadline subsequently extended to June 12, 2009, for the completion of the transition from analog to digital television broadcasting. As of June 12, 2009, the FCC required all full-power broadcast television stations in the United States to terminate analog service and offer only digital television broadcast service.

All of our stations are broadcasting a digital signal and are operating with final, full post-digital transition facilities. As a result of the digital transition, television broadcast stations can provide mobile digital television. We expect mobile television to increase our viewership and generate additional revenues; however, we are uncertain when this will occur.

On December 18, 2007, the FCC adopted a revised media ownership rule regulating the common ownership of a newspaper and a television station in the same market. The FCC amended the 1975 absolute ban on newspaper/broadcast cross-ownership by adopting waiver standards that would presumptively allow a newspaper to own one television station or one radio station in the 20 largest markets, subject to certain limitations. The amended waiver criteria also presume that all other newspaper/broadcast combinations in all other markets will not be in the public interest, but this presumption can be overcome if the applicant can show, based on criteria prescribed by the FCC, that either media property is "failed" or "failing," or if the transaction will result in a new source of news in the market. These new cross-ownership regulations would liberalize the ban that remained in place as a result of a stay imposed by the United States Court of Appeals for Third Circuit (the "Third Circuit") in 2003. The rules adopted in the FCC's December 18, 2007 order will not become effective until the Third Circuit lifts its present stay. In addition, the FCC announced that it would grant permanent waivers to the existing newspaper/broadcast combinations that were grandfathered in conjunction with adoption of the 1975 rule and certain combinations that involve one newspaper and one broadcast property in the same market. As a result of these actions, the FCC granted or continued permanent waivers to the Company's combined newspaper-television operations in the following television markets: Tampa, Florida; Tri-Cities (Tennessee and Virginia); Myrtle Beach-Florence, South Carolina; and Columbus, Georgia. Some parties sought judicial review of the FCC's December 18, 2007 order modifying its waiver standards and granting the Company's permanent waivers, and that proceeding is now pending before the Third Circuit. Some parties also petitioned the FCC to reconsider its decision to modify the waiver standards and to grant the Company's permanent waivers, and those petitions remain pending at the FCC. Other parties have asked the full FCC to review a decision of the FCC's Media Bureau granting renewals of licenses for these stations on the ground that petitions against these applications raising cross ownership concerns had been mooted by the FCC's decision to grant waivers to these combinations in December 2007. The Company's newspaper-television partnership in Roanoke/Lynchburg/Danville, Virginia does not require an FCC waiver.

Although the Company is gratified that the FCC has provided permanent waivers to the stations operating in four of its convergence markets, the Company will continue to press for cross-ownership relief in all markets, regardless of size.

### **Newspaper and Television Affiliated Web sites**

The Company operates Web sites affiliated with each of its newspapers and television stations. The Web sites feature content complementary, but increasingly more augmentative in nature, to its newspaper and television offerings. Online revenues from these Web sites are derived primarily from local and national advertising, which includes various classified products as well as display and sponsorship advertisements. The Company has been directing additional resources focused on the online-only products available for customers.

### **Strategic Partnerships**

In December 2006, the Company entered into a strategic partnership with Yahoo!, Inc., as a founding member of a groundbreaking national consortium of more than 30 media companies representing more than 800 newspapers. Since then, the Company transitioned the online career sections of its daily newspapers to the Yahoo! HotJobs platform. The Company also integrated search capability and began distributing targeted local content across Yahoo!'s network of sites. The Company has plans to fully roll-out Yahoo!'s state-of-the-art ad serving and management platform, which will provide Media General advertisers with the ability to reach larger audiences with greater targeting opportunities. The Company also works with Zillow, the premier Internet real estate company, in a fashion similar to the Yahoo! partnership. The Company expects both Internet partnerships to drive audience and profitable revenue growth for years to come. Late in 2008, the Company acquired *Richmond.com*, a city portal Web site that serves the Richmond, Virginia, things-to-do, local search and entertainment market.

### **Publishing Raw Materials**

The primary raw material we use in our publishing operations is newsprint, which is purchased at market prices from various Canadian and United States sources, including SPNC, in which we sold our one-third equity interest in the second quarter of 2008. Our publishing operations consumed approximately 84 thousand short tons of newsprint in 2008 of which 55 thousand short tons were purchased from SPNC. We purchased 48 thousand short tons of newsprint from SPNC in 2009. Our management believes that sources of supply under existing arrangements, including a commitment to purchase 42 thousand short tons from SPNC continues to be adequate in 2010. We also are committed to purchase a minimum of approximately 35 thousand tons of newsprint from SPNC in both 2011 and 2012, respectively.

### **Competition**

All of the Company's markets compete for readers', viewers', and users' most precious commodity – time – principally on the basis of content, quality of service and price. From advertising, we derive our revenue. We compete for advertisers in our markets with newspapers published nationally and, sometimes, in nearby cities and towns, with magazines, with radio, broadcast and cable television stations, with the Internet and mobile delivery devices, and with virtually all other promotional media. Many of these sources of competition emanate from outside the geographic boundaries of a particular market and use technologies that are evolving quite rapidly. Our local leading media assets, multimedia strategy and our high performance multimedia sales force are a competitive strength for us in the Southeastern, United States. We believe the longevity of our operations and quality of our products and services have resulted in the Company obtaining consumer confidence in our brands.

**Item 1A. Risk Factors**

The following paragraphs describe several risk factors which are unique to the Company:

***The Company is subject to risks of decreased advertising revenues and potentially adverse effects of emerging technologies.***

The Company's revenue is primarily driven by advertiser spending, which is generally lower in the first and third fiscal quarters as consumer activity slows during those periods. Additionally, advertising revenue for broadcast stations tends to be higher in even-numbered years, when both political and Olympics coverage occurs. The level of advertising revenue across all markets is also dependent on a variety of factors including:

- economic conditions in the Southeast, particularly in Tampa Bay, Florida, Richmond, Virginia, and central North Carolina;
- changes in the makeup of the population in the Company's markets;
- competition from other newspapers, television broadcasters, and Internet sites;
- mergers and bankruptcies of large advertisers;

The Company's revenues are largely derived from publishing enterprises and television stations, which operate in mature businesses. Today's "on demand" culture has shifted consumers' historical newspaper reading and television viewing behaviors, particularly among younger segments of the population. As a result, the Company's revenues are being challenged by new, often-times Internet-based, competitors who have differing business models. The shift in consumer behaviors has the potential to modify the terms and conditions of future television network affiliation agreements. The ongoing economic and credit crises also exacerbate these trends. In addition, these conditions have caused, among other things, a general tightening in the credit markets, limited access to the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, lower consumer and business spending, and lower consumer net worth. The resulting pressure on the labor and retail markets and the downturn in consumer confidence have weakened the economic climate in all of the markets in which the Company does business and have had an adverse effect on the Company's advertising revenues. The Company's future success depends upon its ability to evolve and adapt its publishing and television station operations to this changing business environment. If the Company is unable to do so, the Company's revenues and results of operations may be materially adversely affected.

***A significant change in the price of newsprint will make operating results more volatile.***

Newsprint, the Company's most significant raw material, is a commodity whose price continually responds to supply/demand imbalances. Historically, its price has been quite volatile. Higher newsprint prices have, in the past, provided a net benefit to the Company by virtue of its one-third investment in SPNC. However, as indicated in Item 1 in Exhibit 99.2 of this Form 8-K, with the sale of SPNC in early 2008, the Company is now solely a newsprint consumer. Consequently, effective with that sale, lower newsprint prices in the future benefit the Company's operating results and higher newsprint prices in the future adversely affect the Company's operating results.

***Television broadcasters are highly regulated.***

The ownership, operation and sale of broadcast television stations, including those licensed to the Company, are subject to the jurisdiction of the FCC, which engages in extensive regulation of the broadcasting industry under authority granted by the Communications Act, including authority to promulgate rules and regulations governing broadcasting. The Communications Act requires broadcasters to serve the public interest. Among other things, the

FCC assigns frequency bands; determines stations' locations and operating parameters; issues, renews, revokes and modifies station licenses; regulates and limits changes in ownership or control of station licenses; regulates equipment used by stations; regulates station employment practices; regulates certain program content and commercial matters in children's programming; has the authority to impose penalties for violations of its rules or the Communications Act; and imposes annual fees on stations. Reference should be made to the Communications Act, as well as to the FCC's rules, public notices and rulings for further information concerning the nature and extent of federal regulation of broadcast television stations.

Congress and the FCC have under consideration, and in the future may adopt, new laws, regulations and policies regarding a wide variety of matters that could affect, directly or indirectly, the operation, ownership transferability and profitability of the Company's television stations and affect the ability of the Company to acquire additional stations. In addition to the matters noted above, these include, for example, spectrum use fees, reallocation of portions of the television broadcast spectrum to other uses or reductions in the amount of spectrum allotted to television stations; restrictions on the ability of same-market television stations to engage in shared services, joint sales, or other cooperative arrangements to reduce operating costs, political advertising rates, potential restrictions on the advertising of certain products (such as alcoholic beverages), program content, increased fines for rule violations and ownership rule changes. Other matters that could potentially affect the Company's television stations include technological innovations and developments generally affecting competition in the mass communications industry for viewers or advertisers, such as home video recorders and players, satellite radio and television services, cable television systems, newspapers, outdoor advertising, and Internet delivered video programming services.

The FCC adopted a new waiver standard to its newspaper/broadcast ownership rule in December 2007. Nevertheless, uncertainty about media ownership regulations and adverse economic conditions may continue to dampen the acquisition market until the courts have had an opportunity to review the FCC's recent action and, perhaps, until Congress considers whether it wishes to take any further action in this area.

Additionally, a rejection or reconsideration of license renewals and waivers by the FCC could have a material, adverse effect on the Company's business. Some parties have requested that the FCC reconsider its decision to grant waivers to the Company's newspaper television combinations in Columbus, Georgia; Florence – Myrtle Beach, South Carolina; and Tri-Cities (Tennessee and Virginia). Other parties have asked the full FCC to review a decision of the FCC's Media Bureau granting renewals of licenses for these stations on the ground that petitions against these applications raising cross ownership concerns had been mooted by the FCC's decision to grant waivers to these combinations in December 2007. Typically, the FCC begins processing renewal applications over the last month of the renewal term. Since the television license renewal cycle commenced in June 2004, however, the FCC has held up almost all television renewal applications filed by affiliates of the major networks pending FCC disposition of a backlog of indecency and other complaints against the networks' programming. The Company filed all of its applications for renewal in a timely manner prior to the applicable expiration dates and expects its applications will be approved as the FCC works through its backlog. In these circumstances, the Communications act provides that the Company may continue to operate under its broadcast licenses pending final action on its renewal applications.

The Company strongly supports the complete elimination of all newspaper/broadcast cross-ownership restrictions. The FCC's recent modification of the cross-ownership rule could contribute generally to increased realignments of media entities and the convergence of various types of media. The opportunity for realignments and convergence may benefit the Company but, as other companies also may realign their properties, regulatory changes also could increase competition in the Company's markets and could adversely affect the Company's future operating results.

The television broadcast industry recently completed the mandated transition to an advanced digital television (“DTV”) transmission system. DTV transmissions deliver improved video and audio signals including high definition television and have substantial multiplexing and data transmission capabilities. All television broadcasters were required to cease analog broadcasting by June 12, 2009. The conversion of the Company’s stations from the analog broadcast format to the digital broadcast format has been expensive. All of the Company’s television stations are broadcasting a digital signal and are operating with final full post-digital transition facilities.

***The Company’s operating results are dependent in part on the success of programming aired by the Company’s television stations, which depends in part upon factors beyond the Company’s control.***

The Company’s advertising revenues are dependent in part on the success of the Company’s local, network and syndicated programming. The Company makes significant commitments to acquire rights to television programs under multi-year agreements. The success of such programs is dependent partly upon unpredictable factors such as audience preferences, competing programming, and the availability of other entertainment activities. If a particular program is not popular in relation to its costs, the Company may not be able to sell enough advertising to cover the costs of the program. In some instances, the Company may have to replace or cancel programs before their costs have been fully amortized, resulting in write-offs that increase operating costs.

In addition, FCC rules affect the network-affiliate relationship. Among other things, these rules require network affiliation agreements to (i) prohibit networks from requiring affiliates to clear time previously schedule for other use, (ii) permit an affiliate to preempt network programs it believes are unsuitable for its audience, and (iii) permit affiliates to substitute programs believed to be of greater local or national importance than network programming. In 2008, the FCC resolved a petition to review certain of these rules by clarifying its limitations on the extent to which the networks can exert control over the operations of their affiliates.

Furthermore, the non-renewal or termination of a network affiliation agreement or a change in network affiliations could have a material adverse effect on the Company. In return for network programming, the Company’s stations broadcast network-inserted commercials during that programming and, in some cases, receive cash payments from networks, and in other cases, the Company makes cash payments to certain networks. The Company’s major network affiliation agreements will be renegotiated in the next few years, beginning with the Company’s NBC agreement that expires at the beginning of 2012. At this time, the Company cannot predict the final outcome of future negotiations for those affiliation agreements or for any others and what impact, if any, they may have on the Company’s financial condition and results of operations. Some of the networks with which the Company’s stations are affiliated may require the Company, upon renewal of affiliation agreements, to reduce or eliminate network compensation and, in specific cases, to make cash payments to the network, and to accept other material modifications of existing affiliation agreements. Consequently, not all of the Company’s affiliation agreements may remain in place and each network may decline to continue to provide programming or compensation to the Company’s stations on the same basis as it currently provides. If any of the Company’s stations cease to maintain affiliation agreements with networks for any reason, the Company would need to find alternative sources of programming, which may be less attractive and more expensive.

A change in network affiliation in a given television market may have many short-term and long-term consequences, depending upon the circumstances surrounding the change. Potential short-term consequences include: a) increased marketing costs and increased internal operating costs, which can vary widely depending on the amount of marketing required to educate the audience regarding the change and to maintain the station's viewing audience; b) short term loss of market share or slower market growth due to advertiser uncertainty about the switch; c) costs of building a new or larger news operation; d) other increases in station programming costs, if necessary; and 3) the cost of equipment needed to conform the station's programming, equipment and logos to the new network affiliation. Long-term consequences are more difficult to assess, due to the cyclical nature of each of the major networks' share of the audience that changes from year-to-year with programs coming to the end of their production cycle, and the audience acceptance of new programs in the future and the fact that national network audience ratings are not necessarily indicative of how a network's programming is accepted in an individual market. The circumstances that may surround a network affiliation switch cause uncertainty as to the actual costs that will be incurred by the Company and, if these costs are significant, the switch could have a material adverse impact on the income the Company derives from the affected station.

In addition, syndication agreements are licenses to broadcast programs that are produced by production companies. Such programming can form a significant component of a station's programming schedule. Syndication agreements are subject to cancellation, which may affect a station's programming schedule, and the Company cannot be certain that the Company will continue to be able to acquire rights to syndicated programs once the Company's current contracts for these programs end.

***If the Company is unable to secure or maintain carriage of its television stations' signals over cable, telco video, and/or direct broadcast satellite systems, the Company's television stations may not be able to compete effectively.***

Pursuant to FCC rules, local television stations may elect every three years to either (1) require cable and/or direct broadcast satellite operators to carry the stations' signals or (2) enter into retransmission consent negotiations for carriage. Failure to reach timely retransmission consent agreements with the relevant operators may harm the Company's business. There is no assurance that we will be able to agree on terms acceptable to us, which could lead to reduction in our revenue from cable and satellite retransmission consent agreements. If we are unable to reach retransmission consent agreements with cable companies, satellite providers, and telecommunication providers for the carriage of our stations' signals, we could lose revenues and audience share. In addition, certain of the networks with which we are affiliated may attempt to require us to share revenue from retransmission consent agreements with them as part of renewing expiring affiliation agreements or pursuant to certain rights contained in existing affiliation agreements.

***The Company's pension and postretirement benefit plans are currently underfunded. A declining stock market and lower interest rates could affect the value of its retirement plan assets and increase the Company's postretirement obligations.***

The Company has a qualified non-contributory defined benefit retirement plan which as of December 27, 2009, was underfunded in the amount equal to \$131 million which covers substantially all employees hired before January 1, 2007, and non-contributory unfunded supplemental executive retirement and ERISA excess plans which supplement the coverage available to certain executives. There is also an unfunded plan that provides certain health and life insurance benefits to retired employees who were hired prior to 1992 and a retirement

medical savings account established as of January 1, 2007. Although the Company has frozen benefits under these plans, two significant elements in determining pension expense are the expected return on plan assets and the discount rate used in projecting obligations. Large declines in the stock market such as those seen in 2008 and lower rates of return could increase the Company's expense and cause additional cash contributions to the pension plan.

***The Company may experience lost advertising, damaged property and increased expense due to natural disasters.***

Due to the Company's concentration in the Southeast United States, the Company's operations are particularly susceptible to tropical storms, tornados and hurricanes. These storms can cause lost advertising revenue and higher expenses if either the Company's geographic markets are threatened or are directly in the path of the storms. Additionally, the Company's property could experience severe damage in the event of a major storm.

***Further impairment of the value of the Company's intangible assets is possible, depending on the value of its stock and future operating results.***

Although the Company has written down its intangible assets (including goodwill) by more than \$900 million in 2008 and \$80 million in 2009, further impairment charges are possible. The Company periodically evaluates its intangible assets to determine if their carrying values are recoverable. Factors which influence the evaluation include the Company's stock price and its expected future operating results. If the carrying value is no longer deemed to be recoverable, a charge to earnings may be necessary. Although those charges are non-cash in nature and do not affect the Company's operations, they could affect future reported results of operations and reduce the Company's stockholders' equity.

**Item 2. Properties**

The headquarters buildings of Media General, Inc., and the *Richmond Times-Dispatch* are owned by the Company and are adjacent to one another in Richmond, Virginia. The Company owns a third adjacent building which houses the Advertising Services & Other segment along with certain operations and support management. The Richmond newspaper is printed at a production and distribution facility in Hanover County, Virginia, near Richmond. The Company owns nine community newspapers in Virginia; these newspapers are printed in four production facilities in Virginia and distributed from facilities in or around their respective cities. Two of the Company's 18 television stations are located in the Virginia/Tennessee market.

The Company's broadcast television station, WFLA-TV in Tampa, Florida, owns its headquarters and studio building; this building adjoins *The Tampa Tribune* production plant and office building. This structure also serves as a multimedia news center where efforts are combined and information is shared among *The Tampa Tribune*, WFLA-TV and *TBO.com*. The headquarters of the Company's Brooksville and Sebring, Florida, daily newspapers are located on leased property in their respective cities.

In North Carolina, the Winston-Salem newspaper is headquartered in one facility in downtown Winston-Salem; its newspaper is printed at a nearby production and distribution facility. Six daily newspapers in North Carolina are printed at the two production facilities in North Carolina and distributed from facilities located in or around their respective cities. Additionally, two television stations are located in the North Carolina market.

The remaining four daily newspapers are in the Mid-South market, two are located in Alabama one just across the state line in Florida, and one in South Carolina. The Mid-South market has three production facilities, two in Alabama and one in South Carolina. A majority (11) of the Company's television stations are located in the Mid-South market of South Carolina, Georgia, Alabama and Mississippi; and the remaining two television stations are located in the Ohio/Rhode Island market.

Substantially all of the television stations are located on land owned by the Company. Eleven stations own their tower and the land, two stations own their tower but lease the land, four stations participate in 50/50 partnerships that own both the tower and the land or own the tower but lease the land, and two stations lease space on towers. The Company owns substantially all of its newspaper production equipment, production buildings and the land where these production facilities reside.

Advertising Services & Other leases space in Dallas, Texas for its advergaming operations, in Plano, Texas for its online social shopping and coupon business, and in San Ramon, California for its mobile business.

The Company considers all of its properties, together with the related machinery and equipment contained therein, to be well maintained, in good operating condition, and adequate for its present needs. The Company has pledged its assets as collateral under the current debt agreements. The Company continually evaluates future needs and from time-to-time will undertake significant projects to replace or upgrade facilities. New facilities in Bristol, Virginia and Opelika, Alabama were put in service in 2006. New facilities in Lynchburg, Virginia and Myrtle Beach, South Carolina were completed in 2008.

**PART II****Item 6. Selected Financial Data**

Certain of the following data were compiled from the consolidated financial statements of Media General, Inc., and should be read in conjunction with those statements (Exhibit 99.7 of this Form 8-K) and Management's Discussion and Analysis (Exhibit 99.6 of this Form 8-K).

<i>(In thousands, except per share amounts)</i>	2008	2007	2006	2005	2004
<b>Summary of Operations</b>					
Operating revenues <sup>(a) (c)</sup>	\$ 797,375	\$ 896,293	\$ 929,216	\$ 824,294	\$ 805,154
Income (loss) from continuing operations <sup>(d)</sup>	\$ (623,255)	\$ 9,235	\$ 62,136	\$ 77,991	\$ 73,358
Net income (loss) <sup>(b) (c) (d)</sup>	\$ (631,854)	\$ 10,687	\$ 79,042	\$ (243,042)	\$ 80,185
<b>Per Share Data:</b> <sup>(a) (b) (c) (d)</sup>					
Income (loss) from continuing operations	\$ (28.21)	\$ 0.39	\$ 2.56	\$ 3.30	\$ 3.09
Income (loss) from discontinued operations	(0.39)	0.06	0.72	0.19	0.29
Cumulative effect of change in accounting principle	—	—	—	(13.83)	—
Net income (loss)	\$ (28.60)	\$ 0.45	\$ 3.28	\$ (10.34)	\$ 3.38
<b>Per Share Data – assuming dilution:</b> <sup>(a) (b) (c) (d)</sup>					
Income (loss) from continuing operations	\$ (28.21)	\$ 0.39	\$ 2.56	\$ 3.28	\$ 3.07
Income (loss) from discontinued operations	(0.39)	0.06	0.72	0.19	0.29
Cumulative effect of change in accounting principle	—	—	—	(13.76)	—
Net income (loss)	\$ (28.60)	\$ 0.45	\$ 3.28	\$ (10.29)	\$ 3.36
<b>Other Financial Data:</b>					
Total assets <sup>(a) (d)</sup>	\$1,334,252	\$2,471,066	\$2,505,228	\$1,975,354	\$2,480,335
Working capital (excluding discontinued assets and liabilities) <sup>(a) (c)</sup>	32,544	72,099	65,684	61,041	33,086
Capital expenditures	31,517	78,142	93,896	74,424	37,835
Total debt	730,049	897,572	916,320	485,304	533,280
Cash dividends per share	0.81	0.92	0.88	0.84	0.80

<sup>(a)</sup> In the third quarter of 2006, the Company acquired WNCN in Raleigh, North Carolina, WCMH in Columbus, Ohio, WJAR in Providence, Rhode Island and WVTM in Birmingham, Alabama.

<sup>(b)</sup> Includes the recognition in the first quarter of 2005 of a charge, related to using the direct method to revalue FCC licenses, of \$325.5 million (net of a tax benefit of \$190.7 million) as the cumulative effect of a change in accounting principle resulting from applying Goodwill accounting.

<sup>(c)</sup> In the third quarter of 2009, the Company sold a small magazine in the Virginia/Tennessee market. In 2008, the Company completed the sales of WTVQ in Lexington, Kentucky, WMBB in Panama City, Florida, KALB/NALB in Alexandria, Louisiana, and WNEG in Toccoa, Georgia. In the first quarter of 2008 and in the fourth quarter of 2007, the Company recorded after-tax losses of \$11.3 million and \$2 million, respectively, related to these divestitures. Additionally, the Company subsequently sold WCWJ in Jacksonville, Florida, in April 2009 and recorded an after-tax gain of \$4.8 million on the divestiture. In the second half of 2006, the Company sold KWCH in Wichita, Kansas (including that station's three satellites), WIAT in Birmingham, Alabama, WDEF in Chattanooga, Tennessee, and KIMT in Mason City, Iowa. The Company reported a gain of \$11 million (net of income taxes of \$6.7 million). The results of these stations (including WCWJ), the magazine and their associated websites have been presented as discontinued operations for all periods presented.

<sup>(d)</sup> In 2008, the Company recorded non-cash impairment charges totaling \$912 million (\$615 million after tax) related primarily to its intangible assets.

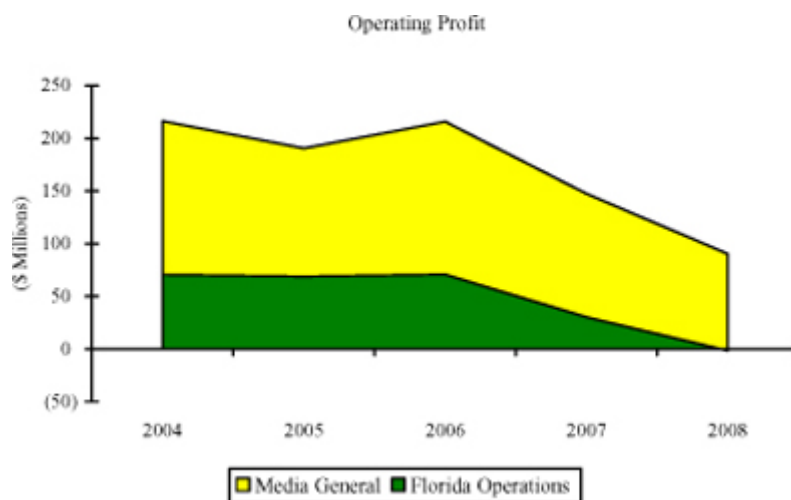
**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This discussion addresses the principal factors affecting the Company's financial condition and operations during the past three years and should be read in conjunction with the consolidated financial statements and the Five-Year Financial Summary found in Exhibit 99.7 and Exhibit 99.5 of this Form 8-K, respectively.

**OVERVIEW**

The Company is a diversified communications company located primarily in the southeastern United States. Its mission is to be the leading provider of high-quality news, information and entertainment in the Southeast by continually building its position of strength in strategically located markets. The Company 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 cultivating the expanding role of online media. Effective at the beginning of the third quarter of 2009, the Company changed its management structure, shifting from its three-division structure (Publishing, Broadcast, and Interactive Media) to five geographic segments (Virginia/Tennessee, Florida, Mid-South (South Carolina/Georgia/Alabama/Mississippi), North Carolina, Ohio/Rhode Island) along with a sixth segment that includes interactive advertising services and certain other operations. This was done to more closely connect the Company to its customers and non-customers, to accelerate its Web-First strategy, to speed decision-making, and to create and serve new market opportunities. The Company's three metro, 20 community newspapers and more than 200 weekly newspapers and other targeted publications, as well as 18 network-affiliated broadcast television stations and all related web sites are managed in the geographic region they serve. The Advertising Services & Other Segment primarily consists of the Company's three growing interactive advertising services companies and certain other operations including a broadcast equipment and studio design company.

While the signs of a weakening economy were noticeable toward the end of 2006 and more pronounced throughout the following year, 2008 ushered in nearly unprecedented economic turmoil. Most companies, and particularly those in the media industry, were directly impacted by the adverse effects on consumer confidence and consequential lower advertiser spending levels. The Company's Florida Market (which include The Tampa Tribune, WFLA-TV, and *TBO.com*) was the first of the Company's markets to be materially impacted, as a housing-induced recession in Florida which began in late 2006 served as an indicator of what was to follow throughout the country; unfortunately, many of the Company's other markets are following similar paths. The following chart illustrates the sharp drop in operating profits at the Company's Florida Market in the later part of 2006 and throughout 2007, culminating with a small operating loss by the close of 2008. Unfavorable market conditions in the Tampa Bay region in 2008 and 2007 were amplified because they followed several years of booming growth in that area. Prior to 2006, the Florida Market contributed meaningfully to the Company's year-over-year rise in operating profits; however, beginning in late 2006, it was responsible for a sizeable portion of the decline in operating profits.



Advertising sales comprise the main source of the Company’s revenue. The distribution of advertising revenues in the United States continues to shift among numerous established media, as well as many new entrants, resulting in increased competition. The Company recognizes the impending challenges facing its geographic regions, not only from Internet competition, but also from structural changes in industries that have historically been major purchasers of print advertising, from a floundering economy punctuated by a sharp downturn in Florida’s economy, and from an upcoming odd-numbered year which translates into the absence of Political and Olympic advertising for the television operations. The Company itself can do little to influence the weak economy or change the cyclical nature of odd-numbered years, but it has made strategic plans to capitalize on the expansion of Web-based advertising. While the pace and intensity of a shift away from traditional print advertising remains a concern, the Internet and all of its potential presents tremendous opportunity. Maximizing this potential is a key strategy of all of the Company’s geographic markets.

The Company has created a “Web-First” approach to news reporting which provides an immediate platform for breaking news and positions the digital media in each of its geographies for strong long-term growth. Additionally, the Company continues to focus on cultivating key partnership opportunities with established online presences such as Yahoo!, on creating ways to grow revenues through niche publications (by expanding and building upon the success of its over 200 weekly newspapers and targeted publications), and on facilitating the success of its interactive advertising services companies which represent a valuable and expanding source of revenues.

**ACQUISITIONS AND DISPOSITIONS**

In 2007, several plans were set in motion which allowed for a substantial reduction in debt in 2008, a renewed focus on the Company’s core business as a pure media company, and a heightened focus on the expanding role of interactive media service companies. In 2008, the

Company purchased *Dealtaker.com*, an online social shopping portal that provides coupons and bargains to its users, and NetInformer, a leading provider of mobile advertising and marketing services. Additionally, the Company sold its one-third ownership stake in SP Newsprint Company to White Birch Paper Company. That sale substantially reduced the earnings volatility the Company experienced in recent years due to the highly cyclical nature of newsprint prices. Additionally, the Company sold four TV stations and their associated websites in three transactions in 2008 including WTVQ in Lexington, Kentucky, WMBB in Panama City, Florida, KALB/NALB in Alexandria, Louisiana, and WNEG in Toccoa, Georgia. The Company also completed the sale of WCWJ in Jacksonville, Florida, in the second quarter of 2009. Primarily as a result of proceeds generated from these divestitures, long-term debt was reduced by more than \$165 million in 2008. The sale of WCWJ resulted in a reduction of approximately \$16 million in long-term debt in 2009.

In 2006, the Company acquired four NBC owned and operated television stations and disposed of several CBS stations in markets which were not strategically aligned with the Company's vision. The stations acquired included WNCN in Raleigh, North Carolina, WCMH in Columbus, Ohio, WVTM in Birmingham, Alabama, and WJAR in Providence, Rhode Island. This acquisition expanded the Company's southeastern footprint to include the key Raleigh-Durham market. The divested stations included KWCH in Wichita, Kansas (including that station's three satellites), WIAT in Birmingham, Alabama (as agreed upon when granted FCC approval for the purchase of WVTM in Birmingham), WDEF in Chattanooga, Tennessee, and KIMT in Mason City, Iowa.

### **CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in accordance with generally accepted accounting principles in the United States (GAAP) requires that management make various estimates and assumptions that have an impact on the assets, liabilities, revenues, and expenses reported. The Company considers an accounting estimate to be critical if that estimate requires assumptions be made about matters that were uncertain at the time the accounting estimate was made, and if changes in the estimate (which are reasonably likely to occur from period to period) would have a material impact on the Company's financial condition or results of operations. The Audit Committee of the Board of Directors has reviewed the development, selection and disclosure of these critical accounting estimates. While actual results could differ from accounting estimates, the Company's most critical accounting estimates and assumptions are in the following areas:

#### **Intangible assets**

The Company reviews the carrying values of both goodwill and other identified intangible assets, including FCC licenses, in the fourth quarter each year, or earlier if events indicate impairment may have arisen, utilizing discounted cash flow models and market-based models. The preparation of the discounted cash flow models requires significant management judgment with respect to revenue growth, compensation levels, newsprint prices, discount rates and market trading multiples for broadcast and newspaper assets. The preparation of the market-based models requires the collection of estimated peer company data as to revenues and EBITDA, as well as an assessment of enterprise values by looking at stock prices and debt levels. These key assumptions for both the discounted cash flow and market-based models work in concert with one another. Changes to one variable may necessitate changes to other variables. Challenging business conditions and the market's perception of the value of media company stocks prompted the Company to perform an interim impairment test as of the end of the second quarter in 2008 that resulted in an impairment charge in that quarter. The Company performed its annual impairment test at the beginning of the fourth quarter of 2008 with no additional impairment

indicated. However, business conditions worsened during the fourth quarter, and the market's perception of the value of media company stocks deteriorated further resulting in both another interim impairment test and the recognition of additional impairment as of December 28, 2008.

As 2009 progressed, it became clear that the anticipated economic recovery would be delayed, leading the Company to perform a second-quarter 2009 interim impairment test, with no impairment indicated. Several developments in the third quarter of 2009 had relevance for purposes of impairment testing. First, at the beginning of the quarter the Company changed its structure from one organized by division (media platform) to one organized primarily by geographic market (see Note 6 to the Financial Statements in Exhibit 99.7 of this Form 8-K). At the same time, the Company reallocated goodwill in accordance with the new market structure. Second, the market's perception of the value of media stocks rose considerably, which contributed to an increase of approximately \$50 million in the estimated fair value of all of the Company's reporting units in total. Third, there were signs of the economy bottoming out. However, continued lackluster consumer spending in the quarter resulted in further ad revenue erosion, and the Company's expectation regarding a recovery in ad spending was delayed into 2010. These factors, together with the more granular testing required by accounting standards as a result of the Company's new reporting structure, resulted in the recognition of additional impairment from the third-quarter 2009 impairment test. As a result of the testing performed in the third quarter of 2009, the Company recorded non-cash impairment charges related to goodwill totaling approximately \$66 million and FCC licenses, network affiliation and other intangibles of approximately \$18 million.

Since the estimated fair values that arise in both the discounted cash flow and market-based models are subject to change based on the Company's performance and stock prices, peer company performance and stock prices, overall market conditions, and the state of the credit markets, future impairment charges are possible.

### **Pension plans and postretirement benefits**

The determination of the liabilities and cost of the Company's pension and other postretirement plans requires the use of assumptions. The actuarial assumptions used in the Company's pension and postretirement reporting are reviewed annually with independent actuaries and compared with external benchmarks, historical trends, and the Company's own experience to determine that its assumptions are reasonable. The assumptions used in developing the required estimates include the following key factors:

- Discount rates
- Expected return on plan assets
- Salary growth
- Mortality rates
- Health care cost trends
- Retirement rates
- Expected contributions

A one percentage-point change in the expected long-term rate of return on plan assets would have resulted in a change in pension expense for 2008 of approximately \$3 million. A one percentage-point change in the discount rate would have raised or lowered by more than \$4 million the plans' 2008 expense and would have changed the plans' projected obligations by approximately \$55 to \$65 million as of the end of 2008. Effective for fiscal 2007, the Company redesigned its defined benefit and defined contribution retirement plans and also added certain new employee benefit programs. The changes included: freezing the service accrual in the defined benefit retirement plan for existing employees (while closing this plan to new employees), increasing the maximum

company match in the 401(k) defined contribution plan to 5% from 4% of an employee's earnings (the entire match has been suspended effective April 1, 2009), adding a profit sharing feature to the 401(k) plan, and establishing new retiree medical savings accounts. The Company took these steps to reduce the volatility of future pension expense and contributions while continuing to offer competitive retirement benefits to its employees. Subsequent to the close of 2008, the Company took the final steps to fully freeze all benefits under its retirement plans.

### **Self-insurance liabilities**

The Company self-insures for certain medical and disability benefits, workers' compensation costs, and automobile and general liability claims with specified stop-loss provisions for high-dollar claims. The Company estimates the liabilities for these items (approximately \$20 million at December 28, 2008) based on historical experience and advice from actuaries and claim administrators. Actual claims experience as well as changes in health care cost trends could result in the Company's eventual cost differing from the estimate.

### **Income taxes**

The Company files income tax returns with various state tax jurisdictions in addition to the Internal Revenue Service and is regularly audited by both federal and state tax agencies. From time to time, those audits may result in proposed adjustments. The Company has considered the alternative interpretations that may be assumed by the various tax agencies and does not anticipate any material impact on its earnings as a result of the various audits. The Company adopted Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, in the first quarter of 2007. This interpretation requires that income tax positions recognized in an entity's tax returns have a more-likely-than-not chance of being sustained prior to recording the related tax benefit in the financial statements. If subsequent information becomes available that changes the more-likely-than-not assessment of either a previously unrecognized or recognized tax benefit, the corresponding tax benefit or expense would be recorded in the period in which the information becomes available.

The Company records income tax expense and liabilities in accordance with SFAS No. 109, *Accounting for Income Taxes*, under which deferred tax assets and liabilities are recorded for the differing treatments of various items of income and expense for financial reporting versus tax reporting purposes. Under this standard, the Company evaluates the need, if any, for a valuation allowance for deferred tax assets. The Company ordinarily bases its estimate of deferred tax assets and liabilities on current tax laws and rates as well as expected future income. However, the Company was in a net deferred tax asset position at the end of 2008 and, although the Company fully expects to utilize the underlying tax benefits, it could not assume future taxable income due to a cumulative book loss in recent years (the direct result of non-cash intangible asset impairment charges) and therefore, established a valuation allowance.

Due to the requirements of accounting interpretations related to the Company's amortization of intangible assets for income tax purposes, the Company anticipates recording additional deferred tax valuation allowance of \$30 million, \$25 million and \$23 million in 2010, 2011, and 2012, respectively. This additional valuation allowance will be recorded as a non-cash charge to income tax expense. An explanation of this additional valuation allowance as well as a description of the situation and events that would alter it are described fully in Note 4 to the Company's 2009 third quarter Form 10-Q. Significant changes in enacted federal and state tax laws or in expected future earnings might impact income tax expense and deferred tax assets and liabilities as well as the valuation allowance.

## **Summary**

Management believes, given current facts and circumstances, supplemented by the expertise and concurrence of external resources, including actuaries and accountants, that its estimates and assumptions are reasonable and are in accordance with GAAP. Management further believes that the assumptions and estimates actually used in the financial statements, taken as a whole, represent the most appropriate choices from among reasonably possible alternatives and fairly present the financial position, results of operations and cash flows of the Company. Management will continue to discuss key estimates with the Audit Committee of the Board of Directors.

## **RESULTS OF OPERATIONS**

### **Net income**

The Company recorded a net loss of \$632 million in 2008, and net income of \$11 million and \$79 million in 2007 and 2006, respectively. In order to facilitate a meaningful comparison of results for the last three years, several items merit separate consideration. Challenging business conditions and the market's perception of the value of media company stocks prompted the Company to perform an interim impairment test as of the end of the second quarter in 2008 that resulted in an impairment charge in that quarter. The Company performed its annual impairment test at the beginning of the fourth quarter of 2008 with no additional impairment indicated. However, business conditions worsened during the fourth quarter, and the market's perception of the value of media company stocks deteriorated further, resulting in an additional impairment at the end of 2008. As a result of this testing, in 2008 the Company recorded aggregate impairment charges related to goodwill of \$512 million for publishing operations, FCC licenses of \$289 million, network affiliation agreements of \$103 million, trade names and other intangible assets related to broadcast operations of \$2.2 million, and certain investments and real estate of \$5.7 million, resulting in after-tax non-cash impairment charges totaling \$615 million. For a more complete discussion regarding these impairment charges, see Note 3 to the Financial Statements in Exhibit 99.7 of this Form 8-K. As indicated earlier, the Company completed the sale of four television stations in 2008 and recorded after-tax losses of \$11.3 million in 2008 and \$2 million in 2007 related to these divestitures. Additionally, the Company sold several CBS stations in 2006 resulting in an after-tax gain of \$11 million. The results of the sold stations (and their associated web sites), WCWJ (sold in the second quarter of 2009) and a small Virginia magazine (sold in the third quarter of 2009) have been reported as discontinued operations for all years presented. See Note 2 in Exhibit 99.7 of this Form 8-K for a detailed discussion of the Company's acquisitions and divestitures.

The Company also consummated the sale of SP Newsprint Company (SPNC) in the second quarter of 2008 and increased the year-end pre-tax sale-related costs and write-downs it originally recorded in 2007 of approximately \$15 million by another \$1.6 million in 2008 based on the estimated value of certain post-closing items. In addition to these losses, the Company's share of SPNC's underlying operating results was a loss of \$16.3 million in 2007 compared to income of \$10.5 million in 2006. The decline in 2007 was due to the impact of lower newsprint prices and higher raw material costs in that year. The total after-tax impact of the SP Newsprint operations was an after-tax loss of \$1 million and \$18.7 million in 2008 and 2007, respectively, and after-tax income of \$6.4 million in 2006. See Note 4 in Exhibit 99.7 of this Form 8-K for a more complete discussion of the SPNC sale. The remainder of this discussion focuses only on results from continuing operations.

In an effort to better align its costs with the current business environment, the Company implemented various cost-reduction plans which included voluntary and non-voluntary separation programs. These workforce reductions were in response to a general economic downturn, and particularly, to the deep housing-induced recession in the Florida market. As the Company reduced its workforce, severance costs of \$10.9 million, \$3 million, and \$1 million were included in operating expenses for 2008, 2007, and 2006, respectively. Accrued severance costs are included in "Accrued expenses and other liabilities" on the Consolidated Balance Sheet. The following summarized the activity in accrued severance for these workforce reductions:

<i>(In thousands)</i>	Virginia/ Tennessee	Florida	Mid- South	North Carolina	Ohio/ Rhode Island	Advertising Services & Other	Corporate	Consolidated
Accrued severance-12/31/2006	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Severance expense	341	1,594	212	156	41	459	154	2,957
Severance payments	(332)	(1,332)	(212)	(156)	(41)	(301)	(154)	(2,528)
Accrued severance-12/30/2007	9	262	—	—	—	158	—	429
Severance expense	1,474	4,939	1,445	712	1,124	301	913	10,908
Severance payments	(613)	(3,679)	(359)	(329)	(217)	(238)	(746)	(6,181)
Accrued severance-12/28/2008	<u>\$ 870</u>	<u>\$ 1,522</u>	<u>\$ 1,086</u>	<u>\$ 383</u>	<u>\$ 907</u>	<u>\$ 221</u>	<u>\$ 167</u>	<u>\$ 5,156</u>

In 2008, there was a \$98.9 million (11%) decrease in revenues. Mitigating the significant drop in revenues were cost containment efforts put in place beginning in the Florida market in 2007 and continuing throughout the rest of the geographic markets in 2008. These cost containment efforts resulted in a \$60 million, or 7.4%, decrease in operating costs (excluding severance and costs related to consolidation of printing facilities). Partially offsetting the downturn in year-over-year operating results were: a 27% decrease in interest expense in the current year (due to lower interest rates and decreased average debt levels), a \$4 million increase in gains on fixed asset sales, a \$3.3 million reduction in intangibles amortization expense due primarily to the write down of network affiliation assets resulting from the mid-year impairment charge, and lower costs for performance-based incentives. Additionally, the Company recorded a deferred tax valuation allowance in 2008, \$7.5 million of which was recorded in income tax expense (See Note 7 to the Financial Statements in Exhibit 99.7 of this Form 8-K).

In 2007, the Company recorded a \$17.6 million pre-tax gain on an insurance settlement related to a fire at the Company's *Richmond Times-Dispatch* printing facility that occurred in the second quarter of that year; an additional \$3.3 million pre-tax gain was recorded in 2008 as the Company identified a more cost-effective method to clean the equipment and remediate the facility than previously anticipated. Additionally, fiscal 2006 included an extra (53<sup>rd</sup>) week, which contributed approximately \$18 million in revenues and \$2.5 million to net income and, accordingly, influenced virtually all comparisons of 2007 and 2006 results.

In 2007, two factors contributed almost equally to the year-over-year downturn from 2006. First, revenue declined \$33 million from the prior year, reflecting substantially reduced political advertising in the odd-numbered year. Second, operating profits fell as all major advertising categories were down from the prior year due in large part to the pronounced

economic downturn in Florida's economy. Also impacting the first half of 2007 was higher interest expense as a result of increased debt levels associated with the acquisition of the NBC stations acquired in the third quarter of 2006.

## Segment Results

As previously mentioned, the third quarter of 2009 marked the beginning of the Company's shift from three platform-based divisions to five geographic market segments and a sixth segment that includes the Company's interactive advertising services and certain other operations; collectively, they contain all of the operations that were formerly part of the Publishing, Broadcast and Interactive Media segments. The geographically-managed segments are: Virginia/Tennessee, Florida, Mid-South, North Carolina, and Ohio/Rhode Island.

## Geographic Markets

### Revenues

Revenues are grouped in the following classifications within their geographic segments:

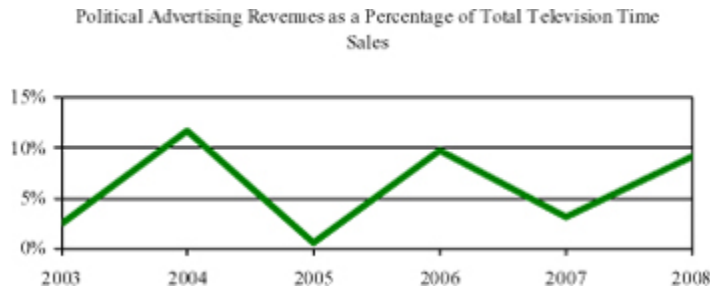
<i>(in millions)</i>	Virginia/ Tennessee	Florida	Mid- South	North Carolina	Ohio/ Rhode Island	Total Geographic Markets
<b>2008</b>						
Advertising	\$ 186.6	\$179.4	\$151.7	\$ 89.4	\$58.3	\$ 665.4
Subscription/Content/Circulation	38.1	10.5	9.6	11.7	1.1	71.0
Other	7.8	11.4	10.2	4.3	3.5	37.2
<b>2007</b>						
Advertising	\$ 219.3	\$232.9	\$161.7	\$ 95.1	\$56.6	\$ 765.6
Subscription/Content/Circulation	37.7	10.1	9.1	10.7	—	67.6
Other	8.9	10.4	9.4	4.5	4.0	37.2
<b>2006</b>						
Advertising	\$ 224.4	\$288.6	\$157.4	\$ 90.2	\$42.7	\$ 803.3
Subscription/Content/Circulation	39.8	10.9	8.4	11.1	—	70.2
Other	10.0	8.3	11.6	4.3	1.1	35.3

In general, advertising revenue is derived from four sources: Local, National, Classified and Political. While a tough advertising market plays a significant role in lower Local and National advertising revenues, in 2008 this trend was somewhat mitigated by the 2008 Summer Olympics. In 2008, Local revenues were down due to lower general advertising levels in reaction to the stunted economy; categories which struggled the most over the past three years included the department store, home improvement and home furnishing categories. National revenues fell primarily due to weak spending levels in the automotive, telecommunications and pharmaceutical categories. The 2007 Local and National revenues increased due to the 2006 acquisitions.

Classified advertising suffered the largest portion of the revenue decline as employment, automotive and real estate advertising decreased in virtually all markets, but particularly in the Florida market, where Classified fell 44% in 2008 and 54% in 2007 from the prior year equivalent period. The decline in Classified results would have been more severe had it not been for the Company's relationship with Yahoo! HotJobs which allowed for higher rates due to the increase in volume brought about by that relationship. Total consolidated Local, National and Classified advertising trends, year over year are as follows:

	Year-to-date Change	
	2008 vs 2007	2007 vs 2006
Local	-8.9%	5.3%
National	-19.6%	12.6%
Classified	-30.3%	-21.0%

Broadcast political advertising time sales are typically elevated in even-numbered years as a result of the national and statewide political races which generate additional advertising dollars. These events, or their absence in a given year, cause a certain cyclical pattern which is demonstrated in the following graph that shows Political advertising as a percentage of total television time sales.



Revenues in the Virginia/Tennessee Market fell \$33.4 million or 12.6% in 2008 compared to 2007 and fell \$8.3 million or 3.1% in 2007 compared to 2006. In 2008, decreased Local and Classified advertising of approximately \$32 million were the largest contributors to the year-over-year declines driven by the current recession-induced environment. Improved Political advertising and subscription revenue in 2008 were largely offset by decreased National advertising. In 2007, the majority of the decrease in revenue was attributable to reduced Classified and Political advertising.

Revenues in the Florida Market were responsible for over half the total consolidated revenue decline in 2008 and over two-thirds of the revenue decline in 2007 as the market remains in a pronounced recession. The revenue decreases of \$52.2 million, or 20.6%, in 2008 compared to 2007 and \$54.4 million, or 17.7%, in 2007 compared to 2006 reflected the significantly weakened advertising environment across all sources of advertising dollars. Only Political advertising revenues in 2008 slightly mitigated this trend with a \$5.6 million improvement year-over-year due to strong spending associated with the presidential campaigns, U.S. congressional races, and issue spending. A predictable, but nonetheless large (\$9.5 million), decline in Political advertising exacerbated the 2007 lower revenue trend.

Revenues in the Mid-South Market fell \$8.7 million, or 4.8%, in 2008 compared to 2007 and increased \$2.8 million, or 1.6%, in 2007 compared to 2006. With 11 of the Company's 18

network-affiliated television stations, the Mid-South Market is significantly influenced by Political advertising. Political advertising improved \$6.7 million in 2008 from 2007 with the strong election year offsetting in part the decline in Local and National advertising due to weakness in the automotive advertising category. In 2007, political advertising declined \$9.8 million from 2006 which was more than offset by the improved revenue generated from having a full year of operating results for the 2006 acquisitions.

Revenues in the North Carolina Market declined 4.5% in 2008 and increased 4.4% in 2007 from the comparable periods in 2007 and 2006. In 2008, the North Carolina Market's decrease in Local, National and Classified advertising was partially offset by a \$7 million improvement in Political advertising revenues from the segment's two broadcast stations (similar to the Mid-South Market) and a \$1 million increase in subscription/content/circulation revenues reflecting meaningful progress in increasing cable and satellite retransmission revenues. In 2007, the Company saw improved revenues generated from the impact of a full year of the 2006 acquisition of one NBC affiliated station.

Revenues in the Ohio/Rhode Island Market improved \$2.3 million or 3.9% in 2008 compared to 2007 and improved \$16.8 million or 38.2% in 2007 compared to 2006. The Ohio/Rhode Island Market is comprised of two of the NBC affiliated stations acquired in 2006 and their websites; as such it is the Company's only geographic market which does not include any newspaper operations and is consequently less influenced by Classified advertising, but more affected by the ebb and flow of Political and Olympic revenues in corresponding odd and even-numbered years. In 2008, Political advertising improved \$10.3 million which more than offset the economic-based decreases in Local and National advertising; subscription/content/circulation revenues improved \$1.1 million due to increases in retransmission fees. The 2007 improvement in revenue reflects a full year's results for the acquired stations.

### **Operating Expenses**

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. This included a workforce reduction across the entire Company which resulted in an approximate 18% decrease in personnel from the end of 2006 to the end of 2008. As discussed previously, the Company's results included pretax charges of approximately \$10.9 million, \$3 million and \$1 million in 2008, 2007, and 2006, respectively, which were comprised of severance costs as the result of workforce reductions in most operations. Excluding the aforementioned severance costs, total employee compensation expense decreased a substantial 6.7% from 2007 due to the combination of several factors, including: the elimination of positions, lower commissions, and the absence of profit sharing expense in 2008.

In 2008 and 2007, production costs were down primarily due to lower newsprint costs. In 2008, despite higher average newsprint prices per ton, (up \$73 per ton to \$613 per ton), newsprint costs were down \$6 million due to reduced consumption as a result of newspaper redesigns, lower advertising lineage, decreased circulation volumes, and concerted conservation efforts. In 2007, newsprint costs were down \$16.1 million due to reduced consumption as a result of switching to lighter weight newsprint, concerted conservation efforts and decreased advertising and circulation volumes, as well as to lower average newsprint prices which were down \$58 per ton. Additionally, the consolidation of certain production facilities helped to reduce production costs.

In both 2008 and 2007, selling general and administrative expense reductions were derived from savings in the areas of circulation sales, promotion and repairs and maintenance, particularly in the Florida Market. In 2008 and 2007 depreciation increased \$1.8 million and \$6.1 million resulting from capital spending for the replacement of certain newspaper production facilities and due to new digital broadcast equipment which the Company had virtually completed and put in place as part of the government-mandated conversion to broadcast high definition television by the end of 2007.

Operating expenses in the Virginia/Tennessee Market decreased \$9.3 million in 2008 compared to 2007 and decreased \$6.9 million in 2007 compared to 2006. Consistent with the overall trend, lower employee compensation costs made up a significant portion of the operating expense decrease; compensation costs before severance decreased \$7.1 million (7.4%) and \$5.2 million (5.4%) in 2008 and 2007, respectively, compared to the prior year. Additionally, reductions in newsprint costs of \$1.9 million in 2008 and \$4.8 million in 2007 contributed to the 2008 and 2007 cost decreases, partially offset by increases in depreciation.

Responding to the difficult operating environment in Florida, the reduction in operating expenses of \$20.3 million in the Florida Market represented over half of the Company's operating expense reductions in 2008. Excluding the severance costs, the Florida operations reduced employee compensation costs by \$12.3 million, or 12.5%, and newsprint costs decreased \$3.8 million. In addition to the areas of expense reduction already discussed, the Florida Market further reduced departmental costs by approximately \$6 million due to savings in circulation sales, promotion and repairs and maintenance. In 2007, the Florida Market reduced operating expenses by \$13.9 million from 2006 levels. Similar to 2008, the 2007 reductions were achieved through staff reductions of 9%, newsprint savings and elimination of selling, general and administrative costs.

Operating expenses in the Mid-South Market, which has a higher concentration of television stations, decreased 2.3% in 2008 compared to 2007 primarily due to a concerted effort to reduce advertising and promotion expenses, travel and entertainment, marketing and compensation costs (through a 7% reduction in employee headcount). These reductions were offset in part, by severance costs and increased production costs.

Operating expense decreases in 2008 in the North Carolina market are consistent with the overall trend of reduced headcount (down 6%), reduced newsprint costs and a focus on driving down the more discretionary spending for repairs and maintenance, promotional and marketing costs.

Operating expenses in the Ohio/Rhode Island Market decreased 2.6% in 2008 compared to 2007 largely driven by reductions in departmental spending primarily in the more discretionary areas of marketing and promotion.

In 2007, operating expenses increased in the Mid-South, North Carolina and Ohio/Rhode Island Markets compared to 2006 due to a full year of operations for the NBC affiliated stations acquired in 2006.

#### **Advertising Services & Other**

Advertising Services & Other (ASO) primarily includes:

- Blockdot - a leading adver gaming business;

- *Dealtaker.com* - an online social shopping portal that was acquired at the beginning of the second quarter of 2008;
- NetInformer - a leading provider of mobile advertising and marketing services purchased in the fourth quarter of 2008;
- Production Services - comprised primarily of a provider of broadcast equipment and studio design services.

Revenues in the Advertising Services & Other segment decreased \$7.8 million in 2008 compared to 2007 as the result of two factors. First, sales in Production Services fell \$11.8 million as the digital conversion to broadcast high definition was substantially completed at the end of 2007 and second, sales at Blockdot were down \$2.3 million as the pace of advergaming sales reflected the sluggish economy. These reductions were offset, in part, by the acquisition in the first half of 2008 of *DealTaker.com*, which generated revenues of \$5.7 million in 2008. In 2007, Advertising Services & Other revenues increased \$6.5 million primarily due to the growth of Blockdot, where advergaming revenues tripled.

Operating costs were down 21% in 2008 due largely to Production Services. Costs were up \$6 million (20.6%) in 2007 primarily due to \$1.9 million in increased operating costs at Blockdot and a write-down of \$2.7 million of interactive investments.

### Operating Profit (Loss)

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

#### Change in Operating Profit/(Loss)

(\$ in millions)	2008 versus 2007		2007 versus 2006	
	Amount	Percent	Amount	Percent
Virginia/Tennessee	\$(24.1)	(37.2)	\$ (1.3)	(2.0)
Florida	(31.7)	—	(40.5)	(57.2)
Mid-South	(5.3)	(17.5)	(8.4)	(21.7)
North Carolina	(2.6)	(18.0)	(3.2)	(18.4)
Ohio/Rhode Island	3.6	35.5	(9.5)	(48.0)
Advertising Services & Other	2.3	—	0.3	(26.5)
Eliminations/Disc. Ops	0.7	36.6	1.3	43.3
	<u>\$(57.1)</u>	<u>(38.8)</u>	<u>\$(61.3)</u>	<u>(29.4)</u>

In 2008, the Virginia/Tennessee and Florida Markets were responsible for the majority of the operating profit shortfall from the prior year. Lower operating expenses in these markets were unable to overcome decreased revenues. Both markets were impacted by significantly reduced advertising in their publishing operations as compared to the other geographic markets with significant broadcast stations which benefitted from strong 2008 Political advertising revenue. Advertising Services & Other operating profit benefitted from the second-quarter 2008 acquisition of *DealTaker.com* which produced robust operating profits of \$3.9 million.

In 2007, the Florida Market's economic decline and increased depreciation expenses were largely responsible for the decrease in operating profits. Operating profits in 2007 in the

Mid-South, North Carolina and Ohio/Rhode Island Markets were impacted by higher employee compensation from higher sales commissions as the Company worked to replace Political revenues through sales development initiatives and higher depreciation costs which increased over 10% on new digital equipment in 2007 across the Company for the government-mandated conversion to broadcast high definition television.

### **Interest expense**

Interest expense decreased \$16.1 million in 2008 from the prior year due almost equally to a decrease in the Company's average effective borrowing rate of 100 basis points (to 5.35%) and to an approximate \$105 million decline in average debt levels, primarily the result of the application of proceeds from the sales of SP Newsprint and four television stations to debt reduction during 2008.

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 are cash flow hedges with notional amounts 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 \$300 million bank term loan. These swaps effectively convert the Company's variable rate bank debt to fixed rate debt with a weighted average interest rate approximating 7.3% at December 28, 2008.

### **Income taxes**

The Company's effective tax rate on income (loss) from continuing operations was 32% (on a pre-tax loss), 24% (on pre-tax income, including a one-time tax benefit discussed below) and 37% (on pre-tax income) in 2008, 2007 and 2006, respectively. The increase in the 2008 rate was due primarily to the absence of the state tax benefit recognized in 2007. The sharp reduction in the 2007 rate was due to the relatively greater impact that favorable permanent differences (book versus tax) had on the current year's reduced pre-tax income and to a tax benefit of \$786 thousand that the Company recognized in the third quarter of 2007 to record the favorable resolution of an outstanding state income tax assessment.

As of December 28, 2008, the Company established a valuation allowance against its entire net deferred tax asset of \$47.6 million because cumulative pretax income in recent years was in an overall loss position primarily due to the current-year impairment charges. There was no valuation allowance as of December 30, 2007. A portion of the valuation allowance (\$7.5 million) affected the Consolidated Statement of Operations and was reflected in the Company's 2008 effective tax rate of 32%; the remainder affected comprehensive income items. See Note 7 to the Financial Statements in Exhibit 99.7 for a complete discussion of the Company's deferred tax asset valuation allowance.

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* at the beginning of fiscal 2007. The Company recognized a \$4.9 million net increase in the liability for uncertain tax positions, which was accounted for as a reduction of retained earnings, as of January 1, 2007. See Note 7 to the Financial Statements in Exhibit 99.7 for a complete discussion of the adoption of this standard and the roll-forward of the liability of uncertain tax positions.

## Other

The Company has certain plans in place, mainly the Supplemental 401(k) Plan and the Director's Deferred Compensation Plan, which are designed to align the interests of the participants with those of the shareholders. Future fluctuations in the Company's stock price could have a significant effect on the amount of expense recognized. Each \$1 change in the Company's stock price as of September 27, 2009 would have affected the Company's pre-tax income by approximately \$.3 million.

## LIQUIDITY

The country has been faced with both an economic crisis, the effect of which on the Company's operating results has been discussed earlier, and a credit crisis, which has also impacted the Company. However, the steps that the Company has taken to lower its debt levels and renegotiate its bank agreements, plus other available operating measures, should allow the Company the flexibility necessary to operate within the debt covenants at a cost that is manageable.

Entering 2006, the Company had in place a \$1 billion revolving credit facility (\$180 million outstanding), \$200 million in senior notes, \$95 million in debt that existed as the result of consolidating certain variable interest entities in which the Company had controlling financial interest by virtue of certain real property leases, and \$10 million in bank lines. The Company was subject to both interest coverage and leverage ratio covenants. This debt structure not only served the Company's operating needs but allowed the Company to make significant strategic acquisitions like the purchase of four NBC stations in mid-2006 when total debt outstanding reached a peak of \$1.06 billion. Subsequent to that acquisition, the Company announced a plan to lower its debt through a combination of television station sales and by using operating cash flow to repay debt. By the end of 2006, the Company had replaced the \$200 million of senior notes with a \$300 million bank term loan and completed the sales of certain television stations with gross proceeds of \$135 million. However, its operating performance, particularly in its largest market in Florida, began to weaken late in the year. The Company repaid \$144 million of the outstanding debt in the later half of 2006 even with capital spending of \$94 million mostly related to the government-mandated conversion to digital television and replacement of certain newspaper production facilities.

As the wider economy deteriorated in 2007, the weakness in Tampa deepened and the Company's other markets were affected to a greater degree. Even as the Company was taking steps on the operating side to reduce its expenses, it reassessed its portfolio of assets and initiated the process to sell its interest in SP Newsprint and certain other television stations. During that year it also repaid the \$95 million of variable interest debt by using existing capacity under its revolving credit facility. In the fourth quarter of 2007, the Company amended certain provisions of its debt agreements to increase the maximum leverage ratio covenant and reduce the minimum interest ratio covenant for a period of three fiscal quarters. The Company's covenants have historically involved - and continue to involve - debt levels, interest expense, and a rolling four-quarter calculation of EBITDA (a measure of cash earnings as defined in the revolving credit agreement) and thus a decline in operating performance adversely affects these ratios. Despite these difficult economic times and capital expenditures that totaled \$78 million, the Company repaid \$19 million of debt in 2007.

Unfortunately, both the wider economy and the Company's markets worsened in 2008. The Company took additional steps on the operating side to reduce costs. During the year, it also

completed the sale of SP Newprint and four television stations (the Company entered into an agreement for the sale of a fifth station, WCWJ, which was completed in the second quarter of 2009) yielding aggregate proceeds of \$138 million. The Company also reduced its capital spending to \$32 million as expenditures for digital television and newspaper production facility replacements were largely completed, and in the fourth quarter it cut its dividend approximately in half. The Company made acquisitions totaling \$24 million in 2008, primarily targeting online and Advertising Services companies reflecting the strategic direction in which the Company is headed. The Company repaid debt of \$168 million during 2008. The Company also amended its credit agreements just before the end of 2008.

At the end of 2008, the Company's debt consisted of a modified revolving credit facility of \$600 million (\$425 million outstanding at year end), the term loan of \$300 million, and \$5 million outstanding under bank lines. These facilities mature in 2011. Pursuant to the 2008 amendments, the maximum leverage ratio covenants were increased for the fourth quarter of 2008 and the first quarter of 2009; they will subsequently be reduced slightly for the remainder of 2009 and for the first three quarters of 2010, and will remain at a constant level thereafter. The minimum interest coverage ratio covenant was also reduced through the first quarter of 2009 and will be increased slightly for the remaining term of the Facilities. The borrowing capacity on the modified revolving credit facility was reduced from \$1 billion to \$600 million, and interest rate margins on both facilities were increased. Additional annual borrowing capacity reductions will be made based on the Company's excess cash flow, as defined. If the leverage ratio were to exceed certain levels, the amended agreements also contain restrictions on dividends, capital spending, indebtedness, capital leases, and investments. The Company pledged its cash and assets and the capital stock of its subsidiaries as collateral.

Since mid-2006, the Company has repaid \$330 million of debt. It has also taken actions to be fully compliant with its covenants, and it continues to take prudent actions to ensure it will be in compliance with its covenants going forward. In January 2009, the Company announced the suspension of dividends to shareholders. Additionally, in order to continue to address operating costs for 2009, the Company suspended the 401(k) match for the last nine months of the year and does not anticipate paying profit sharing or management bonuses (neither of which were paid in 2008). Capital spending will be limited as well. The Company's current operating plan contemplates further debt reduction in 2009. Given the economic climate facing the country, there is uncertainty about the Company's operating results in the short term but the Company is closely monitoring operating results and their effect on debt covenants. The Company believes that its operating cash flow over the next year together with its debt agreements provides the necessary flexibility to manage its working capital and capital expenditure needs while developing new products and revenue streams and maintaining existing ones.

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

The table that follows shows long-term debt and other specified obligations of the Company:

(In millions)	Payments Due By Periods				
	Total	2009	2010 2011	2012 2013	2013 and beyond
<u>Contractual obligations<sup>1</sup></u>					
<b>Long-term debt:<sup>2</sup></b>					
Revolving credit facility	\$ 425.0	\$ —	\$425.0	\$ —	\$ —
Term loan	300.0	—	300.0	—	—
Other	5.1	5.0	0.1	—	—
Operating leases <sup>3</sup>	31.2	6.9	10.9	5.3	8.1
Broadcast film rights <sup>4</sup>	50.5	14.9	34.2	1.1	0.3
Estimated benefit payments from Company assets <sup>5</sup>	67.5	4.5	10.8	13.4	38.8
Purchase obligations <sup>6</sup>	190.4	125.9	44.9	15.7	3.9
<b>Total specified obligations</b>	<b>\$1,069.7</b>	<b>\$157.2</b>	<b>\$825.9</b>	<b>\$35.5</b>	<b>\$ 51.1</b>

<sup>1</sup> Other than the estimated benefit payments from Company assets and Broadcast film rights disclosed above and discussed further below, the table excludes items contained in “Other liabilities and deferred credits” on the Consolidated Balance Sheets, primarily because the ultimate timing and amount of these future payments is not determinable. As disclosed in Note 7 in Exhibit 99.7 of this Form 8-K, the Company had a non-current liability for uncertain tax positions of approximately \$15 million at December 28, 2008. The Company cannot reasonably estimate the amount or period in which the ultimate settlement of these uncertain tax positions will occur, therefore the contractual obligations table excludes this liability.

<sup>2</sup> The Company has the legal right to prepay its long-term debt without penalty; accordingly, no future interest expense has been included.

<sup>3</sup> Minimum rental commitments under noncancelable lease terms in excess of one year.

<sup>4</sup> Broadcast film rights include both recorded short-term and long-term liabilities for programs which have been produced and unrecorded commitments to purchase film rights which are not yet available for broadcast.

<sup>5</sup> Actuarially estimated benefit payments under pension and other benefit plans expected to be funded directly from Company assets through 2018 which excludes expected contributions to the qualified pension plan. The Company contributed \$15 million in 2009 and expects to contribute \$20 million in 2010 to its qualified pension plan, which is in excess of the expected minimum funding requirements. A further discussion is included in the paragraph that follows this chart.

<sup>6</sup> Purchase obligations include: 1) all current liabilities not otherwise reported in the table that will require cash settlement, 2) significant purchase commitments for fixed assets, and 3) significant non-ordinary course contract-based obligations. Purchase obligations exclude the Company’s purchase commitment to SPNC for newsprint as the contract is based on market prices which are highly volatile. As indicated in Note 4 in Exhibit 99.7 of this Form 8-K, the Company is committed to purchase a minimum of approximately 48 thousand, 42 thousand, and 35 thousand tons of newsprint, respectively from SPNC in 2009, 2010, and 2011.

As was the case with many companies’ pension plans, the Company’s unfunded obligation widened significantly in 2008 (see Note 9 to the Financial Statements in Exhibit 99.7 of this Form 8-K) due primarily to a 32% decline in the value of plan assets. Although not required to do so,

the Company made contributions of \$15 million to its Retirement Plan in 2009 and currently anticipates making \$15 million in 2010. By making contributions before they are required – as it has in the past – the Company expects to limit the ultimate amount that it will need to contribute. Many factors influence the required funding for the plan including the return on invested assets, funding requirements that are set forth by ERISA in enacting the laws passed by Congress, and the long-term discount rates that are applied to the funds' benefit liabilities. The amounts shown in the table do not reflect plan contributions. If the factors noted above remain unchanged, the Company's required contributions in subsequent years would be more in the range of the 2010 contribution.

\* \* \* \* \*

*Certain statements in this annual 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 pending transactions and contractual obligations, critical accounting estimates and assumptions, the impact of the Internet, and expectations regarding the effects and timing of debt compliance, the Yahoo! agreements, newsprint prices, pension and post-retirement plans, general advertising levels and political advertising levels, and the effects of changes to FCC regulations. Forward-looking statements, including those which use words such as the Company “believes,” “anticipates,” “expects,” “estimates,” “intends,” “projects,” “plans,” “hopes” 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. The reader should understand that it is not possible to predict or identify all risk factors. Consequently, any such list should not be considered a complete statement of all potential risks or uncertainties.*

*These forward-looking statements should be considered in light of various important factors that could cause actual results to differ materially from estimates or projections including, without limitation: changes in advertising demand, changes to pending accounting standards, changes in circulation levels, changes in relationships with broadcast networks and lenders, the availability and pricing of newsprint, fluctuations in interest rates, the performance of pension plan assets, health care cost trends, regulatory rulings including those related to ERISA and tax law, natural disasters, and the effects of acquisitions, investments and dispositions on the Company's results of operations and its financial condition. Actual results may differ materially from those suggested by forward-looking statements for a number of reasons including those described in Exhibit 99.3 “Risk Factors” of this Form 8-K.*

**Item 8. Financial Statements and Supplementary Data****INDEX**

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## **Report Of Management On Media General, Inc.'s Internal Control Over Financial Reporting**

Management of Media General, Inc., (the Company) has assessed the Company's internal control over financial reporting as of December 28, 2008, based on criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that as of December 28, 2008, the Company's system of internal control over financial reporting was properly designed and operating effectively based upon the specified criteria.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is comprised of policies, procedures and reports designed to provide reasonable assurance, to the Company's management and board of directors, that the financial reporting and the preparation of financial statements for external purposes has been handled in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that (1) govern records to accurately and fairly reflect the transactions and dispositions of assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable safeguards against or timely detection of material unauthorized acquisition, use or disposition of the Company's assets.

Internal controls over financial reporting may not prevent or detect all misstatements. Additionally, projections as to the effectiveness of controls to future periods are subject to the risk that controls may not continue to operate at their current effectiveness levels due to changes in personnel or in the Company's operating environment.

January 28, 2009

Marshall N. Morton  
President and  
Chief Executive Officer

John A. Schauss  
Vice President-Finance  
and Chief Financial Officer

O. Reid Ashe Jr.  
Executive Vice President  
and Chief Operating Officer

## **Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting**

The Board of Directors and Stockholders  
Media General, Inc.

We have audited Media General, Inc.'s internal control over financial reporting as of December 28, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Media General, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Media General, Inc.'s Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Media General, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 28, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Media General, Inc., as of December 28, 2008, and December 30, 2007, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three fiscal years in the period ended December 28, 2008, and our report dated January 28, 2009, expressed an unqualified opinion thereon.

January 28, 2009

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Media General, Inc.

We have audited the accompanying consolidated balance sheets of Media General, Inc., as of December 28, 2008, and December 30, 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three fiscal years in the period ended December 28, 2008. Our audits also included the financial statement schedule listed in the accompanying index in Item 8. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Media General, Inc., at December 28, 2008, and December 30, 2007, and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended December 28, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 7 to the financial statements, in 2007 the Company changed its method of accounting for uncertain income tax positions to comply with the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Media General, Inc.'s internal control over financial reporting as of December 28, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 28, 2009, expressed an unqualified opinion thereon.

Richmond, Virginia

January 28, 2009, except with respect to the matters discussed in Note 12, for which the date is January 28, 2010.

Media General, Inc.

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

	Fiscal Years Ended		
	December 28, 2008	December 30, 2007	December 31, 2006 (53 weeks)
<b>Revenues</b>			
Publishing	\$ 436,870	\$ 524,775	\$ 580,883
Broadcasting	322,106	336,479	322,808
Digital media and other	38,399	35,039	25,525
Total revenues	<u>\$ 797,375</u>	<u>\$ 896,293</u>	<u>\$ 929,216</u>
<b>Operating costs:</b>			
Employee compensation	380,434	399,157	395,832
Production	193,034	211,426	215,682
Selling, general and administrative	111,549	124,884	115,413
Depreciation and amortization	71,464	72,998	66,163
Goodwill and other asset impairment (Note 3)	908,701	—	—
Gain on insurance recovery	(3,250)	(17,604)	—
Total operating costs	<u>1,661,932</u>	<u>790,861</u>	<u>793,090</u>
Operating income (loss)	<u>(864,557)</u>	<u>105,432</u>	<u>136,126</u>
<b>Other income (expense):</b>			
Interest expense	(43,449)	(59,577)	(48,505)
Impairment of and income (loss) on investments	(4,419)	(34,825)	9,898
Other, net	979	1,126	1,022
Total other expense	<u>(46,889)</u>	<u>(93,276)</u>	<u>(37,585)</u>
Income (loss) from continuing operations before income taxes	(911,446)	12,156	98,541
Income tax (benefit) expense	<u>(288,191)</u>	<u>2,921</u>	<u>36,405</u>
Income (loss) from continuing operations	(623,255)	9,235	62,136
<b>Discontinued operations:</b>			
Income from discontinued operations (net of income taxes of \$1,727 in 2008, \$2,207 in 2007 and \$3,757 in 2006)	2,701	3,452	5,877
Net gain (loss) related to divestiture of discontinued operations (net of income taxes of \$5,846 in 2008, \$722 in 2007 and \$6,748 in 2006)	<u>(11,300)</u>	<u>(2,000)</u>	<u>11,029</u>
Net income (loss)	<u>\$ (631,854)</u>	<u>\$ 10,687</u>	<u>\$ 79,042</u>
<b>Earnings (loss) per common share:</b>			
Income (loss) from continuing operations	\$ (28.21)	\$ 0.39	\$ 2.56
Income (loss) from discontinued operations	(0.39)	0.06	0.72
Net income (loss)	<u>\$ (28.60)</u>	<u>\$ 0.45</u>	<u>\$ 3.28</u>
<b>Earnings (loss) per common share - assuming dilution:</b>			
Income (loss) from continuing operations	\$ (28.21)	\$ 0.39	\$ 2.56
Income (loss) from discontinued operations	(0.39)	0.06	0.72
Net income (loss)	<u>\$ (28.60)</u>	<u>\$ 0.45</u>	<u>\$ 3.28</u>

Notes to Consolidated Financial Statements begin on page 10.

Media General, Inc.

**CONSOLIDATED BALANCE SHEETS**

*(In thousands, except shares and per share amounts)*

**ASSETS**

	December 28, 2008	December 30, 2007
<b>Current assets:</b>		
Cash and cash equivalents	\$ 7,142	\$ 14,214
Accounts receivable (less allowance for doubtful accounts 2008 - \$5,961; 2007 - \$5,981)	102,174	133,576
Inventories	12,035	6,676
Other	38,849	52,040
Assets of discontinued operations	12,402	107,355
<b>Total current assets</b>	<u>172,602</u>	<u>313,861</u>
Investments in unconsolidated affiliates	—	52,360
<b>Other assets</b>	<u>41,287</u>	<u>65,674</u>
<b>Property, plant and equipment, at cost:</b>		
Land	37,736	37,120
Buildings	312,141	299,326
Machinery and equipment	540,999	522,447
Construction in progress	17,229	41,217
Accumulated depreciation	(454,478)	(425,137)
<b>Net property, plant and equipment</b>	<u>453,627</u>	<u>474,973</u>
<b>FCC licenses and other intangibles - net</b>	<u>245,266</u>	<u>646,677</u>
<b>Excess of cost over fair value of net identifiable assets of acquired businesses</b>	<u>421,470</u>	<u>917,521</u>
<b>Total assets</b>	<u>\$1,334,252</u>	<u>\$2,471,066</u>

Notes to Consolidated Financial Statements begin on page 10.

## LIABILITIES AND STOCKHOLDERS' EQUITY

	December 28, 2008	December 30, 2007
<b>Current liabilities:</b>		
Accounts payable	\$ 41,365	\$ 32,654
Accrued expenses and other liabilities	86,291	101,753
Liabilities of discontinued operations	3,053	5,614
Total current liabilities	<u>130,709</u>	<u>140,021</u>
Long-term debt	<u>730,049</u>	<u>897,572</u>
Retirement, post-retirement and post-employment plans	<u>251,175</u>	<u>147,578</u>
Deferred income taxes	<u>—</u>	<u>311,588</u>
Other liabilities and deferred credits	<u>67,092</u>	<u>61,300</u>
Commitments and contingencies (Note 11)		
<b>Stockholders' equity:</b>		
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 22,250,130 and 22,055,835 shares	111,251	110,279
Class B, authorized 600,000 shares; issued 551,881 and 555,992 shares	2,759	2,780
Additional paid-in capital	21,934	19,713
Accumulated other comprehensive loss:		
Unrealized loss on derivative contracts	(17,927)	(8,417)
Pension and postretirement	(170,212)	(68,860)
Retained earnings	207,422	857,512
Total stockholders' equity	<u>155,227</u>	<u>913,007</u>
Total liabilities and stockholders' equity	<u>\$1,334,252</u>	<u>\$2,471,066</u>

Notes to Consolidated Financial Statements begin on page 10.

Media General, Inc.

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(In thousands, except shares and per share amounts)

	Class A Shares	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
		Class A	Class B				
Balance at December 25, 2005	23,490,696	\$117,453	\$2,780	\$ 44,856	\$ (64,618)	\$ 815,355	\$ 915,826
Net income		—	—	—	—	79,042	79,042
Unrealized loss on equity securities (net of deferred tax benefit of \$176)		—	—	—	(309)	—	(309)
Reclassification of loss included in net income (net of deferred tax benefit of \$254)		—	—	—	446	—	446
Unrealized loss on derivative contracts (net of deferred tax benefit of \$899)		—	—	—	(1,578)	—	(1,578)
Minimum pension liability (net of deferred taxes of \$5,359)		—	—	—	10,048	—	10,048
Comprehensive income							87,649
Pension and postretirement adoption (SFAS #158) (net of deferred tax benefit of \$31,477)		—	—	—	(55,237)	—	(55,237)
Cash dividends to shareholders (\$0.88 per share)		—	—	—	—	(21,180)	(21,180)
Exercise of stock options	55,700	279	—	1,324	—	—	1,603
Stock-based compensation		—	—	8,244	—	—	8,244
Income tax benefits relating to stock-based compensation		—	—	306	—	—	306
Other	10,076	50	—	443	—	(344)	149
Balance at December 31, 2006	23,556,472	117,782	2,780	55,173	(111,248)	872,873	937,360
Net income		—	—	—	—	10,687	10,687
Unrealized loss on equity securities (net of deferred tax benefit of \$912)		—	—	—	(1,600)	—	(1,600)
Reclassification of loss included in net income (net of deferred tax benefit of \$1,314)		—	—	—	2,306	—	2,306
Unrealized loss on derivative contracts (net of deferred tax benefit of \$1,874)		—	—	—	(3,288)	—	(3,288)
Pension and postretirement (net of deferred taxes of \$21,021)		—	—	—	36,553	—	36,553
Comprehensive income							44,658
Uncertain tax position adoption (FIN #48)		—	—	—	—	(4,921)	(4,921)
Cash dividends to shareholders (\$0.92 per share)		—	—	—	—	(21,156)	(21,156)
Exercise of stock options	14,800	74	—	348	—	—	422
Repurchase of common stock	(1,500,000)	(7,500)	—	(41,216)	—	—	(48,716)
Stock-based compensation		—	—	5,649	—	—	5,649
Income tax benefits relating to stock-based compensation		—	—	110	—	—	110
Other	(15,437)	(77)	—	(351)	—	29	(399)
Balance at December 30, 2007	22,055,835	110,279	2,780	19,713	(77,277)	857,512	913,007
Net loss		—	—	—	—	(631,854)	(631,854)
Unrealized loss on derivative contracts		—	—	—	(9,510)	—	(9,510)
Pension and postretirement		—	—	—	(101,352)	—	(101,352)
Comprehensive loss							(742,716)
Cash dividends to shareholders (\$0.81 per share)		—	—	—	—	(18,510)	(18,510)
Performance accelerated restricted stock	131,333	657	—	(1,602)	—	274	(671)
Stock-based compensation		—	—	5,756	—	—	5,756

Income tax benefits relating to stock-based compensation		—	—	99	—	—	99
Other	62,962	315	(21)	(2,032)	—	—	(1,738)
Balance at December 28, 2008	<u>22,250,130</u>	<u>\$111,251</u>	<u>\$2,759</u>	<u>\$ 21,934</u>	<u>\$ (188,139)</u>	<u>\$ 207,422</u>	<u>\$ 155,227</u>

Notes to Consolidated Financial Statements begin on page 10.

Media General, Inc.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Fiscal Years Ended		
	December 28, 2008	December 30, 2007	December 31, 2006 (53 weeks)
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ (631,854)	\$ 10,687	\$ 79,042
Adjustments to reconcile net income (loss):			
Depreciation	51,591	53,109	47,791
Amortization	20,270	25,341	24,842
Deferred income taxes	(272,620)	16,289	11,176
Impairment of and loss (income) on investments	4,419	34,825	(9,898)
Goodwill and other asset impairment	908,701	—	—
Provision for doubtful accounts	7,690	5,929	5,660
Insurance proceeds related to repair costs	—	19,959	—
Gain on insurance recovery	(3,250)	(17,604)	—
Net loss (gain) related to divestiture of discontinued operations	11,300	2,000	(11,029)
Change in assets and liabilities:			
Retirement plan contributions	(10,000)	—	(15,000)
Retirement plan accrual	2,599	5,444	16,543
Income taxes refundable	(15,855)	(17,518)	711
Company owned life insurance (cash surrender value less policy loans)	19,137	(1,110)	(2,143)
Accounts receivable and inventory	20,710	(3,721)	(6,779)
Accounts payable, accrued expenses and other liabilities	(14,007)	(6,636)	(1,699)
Other, net	(73)	3,835	18,842
Net cash provided by operating activities	<u>98,758</u>	<u>130,829</u>	<u>158,059</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(31,517)	(78,142)	(93,896)
Purchases of businesses	(23,804)	(2,525)	(611,385)
Proceeds from sales of discontinued operations and investments	138,302	—	135,111
Insurance proceeds related to machinery and equipment	—	27,841	—
Distribution from unconsolidated affiliate	—	5,000	2,000
Funding of note receivable	(5,000)	—	—
Other, net	5,882	8,245	(2,853)
Net cash provided (used) by investing activities	<u>83,863</u>	<u>(39,581)</u>	<u>(571,023)</u>
<b>Cash flows from financing activities:</b>			
Increase in debt	330,000	570,000	1,459,000
Repayment of debt	(497,523)	(588,823)	(1,027,984)
Stock repurchase	—	(48,716)	—
Debt issuance costs	(4,182)	(1,010)	(1,780)
Cash dividends paid	(18,510)	(21,156)	(21,180)
Other, net	522	743	1,861
Net cash (used) provided by financing activities	<u>(189,693)</u>	<u>(88,962)</u>	<u>409,917</u>
Net (decrease) increase in cash and cash equivalents	<u>(7,072)</u>	<u>2,286</u>	<u>(3,047)</u>
Cash and cash equivalents at beginning of year	14,214	11,928	14,975
Cash and cash equivalents at end of year	<u>\$ 7,142</u>	<u>\$ 14,214</u>	<u>\$ 11,928</u>

Notes to Consolidated Financial Statements begin on page 10.

Media General, Inc.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **Note 1: Summary of Significant Accounting Policies**

#### ***Fiscal year***

The Company's fiscal year ends on the last Sunday in December. Results for 2008 and 2007 are for the 52-week periods ended December 28, 2008 and December 30, 2007, respectively; results for 2006 are for the 53-week period ended December 31, 2006.

#### ***Principles of consolidation***

The accompanying financial statements include the accounts of Media General, Inc., subsidiaries more than 50% owned and certain variable interest entities, from time to time, for which Media General, Inc. is the primary beneficiary (collectively the Company). All significant intercompany balances and transactions have been eliminated. The equity method of accounting is used for investments in companies in which the Company has significant influence; generally, this represents investments comprising approximately 20 to 50 percent of the voting stock of companies and certain partnership interests. Other investments are generally accounted for using the cost method.

#### ***Use of estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company re-evaluates its estimates on an ongoing basis. Actual results could differ from those estimates.

#### ***Presentation***

Certain prior-year financial information has been reclassified to conform with the current year's presentation.

#### ***Revenue recognition***

The Company's principal sources of revenue are the sale of advertising in newspapers, the sale of newspapers to individual subscribers and distributors, and the sale of airtime on television stations. In addition, the Company sells advertising on its newspaper and television websites and portals, and derives revenues from other online activities, including an online adver gaming development firm and an online shopping portal. The Company also derives revenue from the sale of broadcast equipment and studio design services. Advertising revenue is recognized when advertisements are published, aired or displayed, or when related advertising services are rendered. Newspaper advertising contracts, which generally have a term of one year or less, may provide rebates or discounts based upon the volume of advertising purchased during the terms of the contracts. Estimated rebates and discounts are recorded as a reduction of revenue in the period the advertisement is displayed. This requires the Company to make certain estimates regarding future advertising volumes. Estimates are based on various factors including historical experience and advertising sales trends. These estimates are revised as necessary based on actual volume realized. Subscription revenue is recognized on a pro-rata basis over the term of the subscription. Amounts received from customers in advance are deferred until earned. Revenues from fixed price contracts (such as studio design services or adver gaming development) are recognized under the percentage of completion method, measured by actual cost incurred to date compared to estimated total costs of each contract. Commission revenues from the online shopping portal are recognized upon third-party notification of consumer purchase.

#### ***Cash and cash equivalents***

Cash in excess of current operating needs is invested in various short-term instruments carried at cost that approximates fair value. Those short-term investments having an original maturity of three months or less are classified in the balance sheet as cash equivalents.

#### ***Derivatives***

Derivatives are recognized as either assets or liabilities on the balance sheet at fair value. If a derivative is a hedge, a change in its fair value is either offset against the change in the fair value of the hedged item through earnings, or recognized in Other Comprehensive Income (OCI) until the hedged item is recognized in earnings. Any difference

between the fair value of the hedge and the item being hedged, known as the ineffective portion, is immediately recognized in earnings in the line item “Other, net” during the period of change. For derivative instruments that are designated as cash flow hedges, the effective portion of the change in value of the derivative instrument is reported as a component of the Company’s OCI and is reclassified into earnings (interest expense for interest rate swaps and newsprint expense for newsprint swaps) in the same period or periods during which the hedged transaction affects earnings. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in the Company’s current earnings during the period of change. Derivative instruments are carried at fair value on the Consolidated Balance Sheets in the applicable line item “Other assets” or “Other liabilities and deferred credits”.

#### ***Accounts receivable and concentrations of credit risk***

Media General is a diversified communications company which sells products and services to a wide variety of customers located principally in the southeastern United States. The Company’s trade receivables result from its publishing, broadcast and interactive media operations. The Company routinely assesses the financial strength of significant customers, and this assessment, combined with the large number and geographic diversity of its customer base, limits its concentration of risk with respect to trade receivables. The Company maintains an allowance for doubtful accounts based on both the aging of accounts at period end and specific allocations for certain customers.

#### ***Inventories***

Inventories consist principally of raw materials (primarily newsprint) and broadcast equipment, and are valued at the lower of cost or market using the specific identification method.

#### ***Self-Insurance***

The Company self-insures for certain employee medical and disability income benefits, workers’ compensation costs, as well as automobile and general liability claims. The Company’s responsibility for workers’ compensation and auto and general liability claims is capped at a certain dollar level (generally \$100 thousand to \$500 thousand depending on claim type). Insurance liabilities are calculated on an undiscounted basis based on actual claim data and estimates of incurred but not reported claims. Estimates for projected settlements and incurred but not reported claims are based on development factors, including historical trends and data, provided by a third party.

#### ***Broadcast film rights***

Broadcast film rights consist principally of rights to broadcast syndicated programs, sports and feature films and are stated at the lower of cost or estimated net realizable value. Program rights and the corresponding contractual obligations are recorded as other assets (based upon the expected use in succeeding years) and as other liabilities (in accordance with the payment terms of the contract) in the Consolidated Balance Sheets when programs become available for use. Generally, program rights of one year or less are amortized using the straight-line method; program rights of longer duration are amortized using an accelerated method based on expected useful life of the program.

#### ***Property and depreciation***

Plant and equipment are depreciated, primarily on a straight-line basis, over their estimated useful lives which are generally 40 years for buildings and range from 3 to 30 years for machinery and equipment. Depreciation deductions are computed by accelerated methods for income tax purposes. Major renovations and improvements and interest cost incurred during the construction period of major additions are capitalized. Expenditures for maintenance, repairs and minor renovations are charged to expense as incurred.

#### ***Intangible and other long-lived assets***

Intangibles consist of goodwill (which is the excess of purchase price over the net identifiable assets of businesses acquired), FCC licenses, network affiliations, subscriber lists, other broadcast intangibles, intellectual property, and trademarks. Indefinite-lived intangible assets are not amortized, but finite-lived intangibles are amortized using the straight-line method over periods ranging from one to 25 years (note 3). Internal use software is amortized on a straight-line basis over its estimated useful life, not to exceed five to seven years.

When indicators of impairment are present, management evaluates the recoverability of long-lived tangible and finite-lived intangible assets by reviewing current and projected profitability using undiscounted cash flows of such

assets. Annually, or more frequently if impairment indicators are present, management evaluates the recoverability of indefinite-lived intangibles using estimated discounted cash flows and market factors to determine their fair value.

### ***Income taxes***

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under the standard, the Company evaluates the need for a valuation allowance for deferred tax assets, if any.

### ***Comprehensive income***

The Company's comprehensive income consists of net income, pension and postretirement related adjustments, unrealized gains and losses on certain investments in equity securities (including reclassification adjustments), and changes in the value of derivative contracts as well as the Company's share of Other Comprehensive Income from its investments accounted for under the equity method.

### ***Recent accounting pronouncements***

In September 2006, the FASB issued FAS No. 157, *Fair Value Measurements*, which established a common definition for fair value under U.S. generally accepted accounting principles and created a framework for measuring fair value. The Company adopted FAS 157 at the beginning of 2008 for financial assets and liabilities. In February 2008, the FASB issued FASB Staff Position FAS 157-2, *Effective Date of FASB Statement No. 157*, which delayed the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 for non-financial assets and liabilities that are measured on a non-recurring basis. These non-financial items include reporting units and intangible assets measured at fair value in impairment tests and non-financial assets acquired and non-financial liabilities assumed in a business combination. The Company adopted FAS 157 at the beginning of 2009 for non-financial assets and liabilities.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. EITF 03-6-1 clarifies that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities and are to be included in the computation of earnings per share under the two-class method described in SFAS No. 128, *Earnings Per Share*. EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and requires all prior-period earnings per share to be adjusted retrospectively, as reflected in these financial statements for the years ended 2008, 2007 and 2006. The adoption of EITF 03-6-1 did not have a material effect on the Company's consolidated financial statements; prior-period earnings per share were impacted by 1% to 4%.

In December 2007, the FASB issued FASB Statement No. 141(R), *Business Combinations*, which amended the provisions of FAS 141 and will provide international conformity with respect to accounting for business combinations. Some of the more significant aspects of this Statement include: the acquiring entity in a business combination must recognize 100% of the assets acquired and liabilities assumed in the transaction as well as any minority interest; the acquisition date is the measurement point for all consideration; and transaction costs related to the business combination are required to be expensed. This statement is effective for fiscal years beginning after December 15, 2008. The Company expects SFAS 141(R) to have a significant impact on its accounting for future business combinations.

### **Note 2: Acquisitions, Dispositions and Discontinued Operations**

In the third quarter of 2009, the Company sold a small magazine and its related website located in the Virginia/Tennessee Market and has reported it as a discontinued operation for all prior periods.

In 2008, the Company completed the sale of the following four TV stations that were classified as held for sale in three transactions: WTVQ in Lexington, Kentucky; WMBB in Panama City, Florida and KALB/NALB in Alexandria, Louisiana; and WNEG in Toccoa, Georgia. The Company recognized gross proceeds of \$78 million, including working capital adjustments which have all been settled, and an after-tax loss of \$11.3 million in 2008 and \$2 million in 2007 related to these divestitures. Additionally, the Company sold WCWJ in Jacksonville, Florida in the second quarter of 2009. With the completion of the divestitures of all five stations, the Company generated proceeds of approximately \$95 million. Depreciation and amortization of assets sold and held for sale ceased during the first quarter of 2008.

In the second half of 2006, the Company sold KWCH in Wichita, Kansas (including that station's three satellites), WIAT in Birmingham, Alabama, WDEF in Chattanooga, Tennessee, and KIMT in Mason City, Iowa, to three different buyers. Gross proceeds from the divestitures were \$135 million, including working capital; a net after-tax gain of \$11 million was recorded. The Company facilitated these transactions as a tax-deferred, like-kind exchange in conjunction with the acquisition of four NBC stations (discussed below). Depreciation and amortization of assets sold ceased during the second quarter of 2006.

The 2008 and 2007 losses related to the 2008 station sales, and the 2006 net gain from the stations sold in that year, are shown on the face of the Consolidated Statements of Operations on the line "Net gain (loss) related to divestiture of discontinued operations (net of income taxes)." The results of these stations (as well as WCWJ and the magazine) and their associated web sites have been presented as discontinued operations in the accompanying Balance Sheets and the Statements of Operations for all periods presented. Income from discontinued operations in the accompanying Consolidated Statements of Operations for the years ended December 28, 2008, December 30, 2007 and December 31, 2006 included:

<i>(In thousands)</i>	2008	2007	2006
Revenues	\$24,597	\$41,708	\$72,665
Costs and expenses	20,169	36,049	63,031
Income before income taxes	4,428	5,659	9,634
Income taxes	1,727	2,207	3,757
Income from discontinued operations	<u>\$ 2,701</u>	<u>\$ 3,452</u>	<u>\$ 5,877</u>

As of December 28, 2008, the assets of discontinued operations consisted of \$3.4 million of current and other assets, \$4 million of fixed assets, and \$5 million of goodwill. As of December 30, 2007, the assets of discontinued operations consisted of \$9.9 million of current and other assets, \$19 million of goodwill, \$22.2 million of fixed assets and \$56.3 million of FCC licenses and other intangibles.

In 2008, the Company made several additions to its Advertising Services operations including: *DealTaker.com*, an online social shopping portal that provides coupons and bargains to its users and NetInformer, a leading provider of mobile advertising and marketing services. Additionally, the Company purchased a small group of weekly newspapers in South Carolina and *Richmond.com*, a local news and entertainment portal.

The Company completed the acquisition of four NBC owned and operated television stations at the beginning of the third quarter of 2006 for \$609 million, including transaction costs. This transaction was accounted for as a purchase and has been included in the Company's consolidated results of operations since its date of acquisition. The stations acquired were: WNCN in Raleigh, North Carolina, WCMH in Columbus, Ohio, WVTM in Birmingham, Alabama, and WJAR in Providence, Rhode Island.

The following summary presents the Company's unaudited pro forma consolidated results of operations for the year ended December 31, 2006 as if the acquisition of the four television stations from NBC had been completed as of the beginning of the period presented. The pro forma does not purport to be indicative of what would have occurred had the acquisition actually been made as of such date, nor is it indicative of results which may occur in the future.

<i>(In thousands, except per share amounts)</i>	Year Ended December 31, 2006
Revenues	<u>\$ 980,210</u>
Income from continuing operations	\$ 57,937
Income from discontinued operations	5,877
Gain on sale of discontinued operations	11,029
Net income	<u>\$ 74,843</u>
Earnings per common share - assuming dilution:	
Income from continuing operations	\$ 2.38
Discontinued operations, including 2006 gain on sale of \$0.46 per share	0.72
Net income	<u>\$ 3.10</u>

### Note 3: Intangible Assets and Impairment

Due to the continuation of challenging business conditions in the second quarter of 2008 and the market's perception of the value of media company stocks, the Company performed an interim impairment assessment as of June 29, 2008 that resulted in the Company recording impairment in that quarter. The Company performed its annual impairment test at the beginning of the fourth quarter of 2008 with no additional impairment indicated. However, business conditions worsened during the fourth quarter, and the market's perception of the value of media company stocks deteriorated further resulting in both another interim impairment test and additional impairment as of December 28, 2008. The Company's long-lived assets include goodwill related to the Company's 2008 reporting units which was based on the 2008 reporting structure (publishing, broadcast and interactive media), identifiable assets at individual television stations (including FCC licenses and network affiliation agreements) and newspapers, fixed assets, and certain other investments and assets held for sale. The Company determined that certain of these long-lived assets were impaired by measuring the estimated discounted and undiscounted cash flows expected to be generated by the assets to determine their fair value and by comparing the result to their carrying value. The determination of fair value requires the use of significant judgment and estimates about assumptions that management believes were appropriate in the circumstances although it is reasonably possible that actual performance will differ from these assumptions. The most significant assumptions include those relating to revenue growth, compensation levels, newsprint prices, discount rates and market trading multiples for broadcast and newspaper assets. As a result of this impairment testing the Company recorded non-cash impairment charges related to goodwill related to publishing operations of \$512 million, FCC licenses of \$289 million, network affiliation agreements of \$103 million, trade names and other intangible assets of \$2.2 million, and certain investments (whose impairment was other than temporary) and real estate of \$5.7 million. The charge totaled \$912 million (\$615 million after-tax) and was included on the line items "Goodwill and other asset impairment" and "Impairment of and income (loss) on investments."

At June 29, 2009, when the Company changed its structure to one organized primarily by geographic market (see Note 6), the carrying amount of goodwill was allocated to the new segments. Impairment tests prior to that change were performed based on goodwill balances and cash flows under the previous segment structure. Therefore, the Company is unable to reflect the reallocation of the goodwill impairment charge taken during 2008 and the prior-year goodwill balances by the current geographic segment structure.

The following table shows the change in the gross carrying amount and the accumulated amortization for intangible assets and goodwill from December 30, 2007 to December 28, 2008, including the above-mentioned impairment write-down:

<i>(In thousands)</i>	December 30, 2007		Changes			December 28, 2008	
	Gross Carrying Amount	Accumulated Amortization	Acquisitions	Amortization Expense	Impairment Charge <sup>1</sup>	Gross Carrying Amount	Accumulated Amortization
<b>Amortizing intangible assets</b>							
(including network affiliation, advertiser, programming and subscriber relationships):							
Virginia/Tennessee	\$ 61,932	\$ 38,376	\$ —	\$ 2,754	\$ (6,606)	\$ 55,326	\$ 41,130
Florida	1,055	1,055	—	—	—	1,055	1,055
Mid-South	154,929	49,702	900	7,781	(71,781)	84,048	57,483
North Carolina	20,052	8,415	—	1,176	(4,705)	15,347	9,591
Ohio/Rhode Island	29,530	3,246	—	1,260	(20,373)	9,157	4,506
Advertising services & other	2,570	1,882	4,044	699	—	6,614	2,581
<b>Total</b>	<b>\$ 270,068</b>	<b>\$ 102,676</b>	<b>\$ 4,944</b>	<b>\$ 13,670</b>	<b>\$(103,465)</b>	<b>\$171,547</b>	<b>\$ 116,346</b>
<b>Indefinite-lived intangible assets:</b>							
Goodwill	\$ 917,521		\$ 15,690		\$(511,741)	\$421,470	
FCC licenses							
Virginia/Tennessee	38,385		—		(12,174)	26,211	
Mid-South	230,288		—		(133,343)	96,945	
North Carolina	94,907		—		(66,174)	28,733	
Ohio/Rhode Island	113,700		—		(77,696)	36,004	
<b>Total FCC licenses</b>	<b>477,280</b>		<b>—</b>		<b>(289,387)</b>	<b>187,893</b>	
Other	2,005		1,927		(1,760)	2,172	
<b>Total</b>	<b>\$1,396,806</b>		<b>\$ 17,617</b>		<b>\$(802,888)</b>	<b>\$611,535</b>	

<sup>1</sup> Additionally, \$5.7 million of investments and real estate were written down.

After considering the above, intangibles amortization expense is projected to be approximately \$7 million in 2009, decreasing to \$6 million in 2010 and 2011, to \$3 million in 2012, and to \$2 million in 2013.

#### Note 4: Investments

In the second quarter of 2008, the Company and its two equal partners completed the sale of SP Newsprint Company (SPNC) to White Birch Paper Company. The sale generated proceeds to the Company of approximately \$60 million which were used to reduce debt; associated income taxes approximated \$20 million. Under the purchase agreement, the partners retained liabilities for certain retirement, environmental, and income tax issues; the final post-closing working capital settlement has been referred to an arbiter and will not be finalized until 2009. In the fourth quarter of 2007, the Company recorded a pre-tax write-down to its investment in SPNC (in addition to the Company's equity in SPNC's net loss) of \$10.7 million. In 2008, the Company recorded an additional net loss of \$1.6 million based on the estimated fair values of certain post-closing items. These losses were included in the Statement of Operations in the line item "Impairment of and income (loss) on sale of investments." The chart below presents the summarized financial information for the Company's investment in SPNC at December 30, 2007 and for the two years then ended.

## SP Newsprint Company

<i>(In thousands)</i>	2007	
Current assets	\$120,392	
Noncurrent assets	349,082	
Current liabilities	233,586	
Noncurrent liabilities	51,842	

<i>(In thousands)</i>	2007	2006
Net sales	\$572,125	\$638,377
Gross profit (loss)	(525)	84,509
Net income (loss)	(59,939)	31,562
Company's equity in net income (loss)	(19,980)	10,521
Additional write-down of Company's investment	(10,656)	—

The Company purchased approximately 55 thousand tons of newsprint from SPNC in 2008 at market prices, which totaled \$31 million and approximated 63% of the Company's newsprint needs; in 2007 and 2006, the Company purchased approximately 58 thousand and 57 thousand tons, respectively, of newsprint from SPNC which approximated 56% and 46% of the Company's newsprint needs in each of those years and totaled approximately \$30 million and \$34 million in 2007 and 2006, respectively. The Company is committed to purchase a minimum of approximately 48 thousand, 42 thousand and 35 thousand tons of newsprint from SPNC in 2009, 2010, and 2011, respectively.

In 2008, the Company wrote-off its entire remaining investment of \$1.9 million (which was included as a part of the Company's pretax impairment charge discussed in Note 3) in a company that produces interactive entertainment including games; the Company was able to recover \$.5 million of its investment in the latter part of 2008. Additionally, the Company carried this investment at fair value and recognized write-downs in 2007 and 2006 of \$3.6 million and \$700 thousand, respectively, to reflect its decrease in approximate fair value due to the extended period the stock price of this publicly traded security was below the Company's carrying value.

### Note 5: Long-Term Debt and Other Financial Instruments

Long-term debt at December 28, 2008, and December 30, 2007, was as follows:

<i>(In thousands)</i>	2008	2007
Revolving credit facility	\$425,000	\$595,000
Bank term loan facility	300,000	300,000
Bank lines	5,000	2,500
Capitalized lease	49	72
Long-term debt	<u>\$730,049</u>	<u>\$897,572</u>

The Company has a revolving credit facility as well as a \$300 million variable bank term loan agreement (together the "Facilities") both of which mature in 2011. In the fourth quarter of 2007, the Company amended the Facilities to increase the maximum leverage ratio covenant and reduce the minimum interest ratio covenant for a period of three fiscal quarters. As a result of the continuation of challenging business conditions, the Company again amended its revolving credit facility and its variable bank term loan agreement in the fourth quarter of 2008. The Company's debt covenants require the maintenance of an interest coverage ratio in addition to a leverage ratio, as defined. Pursuant to the 2008 amendments, the maximum leverage ratio covenants were increased for the fourth quarter of 2008 and the first quarter of 2009; they will subsequently be reduced slightly for the remainder of 2009 and for the first three quarters of 2010, and will remain at a constant level thereafter. The minimum interest coverage ratio covenant was also reduced through the first quarter of 2009 and will be increased slightly for the remaining term of the Facilities. The borrowing capacity on the revolving credit facility was reduced from \$1 billion to \$600 million, and interest

rate margins on both facilities were increased. Additional annual borrowing capacity reductions will be made based on the Company's excess cash flow, as defined. If the leverage ratio were to exceed certain levels, the amended agreements also contain restrictions on dividends, capital spending, indebtedness, capital leases, and investments. The Company pledged its cash and assets and the capital stock of its subsidiaries as collateral. Interest rates under the Facilities are based on the London Interbank Offered Rate (LIBOR) plus a margin ranging from .3% to 3.5% (1.35% at December 28, 2008), determined by the Company's leverage ratio. The Company pays fees (.4% at December 28, 2008) on the entire commitment of the facility at a rate also based on its leverage ratio. At the time of the latest amendment, the Company incurred approximately \$4.8 million in new amendment fees and expensed \$1.1 million of existing unamortized debt issuance costs. As of December 28, 2008, the Company was in compliance with all covenants and expects that the covenants will continue to be met.

At December 28, 2008, the Company had borrowings of \$5 million from bank lines due within one year with an interest rate of 3.25% that were classified as long-term debt in accordance with the Company's intention and ability to refinance these obligations on a long-term basis under existing facilities.

Long-term debt maturities during the five years subsequent to December 28, 2008, aggregating \$730 million, were \$5 million in 2009 and \$725 million in 2011.

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 notional amounts totaling \$300 million; swaps with notional amounts of \$100 million will mature 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 Facilities. These swaps effectively convert the Company's variable rate bank debt to fixed rate debt with a weighted average interest rate approximating 7.3% at December 28, 2008. The following table includes information about the Company's derivative instruments as of December 28, 2008.

*(In thousands)*

Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Amount of Pre-tax Derivative Loss Recognized in 2008 OCI
Interest rate swaps	Other liabilities and deferred credits	\$22,723	\$ 9,510

The table that follows includes information about the carrying values and estimated fair values of the Company's financial instruments at December 28, 2008, and December 30, 2007:

<i>(In thousands)</i>	2008	2007
<b>Assets:</b>		
Investments		
Trading	\$ 243	\$ —
Available-for-sale	—	1,874
<b>Liabilities:</b>		
Long-term debt:		
Revolving credit facility	425,000	595,000
Bank term loan facility	300,000	300,000
Bank lines	5,000	2,500
Interest rate swap agreements	22,723	13,214

At times when the Company has investments with a readily determinable value and that are classified as available-for-sale, they are carried at fair value, with unrealized gains or losses, net of deferred taxes, reported as a separate component of stockholders' equity. Trading securities are held by the supplemental 401(k) plan and are carried

at fair value as described in Note 8. The carrying value of the long-term debt in the chart above approximates its fair value. 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. Under the fair value hierarchy set forth by FAS 157, the Company's interest rate swaps fall under Level 2 (Other Observable Inputs).

#### **Note 6: Business Segments**

The Company is a diversified communications company located primarily in the southeastern United States. Effective at the beginning of the third quarter of 2009, the Company changed its management structure, shifting from its three-division structure (Publishing, Broadcast, and Interactive Media) to five geographic segments (Virginia/Tennessee, Florida, Mid-South, North Carolina, Ohio/Rhode Island) along with a sixth segment that includes interactive advertising services and certain other operations. This change was undertaken to more closely connect the Company to its customers and non-customers, to accelerate its Web-first strategy, to speed decision-making, and to create and serve new market opportunities. The Company has reclassified the corresponding items of segment information for earlier periods to conform with its current structure.

Revenues for the geographic markets include revenues from 18 network-affiliated television stations, three metro 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 Web sites that are associated with many of these specialty publications are included in revenues for the geographic markets. Additionally, more than 200 specialty publications that include weekly newspapers and niche publications and the Web sites that are associated with many of these specialty publications. 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. Intercompany sales are primarily accounted for as if the sales were at current market prices and are eliminated in the consolidated financial statements. Certain promotion 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.

<i>(In thousands)</i>	Segment Assets	Capital Expenditures	Revenues	Depreciation and Amortization	Operating Profit (loss)
<b>2008</b>					
Virginia/Tennessee	\$ 240,035	\$ 10,375	\$232,465	\$ (15,244)	\$ 40,609
Florida	110,805	3,641	201,291	(9,905)	(1,467)
Mid-South	277,396	6,442	171,531	(14,836)	24,967
North Carolina	99,989	5,009	105,372	(7,371)	11,642
Ohio/Rhode Island	75,731	623	62,921	(3,869)	13,949
Advertising Services and Other	29,458	220	26,647	(796)	1,495
Eliminations	—	—	(2,852)	10	(1,113)
					<u>90,082</u>
Unallocated amounts:					
Acquisition intangibles amortization	—	—		(13,670)	(13,670)
Corporate	488,436	4,698		(5,783)	(38,504)
Discontinued operations	12,402	509		—	
	<u>\$1,334,252</u>	<u>\$ 31,517</u>	<u>\$797,375</u>	<u>\$ (71,464)</u>	
Interest expense					(43,449)
Impairment of and income (loss) on investments					(4,419)
Gain on insurance recovery					3,250
Goodwill and other asset impairment					(908,701)
Other					<u>3,965</u>
Consolidated loss from continuing operations before income taxes					<u>\$ (911,446)</u>
<b>2007</b>					
Virginia/Tennessee	\$ 246,306	\$ 25,196	\$265,879	\$ (13,043)	\$ 64,683
Florida	102,195	8,865	253,442	(9,381)	30,299
Mid-South	503,475	18,630	180,236	(15,070)	30,252
North Carolina	179,589	5,829	110,308	(6,574)	14,204
Ohio/Rhode Island	182,665	5,336	60,578	(3,799)	10,294
Advertising Services and Other	29,469	795	34,486	(551)	(840)
Eliminations	—	—	(8,636)	31	(1,755)
					<u>147,137</u>
Unallocated amounts:					
Acquisition intangibles amortization	—	—		(17,003)	(17,003)
Corporate	1,120,012	11,460		(7,608)	(39,061)
Discontinued operations	107,355	2,031		—	
	<u>\$2,471,066</u>	<u>\$ 78,142</u>	<u>\$896,293</u>	<u>\$ (72,998)</u>	
Interest expense					(59,577)
Impairment of and income (loss) on investments					(34,825)
Gain on insurance recovery					17,604
Other					<u>(2,119)</u>
Consolidated income from continuing operations before income taxes					<u>\$ 12,156</u>

<i>(In thousands)</i>	Segment Assets	Capital Expenditures	Revenues	Depreciation and Amortization	Operating Profit (loss)
<b>2006</b>					
Virginia/Tennessee	\$ 242,545	\$ 17,847	\$274,157	\$ (12,810)	\$ 66,040
Florida	105,305	11,604	307,846	(9,695)	70,827
Mid-South	503,757	31,695	177,426	(12,373)	38,656
North Carolina	177,949	4,964	105,645	(5,531)	17,414
Ohio/Rhode Island	181,918	307	43,825	(1,694)	19,768
Advertising Services & Other	30,570	788	28,036	(2,745)	(1,143)
Eliminations	—	—	(7,719)	—	(3,094)
					<u>208,468</u>
Unallocated amounts:					
Acquisition intangibles amortization	—	—	—	(16,233)	(16,233)
Corporate *	1,150,325	16,270	—	(5,082)	(40,998)
Discontinued operations	112,857	10,421	—	—	
	<u>\$2,505,226</u>	<u>\$ 93,896</u>	<u>\$929,216</u>	<u>\$ (66,163)</u>	
Interest expense					(48,505)
Impairment of and income (loss) on investments					9,898
Other					(14,089)
Consolidated income from continuing operations before income taxes					<u>\$ 98,541</u>

\* Goodwill balances of \$421,470, \$917,521 and \$916,021 for 2008, 2007 and 2006, respectively were included in corporate assets

#### Note 7: Taxes on Income

Significant components of income taxes from continuing operations are as follows:

<i>(In thousands)</i>	2008	2007	2006
Federal	\$ (13,369)	\$(11,303)	\$23,147
State	(2,204)	(2,065)	2,082
Current	<u>(15,573)</u>	<u>(13,368)</u>	<u>25,229</u>
Federal	(265,911)	13,432	8,298
State	(14,234)	2,857	2,878
Deferred	<u>(280,145)</u>	<u>16,289</u>	<u>11,176</u>
Valuation allowance	7,527	—	—
Income taxes	<u>\$(288,191)</u>	<u>\$ 2,921</u>	<u>\$36,405</u>

Temporary differences, which gave rise to significant components of the Company's deferred tax liabilities and assets at December 28, 2008, and December 30, 2007, are as follows:

<i>(In thousands)</i>	2008	2007
<b>Deferred tax liabilities:</b>		
Difference between book and tax bases of intangible assets	\$ 7,630	\$303,252
Tax over book depreciation	71,526	87,346
Other	626	567
<b>Total deferred tax liabilities</b>	<u>79,782</u>	<u>391,165</u>
<b>Deferred tax assets:</b>		
Employee benefits	(36,688)	(37,271)
Net operating losses	(2,107)	(2,107)
Other comprehensive income items	(84,355)	(44,245)
Other	(4,270)	(5,908)
<b>Total deferred tax assets</b>	<u>(127,420)</u>	<u>(89,531)</u>
<b>Net deferred tax (assets) liabilities</b>	(47,638)	301,634
<b>Valuation allowance</b>	47,638	—
<b>Deferred tax assets included in other current assets</b>	—	9,954
<b>Deferred tax liabilities</b>	<u>\$ —</u>	<u>\$311,588</u>

As of December 28, 2008, the Company established a valuation allowance against its entire net deferred tax asset of \$47.6 million because cumulative pretax income in recent years was in an overall loss position primarily due to the current year impairment charges. The valuation allowance as of December 30, 2007 was zero. The majority (\$40.1 million) of the valuation allowance was associated with deferred taxes on other comprehensive loss (OCL) items and therefore was recorded directly to the OCL component of Stockholders' Equity. The remaining \$7.5 million affected the Consolidated Statement of Operations. The Company believes that it is reasonably possible that this valuation allowance will be reduced significantly in the next year through normal amortization, creation of other deferred tax liabilities, and the economic stimulus proposals currently under consideration to extend and expand the NOL carryback provisions.

Reconciliation of income taxes computed at the federal statutory tax rate to actual income tax expense from continuing operations is as follows:

<i>(In thousands)</i>	2008	2007	2006
<b>Income taxes computed at federal statutory tax rate</b>	\$(319,006)	\$ 4,255	\$34,489
<b>Increase (reduction) in income taxes resulting from:</b>			
Impairment writedown of non-deductible goodwill	32,956	—	—
State income taxes, net of federal income tax benefit	(10,687)	513	3,221
Increase in deferred tax valuation allowance	7,527	—	—
Other	1,019	(1,847)	(1,305)
<b>Income taxes</b>	<u>\$(288,191)</u>	<u>\$ 2,921</u>	<u>\$36,405</u>

The Company paid income taxes of \$1.6 million, \$6.9 million and \$27.1 million, respectively, net of refunds in 2008, 2007 and 2006.

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48), on January 1, 2007. The Company recognized an approximate \$4.9 million net increase in the liability for uncertain tax positions, which was accounted for as a reduction of retained earnings, as of January 1, 2007. A reconciliation of the beginning and ending balances of the gross liability for uncertain tax positions is as follows:

<i>(In thousands)</i>	
<b>Balance at December 31, 2007</b>	\$15,421
Reductions based on tax positions related to the current year	(600)
Additions for tax positions for prior years	736
Reductions for tax positions for prior years	(586)
<b>Balance at December 28, 2008</b>	<u>\$14,971</u>

The entire balance of the liability for uncertain tax positions would impact the effective rate (net of related asset for uncertain tax positions) if underlying tax positions were sustained or favorably settled. The Company recognizes interest and penalties accrued related to uncertain tax positions in the provision for income taxes. At December 28, 2008, the liability for uncertain tax positions included approximately \$5.9 million of estimated interest and penalties.

For federal tax purposes, the Company's tax returns have been audited or closed by statute through 2004 and remain subject to audit for years 2005 and beyond. The Company has various state income tax examinations ongoing and at varying stages of completion, but generally its state income tax returns have been audited or closed to audit through 2004.

#### **Note 8: Common Stock and Stock Options**

Holders of the Class A common stock are entitled to elect 30% of the Board of Directors and, with the holders of Class B common stock, also are entitled to vote on the reservation of shares for stock awards and on certain specified types of major corporate reorganizations or acquisitions. Class B common stock can be converted into Class A common stock on a share-for-share basis at the option of the holder. Both classes of common stock receive the same dividends per share.

Under the Company's Long-Term Incentive Plan (LTIP), the Company has historically granted stock-based awards to key employees in the form of nonqualified stock options (Non-Qualified Stock Option Plan) and non-vested shares (Performance Accelerated Restricted Stock Plan (PARS)). At the Company's 2006 Annual Meeting, amendments, including one allowing for additional shares to be made available for future awards, were not approved. Consequently, the Company did not grant additional stock options or PARS in 2007. The Company resumed this practice in 2008 after amendments to the LTIP were approved at the 2007 Annual Stockholder Meeting. In the first quarter of 2007 in order to maintain long-term compensation objectives for key employees, the Board adopted the Stock Appreciation Rights (SARs) Plan and approved grants of individual awards thereunder on January 31, 2007.

The LTIP is administered by the Compensation Committee and permits the grant of share options and shares to its employees. At December 28, 2008, a combined 1,412,522 shares remained available for grants of PARS (no more than 320,558) and stock options under the LTIP. Grant prices of stock options are equal to the fair market value of the underlying stock on the date of grant. Unless changed by the Compensation Committee, options are exercisable during the continued employment of the optionee but not for a period greater than ten years and not for a period greater than one year after termination of employment; they generally become exercisable at the rate of one-third each year from the date of grant. For awards granted prior to 2006, the optionee may exercise any option in full in the event of death or disability or upon retirement after at least ten years of service with the Company and after attaining age 55. For awards granted in 2006 and thereafter, the optionee must be 63 years of age, with ten years of service, and must be an employee on December 31 of the year of grant in order to be eligible to exercise an award upon retirement. The Company has options for approximately 60,000 shares outstanding under former plans with slightly different exercise terms.

The Company valued stock options granted in 2008 and 2006 using a binomial lattice valuation method. The volatility factor was estimated based on the Company's historical volatility over the contractual term of the options. The Company also used historical data to derive the option's expected life. The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the date of grant. The dividend yield was predicated on the current annualized

dividend payment and the average stock price over the year prior to the grant date. The key assumptions used to value stock options granted in 2008 and 2006 and the resulting grant date fair values are summarized below:

	2008	2006
Risk-free interest rate	3.31%	4.40%
Dividend yield	2.90%	1.40%
Volatility factor	29.00%	28.00%
Expected life (years)	6.50	6.60
Exercise price	\$20.30	\$49.66
Grant date fair value	\$ 4.88	\$15.50

The following is a summary of option activity for the year ended December 28, 2008:

<i>(In thousands, except per share amounts)</i>	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)*	Aggregate Intrinsic Value
Outstanding-beginning of year	1,869	\$ 54.54		
Granted	600	20.30		
Exercised	—	—		
Forfeited or expired	(246)	49.31		
Outstanding-end of year	<u>2,223</u>	<u>\$ 45.88</u>	<u>6.0</u>	<u>\$ —</u>
Outstanding-end of year less estimated forfeitures	<u>2,195</u>	<u>\$ 46.17</u>	<u>6.0</u>	<u>\$ —</u>
Exercisable - end of year	<u>1,524</u>	<u>\$ 55.03</u>	<u>4.7</u>	<u>\$ —</u>

\* Excludes 900 options which are exercisable during the lifetime of the optionee and 61,000 options which are exercisable during the continued employment of the optionee and for a three-year period thereafter

The Company recognized non-cash compensation expense related to stock options of approximately \$3.3 million (\$2.1 million after-tax), \$3.4 million (\$2.2 million after-tax), and \$5.6 million (\$3.6 million after-tax) for 2008, 2007 and 2006, respectively. As of December 28, 2008, there was \$1.5 million of total unrecognized compensation cost related to stock options expected to be recognized over a weighted-average period of approximately 2 years.

As indicated earlier, the Company granted SARs in lieu of stock options in 2007. A SAR, which is settled in cash and designed to help align key employees' interests with those of the Company's stockholders, provides the grantee the ability to benefit from appreciation in the value of the Company's Class A Common Stock. The amount realized upon exercise of a SAR is the difference between the fair market value of Class A Common Stock on the date of grant and the fair market value of Class A Common Stock on the date of exercise, subject to a maximum increase in value of 100%. SARs vest ratably over a three-year period from the date of grant and have a maximum five-year term. SARs vest immediately upon the grantee's death or disability during employment or upon retirement after age 63 with ten years of service provided that the grantee is employed on December 31 of the year in which the SAR was granted. Upon termination of employment, the grantee has up to 12 months thereafter to exercise any vested SAR.

The Company granted 512,600 SARs with an exercise price of \$40.01 in the first quarter of 2007 at a grant-date fair value of \$8.79 using a binomial lattice valuation method. Each quarter, the Company records compensation expense or benefit ratably over the service period and adjusts for changes in the fair value of SARs. Due to the decline

in the Company's stock price since the grant date, the cumulative compensation cost related to SARs is nominal. However, stock prices approaching the exercise price would cause the compensation cost recognized to be higher due to the variable nature of expense under the SARs Plan.

Certain executives are eligible for Performance Accelerated Restricted Stock (PARS), which vests over a ten-year period. If certain earnings targets are achieved (as defined in the plan) vesting may accelerate to either a three, five or seven year period. The recipient of PARS must remain employed by the Company during the vesting period. PARS is awarded at the fair value of Class A shares on the date of the grant. All restrictions on PARS granted prior to 1999 have been released. The following is a summary of PARS activity for the year ended December 28, 2008:

<i>(In thousands, except per share amounts)</i>	Shares	Weighted-Average Grant Date Fair Value
Nonvested balance - beginning of year	441	\$ 56.24
Granted	245	20.30
Restrictions released	(104)	53.15
Forfeited	(74)	50.04
Nonvested balance - end of year	<u>508</u>	<u>\$ 40.42</u>

As of the end of 2008, there was \$9.4 million of total unrecognized compensation cost related to PARS under the LTIP; that cost is expected to be recognized over a weighted-average period of approximately 6.8 years. The amount recorded as expense in 2008, 2007 and 2006, was \$2 million (\$1.3 million after-tax), \$1.8 million (\$1.5 million after-tax), and \$2.6 million (\$2.2 million after-tax), respectively. During 2008, 103,873 PARS with a fair value of \$1.4 million had restrictions released upon the retirement of a participant.

The Company has maintained a Supplemental 401(k) Plan (the Plan) for many years which allows certain employees to defer salary and obtain Company match where federal regulations would otherwise limit those amounts. The Company is the primary beneficiary of the variable interest entity that holds the Plan's investments and consolidates the Plan accordingly. With certain 2008 amendments to the Plan, participants will now receive cash payments upon termination of employment, and participants age 55 and above can now choose from a range of investment options including the Company's Class A common stock fund. The Plan's liability (\$.4 million at December 28, 2008) to participants is adjusted to its fair value each reporting period. The Plan's investments (\$.2 million at December 28, 2008), other than its Class A common stock fund, are considered trading securities, reported as assets, and are adjusted to fair value each reporting period. Investments in the Class A common stock fund are measured at historical cost and are recorded as a reduction of additional paid-in capital. Consequently, fluctuations in the Company's stock price will have an impact on the Company's net income when the liability is adjusted to fair value and the common stock fund remains at historical cost. The Company recognized a benefit of \$1.7 million (\$1.1 million after-tax) in 2008 under the Plan due to the decrease in the Company's stock price. The Company has suspended the match on the Plan from April 1, 2009 through December 31, 2009.

Each member of the Board of Directors that is neither an employee nor a former employee of the Company (an Outside Director) participates in the Directors' Deferred Compensation Plan. The plan provides that each Outside Director shall receive half of his or her annual compensation for services to the Board in the form of Deferred Stock Units (DSU); each Outside Director additionally may elect to receive the balance of his or her compensation in either cash, DSU, or a split between cash and DSU. Other than dividend credits, deferred stock units do not entitle Outside Directors to any rights due to a holder of common stock. DSU account balances may be settled after the Outside Director's retirement date by a cash lump-sum payment, a single distribution of common stock, or annual installments of either cash or common stock over a period of up to ten years. The Company records expense annually based on the amount of compensation paid to each director as well as recording an adjustment for changes in fair value of DSU. In 2008, 2007, and 2006, the Company recognized benefits of \$1 million (\$.6 million after-tax), \$.5 million (\$.3 million after-tax), and \$.4 million (\$.2 million after-tax), respectively, under the plan due to the decrease in fair value of DSU.

Because both the Supplemental 401(k) Plan and the Director's Deferred Compensation Plan were designed to align the interest of participants with those of shareholders, fluctuations in stock price have an effect on the expense recognized by the Company. Each \$1 change in the Company's stock price as of December 28, 2008 would have adjusted the Company's pre-tax income by approximately \$.3 million.

In the second quarter of 2007, the Company entered into an accelerated share repurchase program with an investment bank. Under this program, the investment bank delivered 1.5 million shares of Class A Common Stock to the Company for approximately \$57 million (\$38.10 per share). Those shares were immediately retired and accounted for as a reduction of stockholders' equity. The share repurchase was funded with borrowings under the Company's existing credit agreements. As part of the transaction, the Company entered into a forward contract with the investment bank. The forward contract was settled in the third quarter and included a price adjustment based on the volume weighted-average price of the Company's Class A Common Stock, as defined in the agreement. After this adjustment, the final share repurchase totaled \$48.7 million (\$32.48 per share).

#### **Note 9: Retirement Plans**

The Company has a funded, qualified non-contributory defined benefit retirement plan which covers substantially all employees hired before January 1, 2007, and non-contributory unfunded supplemental executive retirement and ERISA excess plans which supplement the coverage available to certain executives. The Company also has a retiree medical savings account (established as of the beginning of 2007) which reimburses eligible employees who retire from the Company for certain medical expenses. In addition, the Company also has an unfunded plan that provides certain health and life insurance benefits to retired employees who were hired prior to 1992. The previously mentioned plans are collectively referred to as the "Plans". The measurement date for the Plans is the Company's fiscal year end.

In 2006, the Company redesigned its defined benefit and defined contribution retirement plans effective January 1, 2007, and added certain new employee benefit programs. These changes reduced the volatility of future pension expense while continuing to provide competitive retirement benefits to employees. The changes included freezing the service accrual in the current defined benefit retirement plan for existing employees (while closing this plan to new employees), increasing the maximum Company match in the current 401(k) defined contribution plan to 5% from 4% of an employee's earnings, adding a profit sharing component to the 401(k) plan, and establishing a retiree medical savings account.

#### **Benefit Obligations**

The following table provides a reconciliation of the changes in the Plans' benefit obligations for the years ended December 28, 2008, and December 30, 2007:

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
<i>(In thousands)</i>				
Change in benefit obligation:				
Benefit obligation at beginning of year	\$408,293	\$437,267	\$47,748	\$50,995
Service cost	944	1,096	415	491
Interest cost	26,125	24,995	3,011	2,943
Participant contributions	—	—	1,454	1,121
Plan amendments	—	(18)	—	2,189
Actuarial (gain) loss	258	(38,239)	(7,008)	(6,828)
Benefit payments, net of subsidy	(18,065)	(16,808)	(4,068)	(3,163)
Benefit obligation at end of year	<u>\$417,555</u>	<u>\$408,293</u>	<u>\$41,552</u>	<u>\$47,748</u>

The accumulated benefit obligation at the end of 2008 and 2007 was \$368 million and \$349 million, respectively. The Company's policy is to fund benefits under the supplemental executive retirement, excess, and all postretirement benefits plans as claims and premiums are paid. As of December 28, 2008 and December 30, 2007, the benefit obligation related to the supplemental executive retirement and ERISA excess plans included in the preceding table was \$48.6 million and \$46.4 million, respectively. The Plans' benefit obligations were determined using the following assumptions:

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Discount rate	6.50%	6.50%	6.50%	6.50%
Compensation increase rate	4.00	4.00	4.00	4.00

A 9.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2008 (9.5% for 2007). This rate was assumed to decrease gradually each year to a rate of 5% in 2015 and remain at that level thereafter. These rates have an effect on the amounts reported for the Company's postretirement obligations. A one-percentage point increase or decrease in the assumed health care trend rates would change the Company's accumulated postretirement benefit obligation by approximately \$800 thousand, and the Company's net periodic cost by less than \$100 thousand.

### Plan Assets

The following table provides a reconciliation of the changes in the fair value of the Plans' assets for the years ended December 28, 2008, and December 30, 2007:

<i>(In thousands)</i>	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of year	\$308,408	\$297,622	\$ —	\$ —
Actual return on plan assets	(93,105)	25,860	—	—
Employer contributions	11,811	1,734	2,963	2,524
Participant contributions	—	—	1,454	1,121
Benefit payments	(18,065)	(16,808)	(4,417)	(3,645)
Fair value of plan assets at end of year	<u>\$209,049</u>	<u>\$308,408</u>	<u>\$ —</u>	<u>\$ —</u>

The asset allocation for the Company's funded retirement plan at the end of 2008 and 2007, and the asset allocation range for 2009, by asset category, are as follows:

Asset Category	Asset Allocation Range 2009	Percentage of Plan Assets at Year End	
		2008	2007
Equity securities	45%-75%	64%	73%
Fixed income securities	25%-45%	36%	27%
Total		<u>100%</u>	<u>100%</u>

As plan sponsor of the funded retirement plan, the Company's investment strategy is to achieve a rate of return on the plan's assets that, over the long-term, will fund the plan's benefit payments and will provide for other required amounts in a manner that satisfies all fiduciary responsibilities. A determinant of the plan's returns is the asset allocation policy. The Company's investment policy provides absolute ranges (45%-75% equity, 25%-45% fixed income) for the plan's long-term asset mix. The Company periodically (at least annually) reviews and rebalances the asset mix if necessary. The Company also reviews the plan's overall asset allocation to determine the proper balance of securities by market capitalization, value or growth, U.S., international or global, or the addition of other asset classes. Periodically, the Company evaluates each investment manager to determine if that manager has performed satisfactorily when compared to the defined objectives, similarly invested portfolios, and specific market indices.

### **Funded Status**

The following table provides a statement of the funded status of the Plans at December 28, 2008, and December 30, 2007:

<i>(In thousands)</i>	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
<b>Amounts recorded in the balance sheet:</b>				
Current liabilities	\$ (1,735)	\$ (1,660)	\$ (2,652)	\$ (3,466)
Noncurrent liabilities	<u>(206,771)</u>	<u>(98,225)</u>	<u>(38,900)</u>	<u>(44,282)</u>
Net amount recognized	<u><u>\$(208,506)</u></u>	<u><u>\$(99,885)</u></u>	<u><u>\$(41,552)</u></u>	<u><u>\$(47,748)</u></u>

The following table provides a reconciliation of the Company's accumulated other comprehensive income prior to any deferred tax effects:

<i>(In thousands)</i>	Pension Benefits			Other Benefits		
	Net actuarial loss	Prior service (credit) cost	Total	Net actuarial gain	Prior service (credit) cost	Total
December 30, 2007	\$ 95,937	\$ (224)	\$ 95,713	\$ (6,741)	\$ 15,269	\$ 8,528
Current year change	113,735	54	113,789	(6,632)	(1,721)	(8,353)
December 28, 2008	<u><u>\$209,672</u></u>	<u><u>\$ (170)</u></u>	<u><u>\$209,502</u></u>	<u><u>\$ (13,373)</u></u>	<u><u>\$ 13,548</u></u>	<u><u>\$ 175</u></u>

The Company anticipates recognizing \$6.5 million of actuarial loss and \$1.7 million of prior service cost, both of which are currently in accumulated other comprehensive income, as a component of its net periodic cost in 2009.

### **Expected Cash Flows**

The following table includes amounts that are expected to be contributed to the Plans by the Company and amounts the Company expects to receive in Medicare subsidy payments. It reflects benefit payments that are made from the Plans' assets as well as those made directly from the Company's assets and includes the participants' share of the costs, which is funded by participant contributions. The amounts in the table are actuarially determined and reflect the Company's best estimate given its current knowledge; actual amounts could be materially different.

<i>(In thousands)</i>	Pension Benefits	Other Benefits	Medicare Subsidy Receipts
<b>Employer Contributions</b>			
2009 (expectation) to participant benefits	\$ 16,735	\$ 2,737	\$ —
<b>Expected Benefit Payments / Receipts</b>			
2009	18,297	3,140	(403)
2010	19,236	3,254	(411)
2011	20,722	3,510	(416)
2012	22,253	3,831	(422)
2013	23,885	4,183	(433)
2014-2018	139,829	21,640	(2,358)

### **Net Periodic Cost**

The following table provides the components of net periodic benefit cost for the Plans for fiscal years 2008, 2007, and 2006:

<i>(In thousands)</i>	Pension Benefits			Other Benefits		
	2008	2007	2006	2008	2007	2006
Service cost	\$ 944	\$ 1,096	\$ 14,535	\$ 415	\$ 491	\$ 396
Interest cost	26,125	24,995	25,235	3,011	2,943	2,559
Expected return on plan assets	(25,898)	(24,808)	(25,306)	—	—	—
Amortization of prior-service (credit) cost	(53)	(53)	11	1,721	1,721	1,182
Amortization of net loss (gain)	5,525	8,296	7,412	(377)	(74)	—
Curtailement loss	—	—	497	—	—	—
Net periodic benefit cost	<u>\$ 6,643</u>	<u>\$ 9,526</u>	<u>\$ 22,384</u>	<u>\$4,770</u>	<u>\$5,081</u>	<u>\$4,137</u>

The net periodic costs for the Company's pension and other benefit plans were determined using the following assumptions:

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Discount rate	6.50%	6.00%	6.50%	6.00%
Expected return on plan assets	8.50	8.50	—	—
Compensation increase rate	4.00	4.00	4.00	4.00

The reasonableness of the expected return on the funded retirement plan assets was determined by four separate analyses: 1) review of 10 years of historical data of portfolios with similar asset allocation characteristics done by a third party, 2) analysis of 20 years of historical performance assuming the current portfolio mix and investment manager structure done by a third party, 3) review of the Company's actual portfolio performance over the past 5 years, and 4) projected portfolio performance for 10 years, assuming the plan's asset allocation range, done by a third party. Net periodic costs for 2009 will use a discount rate of 6.5%, an expected rate of return on plan assets of 8.25%, and a compensation increase rate of 4%.

The Company also sponsors a 401(k) plan covering substantially all employees under which the Company matches 100% of participant pretax contributions up to a maximum of 5% of the employee's salary. Eligible account balances may be rolled over from a prior employer's qualified plan. Contributions charged to expense under the plan

were \$10.3 million, \$16.4 million (including profit sharing) and \$8.7 million in 2008, 2007 and 2006, respectively. The Company has suspended this match from April 1, 2009 through December 31, 2009.

#### Note 10: Earnings Per Share

The following chart is a reconciliation of the numerators and the denominators of the basic and diluted per share computations for income from continuing operations as presented in the Consolidated Statements of Operations.

<i>(In thousands, except per share amounts)</i>	2008			2007			2006		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
<b>Basic and Diluted EPS</b>									
Income (loss) from continuing operations	\$(623,255)			\$ 9,235			\$ 62,136		
Distributed and undistributed earnings attributable to participating securities	<u>(504)</u>			<u>(421)</u>			<u>(1,685)</u>		
Income (loss) from continuing operations allocable to common stockholders	<u>\$(623,759)</u>	<u>22,113</u>	<u>\$(28.21)</u>	<u>\$ 8,814</u>	<u>22,656</u>	<u>\$ 0.39</u>	<u>\$ 60,451</u>	<u>23,597</u>	<u>\$ 2.56</u>

#### Note 11: Commitments, Contingencies and Other

##### Broadcast film rights

Over the next 6 years the Company is committed to purchase approximately \$35.4 million of program rights that currently are not available for broadcast, including programs not yet produced. If such programs are not produced, the Company's commitment would expire without obligation.

##### Capital commitments

The Company currently has several projects underway including the replacement of a centralized traffic system in its broadcast properties, as well as upgrading certain press equipment in the Virginia/Tennessee, Florida and North Carolina markets. Remaining commitments on these projects at December 28, 2008, totaled approximately \$6 million.

##### Lease obligations

The Company rents certain facilities and equipment under operating leases. These leases extend for varying periods of time ranging from one year to more than twenty years and in many cases contain renewal options. Total rental expense from continuing operations amounted to \$7.9 million in 2008, \$8 million in 2007, and \$6.9 million in 2006. Minimum rental commitments for continuing operations under operating leases with noncancelable terms in excess of one year are as follows: 2009 – \$6.9 million; 2010 – \$6.1 million; 2011 – \$4.8 million; 2012 – \$3.5 million; 2013 – \$1.8 million; subsequent years – \$8.1 million.

##### Interest

In 2008, 2007 and 2006, the Company's interest expense related to continuing operations was \$43.4 million (net of \$.2 million capitalized), \$59.6 million (net of \$1.4 million capitalized) and \$48.5 million (net of \$1 million capitalized), respectively. Interest paid during 2008, 2007 and 2006, net of amounts capitalized, was \$41.3 million, \$58.3 million and \$48.4 million, respectively.

##### Other current assets

Other current assets included program rights of \$15.4 million and \$14.3 million at December 28, 2008, and December 30, 2007, respectively.

### ***Accrued expenses and other current liabilities***

Accrued expenses and other current liabilities consisted of the following:

<i>(In thousands)</i>	2008	2007
Payroll and employee benefits	\$29,339	\$ 34,391
Unearned revenue	20,837	21,213
Fire damage repair costs received in advance (see below)	1,330	14,428
Program rights	14,876	13,673
Other	19,909	18,048
Total	<u>\$86,291</u>	<u>\$101,753</u>

### ***Insurance Recovery***

In the second quarter of 2007, one of three presses at the Company's Richmond Times-Dispatch printing facility caught fire; damage to the remainder of the facility was minimal and the remaining presses were back in operation the next day. In the fourth quarter of 2007, the Company reached a settlement with the insurance company and received cash of \$47.7 million which covered the damaged press as well as the Company's clean-up and repair costs. A portion of that settlement related to repair and clean-up costs in subsequent years. In 2007, the Company wrote off the net book value of the destroyed equipment totaling \$10.2 million and recorded a gain of \$17.6 million due to the insured value of the property exceeding its net book value. In 2008, the Company identified a more cost-effective method to clean the equipment and remediate the facility than previously anticipated, and consequently, recorded pre-tax gains of \$3.3 million related to the insurance settlement. Gains in both years were recorded on the Statements of Operations in the line item "Gain on insurance recovery."

### ***Other***

The FCC has mandated a reallocation of a portion of the broadcast spectrum to others, including Sprint/Nextel. According to the FCC order, broadcasters must surrender their old equipment to prevent interference within a narrowed broadcasting frequency range. In exchange for the relinquished equipment, Sprint/Nextel has been providing broadcasters with new digital equipment and reimbursing associated out-of-pocket expenses. Over the next year, Sprint/Nextel will continue to provide the Company with new equipment which is capable of meeting the narrowed broadcasting frequency criteria. The Company recorded gains of \$5.2 million in 2008 and \$.9 million in 2007 in the line item "Selling, general and administrative" on the Consolidated Statements of Operations and anticipates recording additional gains approaching \$2.5 million in total over the next year relating to the new equipment.

## Severance

In an effort to better align its costs with current revenue opportunities, the Company implemented cost-reduction plans which included voluntary and non-voluntary separation programs. These work-force reductions were in response to a general economic downturn, and particularly, to the deep housing-induced recession in the Florida market. As the Company reduced its workforce, severance costs of \$10.9 million, \$3 million, and \$1 million were included in operating expenses for 2008, 2007, and 2006, respectively. Accrued severance costs are included in "Accrued expenses and other liabilities" on the Consolidated Balance Sheet. The following summarized the activity in accrued severance for these work-force reductions:

<i>(In thousands)</i>	Virginia/ Tennessee	Florida	Mid- South	North Carolina	Ohio/ Rhode Island	Advertising Services & Other	Corporate	Consolidated
Accrued severance-12/31/2006	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Severance expense	341	1,594	212	156	41	459	154	2,957
Severance payments	(332)	(1,332)	(212)	(156)	(41)	(301)	(154)	(2,528)
Accrued severance-12/30/2007	9	262	—	—	—	158	—	429
Severance expense	1,474	4,939	1,445	712	1,124	301	913	10,908
Severance payments	(613)	(3,679)	(359)	(329)	(217)	(238)	(746)	(6,181)
Accrued severance-12/28/2008	\$ 870	\$ 1,522	\$ 1,086	\$ 383	\$ 907	\$ 221	\$ 167	\$ 5,156

### Note 12: Revised Financial Information

The Consolidated Balance Sheet and Consolidated Statement of Operations and Notes 1, 2, 3, 6, 7 and 11 have been revised for the effects of the Company's change in segments, the reporting as a discontinued operation of the sale of a small Virginia magazine and related web site, and to add detail to severance disclosures. Because these statements are being filed subsequent to the adoption of FASB Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, the Company has also revised its calculation of earnings per share on the Statements of Operations and in Notes 2 and 10.

**Schedule II - Valuation and Qualifying Accounts and Reserves**  
**Fiscal Years Ended December 28, 2008, December 30, 2007, and December 31, 2006**

<i>(in thousands)</i>	<u>Balance at beginning of period (a)</u>	<u>Additions charged to expense- net (a)</u>	<u>Additions charged to other comprehensive loss</u>	<u>Deductions net (a)</u>	<u>Transfers (b)</u>	<u>Balance at end of period (a)</u>
<b>2008</b>						
Allowance for doubtful accounts	\$ 5,981	\$ 7,852	\$ —	\$ (9,002)	\$ 1,130	\$ 5,961
Deferred tax asset valuation allowance (c)	\$ —	\$ 7,527	\$ 40,111	\$ —	\$ —	\$ 47,638
<b>2007</b>						
Allowance for doubtful accounts	\$ 6,422	\$ 5,944	\$ —	\$ (6,416)	\$ 31	\$ 5,981
<b>2006</b>						
Allowance for doubtful accounts	\$ 5,736	\$ 5,819	\$ —	\$ (5,307)	\$ 174	\$ 6,422

(a) Amounts presented for continuing operations for all periods.

(b) Amounts associated with acquisitions of businesses.

(c) The Company established a valuation allowance against its entire net deferred tax asset in 2008 (see Note 7 of the audited financial statements).

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 29, 2009	December 28, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8,506	\$ 7,142
Accounts receivable - net	83,830	102,174
Inventories	10,324	12,035
Other	29,790	38,849
Assets of discontinued operations	11,709	12,402
Total current assets	<u>144,159</u>	<u>172,602</u>
Other assets	42,451	41,287
Property, plant and equipment - net	444,551	453,627
FCC licenses and other intangibles - net	243,467	245,266
Excess of cost over fair value of net identifiable assets of acquired businesses	421,318	421,470
	<u>\$1,295,946</u>	<u>\$1,334,252</u>

See accompanying notes.

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

	<u>March 29,</u> 2009	<u>December 28,</u> 2008
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 30,285	\$ 41,365
Accrued expenses and other liabilities	80,711	86,291
Liabilities of discontinued operations	<u>2,874</u>	<u>3,053</u>
Total current liabilities	<u>113,870</u>	<u>130,709</u>
Long-term debt	730,092	730,049
Retirement, post-retirement and post-employment plans	252,878	251,175
Other liabilities and deferred credits	63,327	67,092
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 22,239,337 and 22,250,130 shares	111,197	111,251
Class B, authorized 600,000 shares; issued 551,881 shares	2,759	2,759
Additional paid-in capital	22,169	21,934
Accumulated other comprehensive loss	(186,515)	(188,139)
Retained earnings	<u>186,169</u>	<u>207,422</u>
Total stockholders' equity	<u>135,779</u>	<u>155,227</u>
	<u>\$1,295,946</u>	<u>\$1,334,252</u>

See accompanying notes.

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

	Three Months Ended	
	March 29, 2009	March 30, 2008
<b>Revenues</b>		
Publishing	\$ 89,732	\$112,212
Broadcasting	59,853	74,217
Digital media and other	9,548	7,557
Total revenues	<u>159,133</u>	<u>193,986</u>
<b>Operating costs:</b>		
Employee compensation	86,564	102,382
Production	43,602	48,334
Selling, general and administrative	25,211	29,224
Depreciation and amortization	15,318	18,327
Total operating costs	<u>170,695</u>	<u>198,267</u>
Operating loss	<u>(11,562)</u>	<u>(4,281)</u>
<b>Other income (expense):</b>		
Interest expense	(9,972)	(12,289)
Investment loss - unconsolidated affiliate	—	(21)
Other, net	243	208
Total other expense	<u>(9,729)</u>	<u>(12,102)</u>
Loss from continuing operations before income taxes	(21,291)	(16,383)
Income tax benefit	—	(6,612)
Loss from continuing operations	<u>(21,291)</u>	<u>(9,771)</u>
<b>Discontinued operations</b>		
Income from discontinued operations (net of taxes)	38	816
Loss related to divestiture of operations (net of taxes)	—	(11,300)
Net loss	<u>\$ (21,253)</u>	<u>\$ (20,255)</u>
<b>Loss per common share:</b>		
Loss from continuing operations	\$ (0.96)	\$ (0.45)
Discontinued operations	—	(0.47)
Net loss	<u>\$ (0.96)</u>	<u>\$ (0.92)</u>
<b>Loss per common share – assuming dilution:</b>		
Loss from continuing operations	\$ (0.96)	\$ (0.45)
Discontinued operations	—	(0.47)
Net loss	<u>\$ (0.96)</u>	<u>\$ (0.92)</u>
Dividends paid per common share	<u>\$ —</u>	<u>\$ 0.23</u>

See accompanying notes.

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

	Three Months Ended	
	March 29, 2009	March 30, 2008
<b>Operating activities:</b>		
Net loss	\$(21,253)	\$ (20,255)
<b>Adjustments to reconcile net loss:</b>		
Depreciation and amortization	15,322	18,709
Deferred income taxes	—	4,974
Investment loss - unconsolidated affiliate	—	21
Net loss related to divestiture of operations	—	11,300
<b>Change in assets and liabilities:</b>		
Accounts receivable and inventories	20,384	28,610
Accounts payable, accrued expenses, and other liabilities	(11,481)	4,735
Income taxes refundable	216	(10,774)
Other, net	(2,739)	(1,789)
<b>Net cash provided by operating activities</b>	<b>449</b>	<b>35,531</b>
<b>Investing activities:</b>		
Capital expenditures	(4,133)	(7,959)
Collection of receivable note	5,000	—
Other, net	21	(301)
<b>Net cash provided (used) by investing activities</b>	<b>888</b>	<b>(8,260)</b>
<b>Financing activities:</b>		
Increase in debt	79,500	96,000
Payment of debt	(79,457)	(119,006)
Dividends paid	—	(5,257)
Other, net	(16)	54
<b>Net cash provided (used) by financing activities</b>	<b>27</b>	<b>(28,209)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,364</b>	<b>(938)</b>
Cash and cash equivalents at beginning of period	7,142	14,214
<b>Cash and cash equivalents at end of period</b>	<b>\$ 8,506</b>	<b>\$ 13,276</b>

See accompanying notes.

MEDIA GENERAL, INC.  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

1. The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting, 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 28, 2008 and the Company's Financial Statements and Management's Discussion and Analysis in Exhibits 99.6 and 99.7 of this Form 8-K. See Note 11 regarding certain reclassifications.

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. In the third quarter of 2009, the Company sold a small magazine and its related web site located in the Virginia/Tennessee Market and has reported it as a discontinued operation for all prior periods. In the first quarter of 2008, the Company had five held-for-sale television stations which were classified as discontinued operations. During 2008, the Company completed the sale of four of those TV stations in three transactions: WTVQ in Lexington, Kentucky; WMBB in Panama City, Florida, along with KALB/NALB in Alexandria, Louisiana; and WNEG in Toccoa, Georgia. The Company recognized an after-tax loss of \$11.3 million in the first quarter of 2008 related to these divestitures. Subsequent to the end of the first quarter of 2009, the Company completed the sale of WCWJ in Jacksonville, Florida, and recorded a gain in the second quarter. Results of discontinued operations are presented below for the first quarter of 2009 and 2008:

<i>(In thousands)</i>	Quarter Ended	
	March 29, 2009	March 30, 2008
Revenues	\$ 2,276	\$ 9,318
Costs and expense	2,238	7,980
Income before income taxes	38	1,338
Income taxes	—	522
Income from discontinued operations	<u>\$ 38</u>	<u>\$ 816</u>

4. The following table sets forth, by level within the fair value hierarchy, the assets and liabilities measured at fair value on a recurring basis on the Company's balance sheet at March 29, 2009:

<i>(In thousands)</i>	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
<b>Assets</b>		
Trading securities	\$ 247	\$ —
<b>Liabilities</b>		
Interest rate swaps	—	21,100

Fair value of interest rate swaps is based on a discounted cash flow analysis, predicated on quoted London Interbank Offered Rate (LIBOR) prices, of the estimated amounts the Company would have received or paid to terminate the swaps. Trading securities are held by the supplemental 401(k) plan and are carried at fair value and are determined by reference to quoted market prices.

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 notional amounts totaling \$300 million; swaps with notional amounts of \$100 million will mature in August of 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 Facilities. These swaps effectively convert the Company's variable rate bank debt to fixed rate debt with a weighted average interest rate approximating 7.3% at March 29, 2009. The following table includes information about the Company's derivative instruments as of March 29, 2009.

*(In thousands)*

Derivatives designated as hedging instruments	Balance sheet location	Fair Value	Amount of pretax derivative gain recognized in OCI in 2009
Interest rate swaps	Other liabilities and deferred credits	\$21,100	\$ 1,624

5. The Company is a diversified communications company located primarily in the southeastern United States. Effective at the beginning of the third quarter of 2009, the Company changed its management structure, shifting from its three-division structure (Publishing, Broadcast, and Interactive Media) to five geographic segments (Virginia/Tennessee, Florida, Mid-South, North Carolina, Ohio/Rhode Island) along with a sixth segment that includes interactive advertising services and certain other operations. This change was undertaken to more closely connect the Company to its customers and non-customers, to accelerate its Web-First strategy, to speed decision-making, and to create and serve new market opportunities. The Company has reclassified the corresponding items of segment information for earlier periods to conform with its current structure.

Revenues for the geographic markets include revenues from 18 network-affiliated television stations, three metro 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 Web sites that are associated with many of these specialty publications 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 promotion 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.

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

(In thousands)	Revenues	Depreciation & Amortization	Operating Profit (Loss)
<b>Three Months ended March 29, 2009</b>			
Virginia/Tennessee	\$ 46,840	\$ (3,658)	\$ 2,036
Florida	42,240	(2,096)	(3,030)
Mid-South	33,798	(3,391)	1,066
North Carolina	18,981	(1,696)	(1,559)
Ohio/Rhode Island	11,086	(845)	160
Advertising Services & Other	6,562	(225)	591
Eliminations	(374)	1	(44)
			<u>(780)</u>
Unallocated amounts:			
Acquisition intangibles amortization		(1,799)	(1,799)
Corporate expense		(1,609)	(8,634)
	<u>\$159,133</u>	<u>\$ (15,318)</u>	
Interest expense			(9,972)
Other			<u>(106)</u>
Consolidated loss from continuing operations before income taxes			<u>\$ (21,291)</u>
<b>Three Months ended March 30, 2008</b>			
Virginia/Tennessee	\$ 58,188	\$ (3,795)	\$ 8,972
Florida	52,641	(2,379)	196
Mid-South	41,605	(3,797)	4,248
North Carolina	24,318	(1,778)	711
Ohio/Rhode Island	12,998	(1,151)	278
Advertising Services & Other	5,197	(160)	(847)
Eliminations	(961)	7	(471)
			<u>13,087</u>
Unallocated amounts:			
Acquisition intangibles amortization		(3,825)	(3,825)
Corporate expense		(1,449)	(11,250)
	<u>\$193,986</u>	<u>\$ (18,327)</u>	
Interest expense			(12,289)
Equity in net loss of unconsolidated affiliates			(21)
Other			<u>(2,085)</u>
Consolidated loss from continuing operations before income taxes			<u>\$ (16,383)</u>

6. In January of 2009, the Company adopted FASB Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. EITF 03-6-1 clarifies that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities and are to be included in the computation of earnings per share. The Company adjusted the prior-period earnings per share calculation which resulted in a \$.01 per share change. The adoption of EITF 03-6-1 is not material to the Company's prior-period earnings per share calculations. The following table sets forth the computation of basic and diluted earnings per share from continuing operations:

<u>(In thousands, except per share amounts)</u>	Quarter Ended March 29, 2009			Quarter Ended March 30, 2008		
	Loss (Numerator)	Shares (Denominator)	Per Share Amount	Loss (Numerator)	Shares (Denominator)	Per Share Amount
<b>Basic and Diluted EPS:</b>						
Loss from continuing operations	\$ (21,291)			\$ (9,771)		
Distributed earnings attributable to participating securities	—			(141)		
Loss from continuing operations attributable to common stockholders	<u>\$ (21,291)</u>	<u>22,181</u>	<u>\$ (0.96)</u>	<u>\$ (9,912)</u>	<u>22,112</u>	<u>\$ (0.45)</u>

7. The following table provides the components of net periodic employee benefits expense for the Company's benefit plans for the first quarter of 2009 and 2008:

<u>(In thousands)</u>	Pension Benefits		Other Benefits	
	March 29, 2009	March 30, 2008	March 29, 2009	March 30, 2008
Service cost	\$ 190	\$ 225	\$ 75	\$ 125
Interest cost	6,502	6,525	650	750
Expected return on plan assets	(6,240)	(6,525)	—	—
Amortization of prior-service (credit)/cost	(13)	(25)	450	450
Amortization of net loss/(gain)	1,777	1,350	(225)	(125)
Net periodic benefit cost	<u>\$ 2,216</u>	<u>\$ 1,550</u>	<u>\$ 950</u>	<u>\$ 1,200</u>

Subsequent to the end of the first quarter 2009, the Company amended its plans so that future retirement benefits under the retirement, ERISA Excess and Executive Supplemental Retirement plans will now be based on final average earnings as of May 31, 2009. Service accruals under the retirement plan ceased at the beginning of 2007 and the plan was closed to new participants at that time, but benefits had been allowed to grow based on future compensation. This change does not affect the benefits of current retirees. In the second quarter, the Company expects to record a modest curtailment gain.

8. The Company's comprehensive loss consisted of the following:

<i>(In thousands)</i>	Quarter Ended	
	March 29, 2009	March 30, 2008
Net loss	\$(21,253)	\$(20,255)
Unrealized gain (loss) on derivative contracts (net of deferred tax benefit of \$2,998 in 2008)	1,624	(5,261)
Change in pension and postretirement (net of deferred tax benefit of \$79)	—	(139)
Unrealized holding loss on equity securities (net of deferred tax benefit of \$59)	—	(103)
Comprehensive loss	<u>\$(19,629)</u>	<u>\$(25,758)</u>

9. The Company accounts for severance benefits related to workforce reductions in accordance with FASB Statement No. 112, *Employers' Accounting for Postemployment Benefits*, and accrues the related expense when payment of severance benefits is both probable and the amount is reasonably estimable. During the first quarter of 2009, the Company recorded \$4.5 million in severance expense in selling, general and administrative expenses related to involuntary employee terminations. The workforce reductions, the majority of which are expected to be completed in the second quarter, were in response to secular changes within the industry, the deepening economic recession and the Company's continued efforts to align its costs with the current business environment. Severance expense and related cash payments were nominal for the first quarter of 2008. The following table represents a summary of severance activity by segment (in thousands) for the three months ended March 29, 2009. Accrued severance costs are included in "Accrued expenses and other liabilities" on the consolidated condensed balance sheets:

<i>(In thousands)</i>	Virginia/ Tennessee	Florida	Mid-South	North Carolina	Ohio/ Rhode Island	Advertising Services & Other	Corporate	Consolidated
Accrued severance -								
December 28, 2008	\$ 870	\$ 1,522	\$ 1,086	\$ 383	\$ 907	\$ 221	\$ 167	\$ 5,156
Severance expense	2,136	965	422	543	239	218	—	4,523
Severance payments	(732)	(1,462)	(834)	(382)	(362)	(226)	(51)	(4,049)
Accrued severance -								
March 29, 2009	<u>\$ 2,274</u>	<u>\$ 1,025</u>	<u>\$ 674</u>	<u>\$ 544</u>	<u>\$ 784</u>	<u>\$ 213</u>	<u>\$ 116</u>	<u>\$ 5,630</u>

10. The FCC has mandated a reallocation of a portion of the broadcast spectrum to others, including Sprint/Nextel. According to the FCC order, broadcasters must surrender their old equipment to prevent interference within a narrowed broadcasting frequency range. In exchange for the relinquished equipment, Sprint/Nextel has been providing broadcasters with new digital equipment and reimbursing associated out-of-pocket expenses. During the remainder of 2009, Sprint/Nextel will continue to provide the Company with new equipment which is capable of meeting the narrowed broadcasting frequency criteria. The Company recorded gains of \$.8 million and \$.7 million in the first quarters of 2009 and 2008, respectively, in the line item "Selling, general and administrative" on the Consolidated Statements of Operations and anticipates recording additional gains approaching \$1.7 million in total over the next two quarters relating to the new equipment.

11. The Consolidated Condensed Balance Sheet and Consolidated Condensed Statements of Operations and Notes 1, 3, 5, 6 and 9 have been revised for the effects of the Company's change in segments and the reporting of the sale of a small business magazine and related web site as a discontinued operation.

**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. Effective at the beginning of the third quarter of 2009, Media General changed its management structure from three platform-based divisions to five geographic market segments and a sixth segment that includes the Company's interactive advertising services and certain other operations. This change was undertaken to more closely connect the Company to its customers and non-customers, to accelerate its Web-first strategy, to speed decision-making, and to create and serve new market opportunities. This market-based approach is a natural extension of the Company's mission, which is to be the leading provider of high-quality news, information and entertainment in the Southeast by continually building its position of strength in strategically located markets.

The following map shows the locations and composition of the Company's operating assets within its new management structure.



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

## **RESULTS OF OPERATIONS**

The Company recorded a net loss of \$21.3 million in the first quarter of 2009, which was not significantly higher than the loss of \$20.3 million recorded in the equivalent quarter of 2008. However, more than half of the 2008 loss was due to an \$11.3 million loss related to the divestiture of certain television stations. The company sold four TV stations and their associated Web sites in 2008: WTVQ in Lexington, Kentucky, WMBB in Panama City, Florida, KALB/NALB in Alexandria, Louisiana, and WNEG in Toccoa, Georgia. Subsequent to the end of the first quarter of 2009, the Company completed the sale of its final held-for-sale station, WCWJ in Jacksonville, Florida. The remainder of this discussion focuses only on results from continuing operations.

The Company experienced losses from continuing operations of \$21.3 million and \$9.8 million in the first quarters of 2009 and 2008, respectively. This \$11.5 million quarter-over-quarter decline included reduced revenues from all five geographic markets, severance expense related to workforce reductions, and the absence of any income tax benefit in 2009, partially offset by lower interest, bonus, and intangibles amortization expense. Segment operating results decreased from a \$13 million profit in the first quarter of 2008 to a loss of \$800,000 in 2009 (a 72% decline excluding \$4.5 million in severance expense in 2009) due primarily to approximately 25% declines in advertising revenues as all advertising categories were down in all geographic markets. The Company significantly reduced operating expenses to temper the revenue decline. Additionally, no income tax benefit was recorded in the first quarter of 2009 due to a full tax valuation allowance being established at the end of 2008 (see the Income Taxes section of this MD&A for a further discussion). Also benefiting the bottom line were a 19% decrease in interest expense (driven by reduced average debt levels and a small drop in average interest rates), a \$2 million, or 53% decline in intangibles amortization expense (due to 2008 impairment write-downs of network affiliation agreement intangibles), and the virtual absence of bonus expense (due to reduced current-year operating expectations).

## **MARKET RESULTS**

As previously mentioned, the third quarter of 2009 marked the Company's shift from three platform-based divisions to five geographic market segments and a sixth segment that includes the Company's interactive advertising services and certain other operations; collectively, they contain all of the operations that were formerly part of the Publishing, Broadcast and Interactive Media segments. The geographically-managed segments include: Virginia/Tennessee, Florida, Mid-South, North Carolina, and Ohio/Rhode Island.

### **Revenues**

As part of this reorganization, revenues have been grouped primarily into five major categories: Local (including the category that was formerly Retail in the Publishing Division), National, Political (which includes Political advertising as was traditionally reported), 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:

### **2009 versus 2008**

<i>(In thousands)</i>	<b>Q1 Change</b>	
	<b>Amount</b>	<b>Percent</b>
Local	\$(17,435)	(17.9)
National	(6,416)	(18.5)
Political	(4,273)	(96.2)
Classified	(14,978)	(38.4)
Subs/Content/Circulation	3,537	20.6

While the tough advertising environment played a significant role in lower Local and National advertising revenues, period-over-period comparisons were also directly affected by the reduction in Political revenues, as expected in this off-election year; markets which have a higher mix of broadcast stations over newspapers were obviously more affected by this category. Classified advertising was hampered by continued softness in the auto, real estate and employment categories. However, Subscription/Content/Circulation revenues made meaningful progress as a rise in cable and satellite retransmission revenues contributed approximately 70% of the growth and an increase in newspaper circulation (the result of higher rates) was responsible for the remainder.

Revenues in the Virginia/Tennessee Market fell 20% in the first quarter of 2009 as compared to 2008. Decreased Local and Classified advertising were the largest reasons for the period-over-period declines, driven by the current recession-induced environment. Partially offsetting weak advertising revenues were strong Subscription/Content/Circulation revenues which showed solid growth due to rate increases across all newspapers as well as to excellent broadcast retransmission revenues.

Revenues in the Florida Market decreased from \$52.6 million to \$42.2 million, or 20%, in the first quarter of the year compared to the first three months of 2008. Local and National advertising both declined 16% on weakness in the department store and home furniture categories and Classified advertising (down 41%) continued to show significant weakness due to the erosion of employment, real estate and automotive advertising.

Revenues in the Mid-South Market fell \$7.8 million or 19% as Local and National advertising were down 20% and 26%, respectively, from the prior-year levels. As anticipated, Political advertising was almost nonexistent in 2009 as compared to \$2.4 million in the first quarter of last year. Following the trend, strong Subscription/Content/Circulation revenues partially offset the other revenue shortfalls.

Revenues in the North Carolina Market declined 22% in the first quarter of 2009 from the first three months of 2008. Cutbacks in Local and Classified advertising comprised most of the revenue shortfall in the North Carolina Market.

Revenues in the Ohio/Rhode Island Market decreased 15% in the first quarter of 2009 compared to the first quarter of 2008. This is the Company's only geographic market which does not include any newspapers and is consequently less influenced by Classified advertising, but more affected by the ebb and flow of Political and Olympic revenues in corresponding odd and even-numbered years. Local advertising was down 15%, with lower National and Political advertising comprising the remainder of the period-over-period declines. As with all of the other geographic markets, Subscription/Content/Circulation revenues showed increases and partially offset lower advertising revenues.

### ***Operating Expenses***

Efforts aimed at adjusting the cost structure of the Company have been successful as evidenced by a 12% reduction in total operating expenses (including severance charges of \$4.5 million in 2008). Total compensation costs in first quarter of 2009 declined 16%, or 20% before severance costs, due to lower employee counts, the elimination of positions at most locations, lower commissions, the consolidation of certain production facilities, and savings from mandatory unpaid furlough days (discussed in further detail in the Liquidity section of this MD&A). Despite markedly higher average newsprint prices, up \$135/ton (to \$675/ton), newsprint costs were down 7% in the first quarter of 2009 due to reduced consumption as a result of newspaper redesigns, lower advertising linage, decreased circulation volumes, and concerted conservation efforts including web-width reductions. Additionally, the Company also achieved departmental savings in the areas of circulation sales, repairs and maintenance, production supplies, outside services, employee relocation and reduced discretionary spending.

Operating expenses in the Virginia/Tennessee Market decreased 8.9% in the first quarter of 2009 from the first quarter of 2008. The largest portion of this decrease was attributable to lower compensation expense; reduced discretionary spending in the areas of circulation sales, repairs and maintenance and production supplies was responsible for a substantial part of the remaining decrease.

Operating expenses in the Florida Market were down \$7.2 million or 14% the first quarter of 2009 from the first quarter of 2008. Compensation expense reductions of \$5.1 million were responsible for the majority of the decline in operating expenses, with the remainder due to reduced newsprint costs and departmental savings.

Operating expenses in the Mid-South Market fell 13% in the first quarter of 2009 from the same period in 2008. The majority of the savings came from lower compensation cost and departmental savings. This market has a heavier mix of broadcast stations than newspapers and therefore, while newsprint costs were down, they were proportionally less significant to the overall cost savings than in other markets.

Operating expenses in the North Carolina Market declined 13% in the first quarter as compared to 2008's first quarter. Approximately half of the savings in the quarter were realized from lower compensation cost. Lower departmental spending contributed the remaining savings.

Operating expenses in the Ohio/Rhode Island Market were down \$1.8 million, or 14%, in the quarter from the first quarter of 2008 due primarily to a 17% reduction in compensation cost. The remaining savings were achieved primarily through concerted efforts to control discretionary spending in areas such as marketing, promotion and travel. Newsprint was not a factor as the Company does not operate any newspapers in the Ohio/Rhode Island Market.

### **ADVERTISING SERVICES & OTHER**

Advertising Services & Other (ASO) primarily includes:

- Blockdot - a leading advergaming business;
- *Dealtaker.com* - an online social shopping portal that was acquired at the beginning of the second quarter of 2008;
- NetInformer - a leading provider of mobile advertising and marketing services purchased in the fourth quarter of 2008;
- Production Services - comprised primarily of a provider of broadcast equipment and studio design services.

Revenues in ASO increased \$1.4 million or 26% in the first quarter of 2009 over the first quarter of 2008. The revenue increase in the first quarter was driven by \$2.3 million of revenues generated by *Dealtaker.com* which was acquired at the beginning of the second quarter of 2008. Blockdot exhibited solid improvement in its advergaming revenues as a result of successful sales initiatives. These advances were partially offset by a reduction in revenue in the Production Services operations as the economy and the recently completed digital upgrade has reduced demand for this operation's services.

Operating expenses were flat quarter over quarter as the incremental operating costs from *Dealtaker.com* were offset by lower cost of goods sold at Production Services, in line with the previously mentioned reduced volume of work.

### **Operating Profit (Loss)**

The following chart shows the change in operating profit by market for the first three months of 2009 and 2008; the period-over-period movement in market operating profit was driven by the underlying fluctuations in revenue and expense as detailed in the previous discussion.

**Change in Market Operating Profits  
2009 versus 2008**

<i>(In thousands)</i>	<u>Q1 Change</u>	
	<u>Amount</u>	<u>Percent</u>
Virginia/Tennessee	\$ (6,936)	(77.3)
Florida	(3,226)	—
Mid-South	(3,182)	(74.9)
North Carolina	(2,270)	—
Ohio/Rhode Island	(118)	(42.4)
Adv. Services & Other	1,438	—
Eliminations	427	90.7
<b>Total</b>	<u><u>\$ (13,867)</u></u>	(106.0)

In the first quarter of 2009, the Virginia/Tennessee, Florida and Mid-South Markets were responsible for the majority of the operating profit shortfall from last year's first quarter; these markets incurred additional severance costs of \$2.1 million, \$1.0 million, and \$.4 million, respectively from the prior year. Lower operating expenses in these markets were unable to overcome decreased revenues and increased severance costs. All markets were impacted by reduced advertising revenues, particularly Classified. Helping to offset this trend, in part, was significant improvement in the ASO segment driven by the purchase of *Dealtaker.com* and cost savings at Production Services.

**INTEREST EXPENSE**

Interest expense decreased \$2.3 million in the first quarter of 2009 from the prior-year equivalent quarter due primarily to an approximate \$125 million decline in average debt levels and, to a much smaller degree, to a small drop in the average interest rate to 5.3%. Proceeds from the sales of SP Newsprint and four television station in 2008 drove the debt reduction.

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. These interest rate swaps are cash flow hedges with notional amounts totaling \$300 million and maturities of either three or five years. Changes in cash flows of the interest rate swaps offset changes in the interest payments on the Company's \$300 million bank term loan. These swaps effectively convert the Company's variable rate bank term loan to fixed rate debt with a weighted average interest rate approximating 7.3% at March 29, 2009.

**INCOME TAXES**

The effective tax rate for the quarter was zero percent compared to 40.4% a year ago. There was no net income tax expense or benefit recorded in the quarter due to the fact that the Company had recorded a full deferred tax asset valuation allowance at the beginning of the year and expects to have a full valuation allowance at the end of the year. Therefore, any income tax expense or benefit that would otherwise be recognized is being offset by the change in the valuation allowance. Absent the valuation allowance the effective tax rate for the quarter would have been approximately 39%.

**LIQUIDITY**

Net cash generated from operating activities in the first quarter of 2009 was \$.4 million. During the quarter, the Company collected a \$5 million note receivable related to its sale of SP Newsprint in 2008 and made capital expenditures of \$4 million. Based on the general economic environment and outlook, the Company has reduced its capital spending plans by postponing various projects.

At March 29, 2009, the Company had in place a \$588 million revolving credit facility and a \$294 million variable-rate bank term loan facility (together the "Facilities"). The term loan is with essentially the same syndicate

of banks that provides the Company's revolving credit facility. At the end of the first quarter, there were borrowings of \$436 million outstanding under the revolving credit facility and \$294 million under the bank term loan; the total amount remained largely unchanged in the quarter. The Facilities have both interest coverage and leverage ratio covenants. Under the terms of the Facilities, the maximum leverage ratio covenant will be reduced slightly for the remainder of 2009 (beginning with the second quarter) and for the first three quarters of 2010, and will remain at a constant level thereafter. Also effective for the second quarter of 2009, the minimum interest coverage ratio will be increased slightly for the remaining term of the Facilities. These covenants, which involve debt levels, interest expense, and a rolling four-quarter calculation of EBITDA (a measure of cash earnings as defined in the revolving credit agreement), can affect the Company's maximum borrowing capacity allowed by the Facilities (approximately \$768 million at March 29, 2009). Annual borrowing capacity reductions will be made based on the Company's excess cash flow, as defined. Because the leverage ratio exceeds certain present levels, the Facilities contain restrictions on dividends, capital spending, indebtedness, capital leases, and investments, as defined. The Company was in compliance with all covenants at quarter-end and, as covenants tighten, the Company expects to remain in compliance with them going forward by taking the steps necessary to maintain EBITDA.

As the economy has deteriorated, the Company has responded to the economic crisis with several aggressive actions to improve its cash flow. These actions include suspending the Company's match for the 401(k) Plan for the last three quarters of 2009, a minimum of ten mandatory unpaid furlough days for all employees spread across the first three quarters of 2009 (4 days in the first quarter and 3 days in each of the second and third quarters), and the Board of Directors suspending the Company dividend. As discussed earlier, the Company has significantly reduced its workforce, and effective May 31, will freeze benefits under its retirement plan. All of these actions will conserve cash in either the short- or long-term, or both.

Subsequent to the end of the first quarter, the Company completed the sale of WCWJ in Jacksonville, Florida and used the proceeds to reduce debt. The combined commitment under the Facilities is now \$866 million. The Company believes that internally generated funds provided by operations, together with the unused portion of the Facilities as well as the proceeds generated by the sale of WCWJ, provide it with the flexibility to manage working capital needs and finance capital expenditures.

\* \* \* \* \*

*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 credit facilities, acquisitions and dispositions, the impact of cost-containment measures, staff reductions, retirement plan changes, the Internet, the Yahoo! agreements, 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.*

*Some significant factors that could affect actual results include: the effect of the credit crisis on advertising demand, interest rates or energy prices, the availability and pricing of credit and newsprint, changes to pending accounting standards, health care cost trends, a natural disaster, the level of political advertising, the performance of acquisitions, and regulatory rulings and laws.*

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 28, 2009	December 28, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,750	\$ 7,142
Accounts receivable - net	85,464	102,174
Inventories	7,650	12,035
Other	26,258	38,849
Assets of discontinued operations	214	12,402
Total current assets	<u>125,336</u>	<u>172,602</u>
Other assets	39,051	41,287
Property, plant and equipment - net	435,536	453,627
FCC licenses and other intangibles - net	241,680	245,266
Excess of cost over fair value of net identifiable assets of acquired businesses	<u>421,318</u>	<u>421,470</u>
	<u>\$1,262,921</u>	<u>\$1,334,252</u>

See accompanying notes.

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

	<u>June 28,</u> 2009	<u>December 28,</u> 2008
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 26,494	\$ 41,365
Accrued expenses and other liabilities	67,494	86,291
Liabilities of discontinued operations	82	3,053
Total current liabilities	<u>94,070</u>	<u>130,709</u>
Long-term debt	711,458	730,049
Retirement, post-retirement and post-employment plans	188,872	251,175
Other liabilities and deferred credits	56,111	67,092
<b>Stockholders' equity:</b>		
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 22,282,393 and 22,250,130 shares	111,412	111,251
Class B, authorized 600,000 shares; issued 551,881 shares	2,759	2,759
Additional paid-in capital	22,758	21,934
Accumulated other comprehensive loss	(131,276)	(188,139)
Retained earnings	<u>206,757</u>	<u>207,422</u>
Total stockholders' equity	<u>212,410</u>	<u>155,227</u>
	<u>\$1,262,921</u>	<u>\$1,334,252</u>

See accompanying notes.

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

	Three Months Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
<b>Revenues</b>				
Publishing	\$ 89,305	\$ 111,924	\$179,037	\$ 224,136
Broadcasting	64,124	81,851	123,977	156,068
Digital media and other	9,958	10,477	19,506	18,034
Total revenues	<u>163,387</u>	<u>204,252</u>	<u>322,520</u>	<u>398,238</u>
<b>Operating costs:</b>				
Employee compensation	73,587	102,609	160,151	204,991
Production	39,527	48,055	83,129	96,390
Selling, general and administrative	21,559	27,259	46,770	56,483
Depreciation and amortization	15,057	19,023	30,375	37,349
Goodwill and other assets impairment	—	778,318	—	778,318
Gain on insurance recovery	—	(2,750)	—	(2,750)
Total operating costs	<u>149,730</u>	<u>972,514</u>	<u>320,425</u>	<u>1,170,781</u>
Operating income (loss)	<u>13,657</u>	<u>(768,262)</u>	<u>2,095</u>	<u>(772,543)</u>
<b>Other income (expense):</b>				
Interest expense	(11,257)	(10,548)	(21,229)	(22,837)
Impairment of and loss on investments	(209)	(5,940)	(209)	(5,961)
Other, net	166	305	409	513
Total other expense	<u>(11,300)</u>	<u>(16,183)</u>	<u>(21,029)</u>	<u>(28,285)</u>
Income (loss) from continuing operations before income taxes	2,357	(784,445)	(18,934)	(800,828)
Income tax benefit	<u>(10,955)</u>	<u>(250,955)</u>	<u>(10,955)</u>	<u>(257,567)</u>
Income (loss) from continuing operations	13,312	(533,490)	(7,979)	(543,261)
<b>Discontinued operations</b>				
Income from discontinued operations (net of taxes)	156	1,278	194	2,094
Loss related to divestiture of operations (net of taxes)	7,120	—	7,120	(11,300)
Net income (loss)	<u>\$ 20,588</u>	<u>\$(532,212)</u>	<u>\$ (665)</u>	<u>\$ (552,467)</u>
<b>Net Income (loss) per common share:</b>				
Income (loss) from continuing operations	\$ 0.57	\$ (24.18)	\$ (0.36)	\$ (24.60)
Discontinued operations	0.33	0.06	0.33	(0.42)
Net income (loss)	<u>\$ 0.90</u>	<u>\$ (24.12)</u>	<u>\$ (0.03)</u>	<u>\$ (25.02)</u>
<b>Net Income (loss) per common share – assuming dilution:</b>				
Income (loss) from continuing operations	\$ 0.57	\$ (24.18)	\$ (0.36)	\$ (24.60)
Discontinued operations	0.33	0.06	0.33	(0.42)
Net income (loss)	<u>\$ 0.90</u>	<u>\$ (24.12)</u>	<u>\$ (0.03)</u>	<u>\$ (25.02)</u>
Dividends paid per common share	<u>\$ —</u>	<u>\$ 0.23</u>	<u>\$ —</u>	<u>\$ 0.46</u>

See accompanying notes.

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

	Six Months Ended	
	June 28, 2009	June 29, 2008
<b>Operating activities:</b>		
Net loss	\$ (665)	\$(552,467)
<b>Adjustments to reconcile net loss:</b>		
Depreciation and amortization	30,383	37,735
Deferred income taxes	—	(262,301)
Impairment of and loss on investments	209	5,961
Goodwill and other asset impairment	—	778,318
Net (gain) loss related to divestiture of operations	(7,120)	11,300
Gain on insurance recovery	—	(2,750)
<b>Change in assets and liabilities:</b>		
Accounts receivable and inventories	21,354	23,472
Accounts payable, accrued expenses, and other liabilities	(23,621)	(7,729)
Retirement plan contribution	(5,000)	—
Intraperiod tax allocation	(6,619)	—
Other	(5,658)	6,349
Net cash provided by operating activities	<u>3,263</u>	<u>37,888</u>
<b>Investing activities:</b>		
Capital expenditures	(7,978)	(12,446)
Proceeds from sales of discontinued operations and investment	16,942	76,665
Collection (funding) of receivable note	5,000	(5,000)
Purchase of businesses	—	(22,536)
Other, net	(219)	555
Net cash provided by investing activities	<u>13,745</u>	<u>37,238</u>
<b>Financing activities:</b>		
Increase in debt	137,800	206,500
Payment of debt	(156,392)	(274,011)
Dividends paid	—	(10,515)
Other, net	192	—
Net cash used by financing activities	<u>(18,400)</u>	<u>(78,026)</u>
Net decrease in cash and cash equivalents	(1,392)	(2,900)
Cash and cash equivalents at beginning of period	7,142	14,214
Cash and cash equivalents at end of period	<u>\$ 5,750</u>	<u>\$ 11,314</u>

See accompanying notes.

MEDIA GENERAL, INC.  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

1. The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting, 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 28, 2008 and the company's Financial Statements and Management's Discussion and Analysis in Exhibits 99.6 and 99.7 of this Form 8-K. The Company has evaluated events occurring subsequent to June 28, 2009 and through August 5, 2009 for recognition and/or disclosure in this Form 10-Q. See Note 14 regarding certain reclassifications.

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. Due to the continuation of challenging business conditions and the market's perception of the value of media company stocks, the Company performed two interim impairment tests in 2008 (in addition to its regular annual impairment test) which resulted in impairment being recorded in the second and fourth quarters of 2008. The Company's long-lived assets include goodwill related to the Company's reporting units, identifiable assets at individual television stations and newspapers (including FCC licenses and network affiliation agreements), fixed assets, and certain other investments and assets held for sale. The Company determined that certain of these long-lived assets were impaired by measuring the estimated discounted and undiscounted cash flows expected to be generated by the assets to determine their fair value and by comparing the result to their carrying value. The determination of fair value requires the use of significant judgment and estimates about assumptions that management believes were appropriate in the circumstances. These assumptions include those relating to revenue growth, compensation levels, newsprint prices, discount rates and market trading multiples for broadcast and newspaper assets. As a result of the testing as of June 29, 2008, the Company recorded non-cash impairment charges related to goodwill in the Publishing Division of \$512 million, FCC licenses in the Broadcast Division of \$198 million, network affiliation agreements in the Broadcast Division of \$67 million, trade names in the Broadcast Division of \$.5 million, and certain investments (whose impairment was other than temporary) and assets held for sale of \$4.4 million. The pretax charge totaled \$782 million (\$532 million after-tax) and was included on the line items "Goodwill and other assets impairment" and "Impairment of and loss on investments" on the Consolidated Condensed Statements of Operations.

At June 29, 2009, when the Company changed its structure to one organized primarily by geographic market, the carrying amount of goodwill was allocated to the new segments. Impairment tests prior to that change were performed based on goodwill balances and cash flows under the previous segment structure. Therefore, the Company is unable to reflect the reallocation of the goodwill impairment charge taken during 2008 and the prior-year goodwill balances by the current geographic segment structure.

Due to the continuation of the recession-driven economy and the Company's revised expectation that, in spite of signs of firming, meaningful recovery will not begin until 2010, the Company performed another impairment test in the second quarter of 2009. No impairment was indicated as a result of the test, using methods substantially similar to those described above. As discussed in Note 6, effective with the third quarter, the Company changed its management structure which resulted in a greater number of operating segments and reporting units for future impairment testing. As anticipated, the Company recorded an additional impairment charge in the third quarter of 2009; see Note 3 of the Company's 2009 third-quarter Form 10-Q for a complete discussion of the charge.

4. In the third quarter of 2009, the Company sold the assets of a small magazine and its related web site in Virginia and has reported it as a discontinued operation for all prior periods. In the first quarter of 2008, the Company had five held-for-sale television stations which were classified as discontinued operations. During 2008, the Company completed the sale of four of those TV stations in three transactions: WTVQ in Lexington, Kentucky; WMBB in Panama City, Florida, along with KALB/NALB in Alexandria, Louisiana; and WNEG in Toccoa, Georgia. The Company recognized an after-tax loss of \$11.3 million in the first quarter of 2008 related to these divestitures. In the second quarter of 2009, the Company completed the sale of WCWJ in Jacksonville, Florida, and recorded an after-tax gain of \$7.1 million related to this divestiture. Results of discontinued operations are presented below for the second quarter and six months period of 2009 and 2008:

<i>(In thousands)</i>	Quarter Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Revenues	\$1,224	\$8,515	\$3,500	\$17,833
Costs and expense	1,124	6,420	3,362	14,400
Income before income taxes	100	2,095	138	3,433
Income taxes	(56)	817	(56)	1,339
<b>Income from discontinued operations</b>	<b>\$ 156</b>	<b>\$1,278</b>	<b>\$ 194</b>	<b>\$ 2,094</b>

5. The following table includes information about the carrying values and estimated fair values of the Company's financial instruments at June 28, 2009 and December 28, 2008:

<i>(In thousands)</i>	June 28, 2009		December 28, 2008	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
<b>Assets</b>				
Investments				
Trading	\$ 262	\$ 262	\$ 243	\$ 243
<b>Liabilities</b>				
Long-term debt:				
Revolving credit facility	423,698	416,932	425,000	425,000
Bank term loan	287,722	283,127	300,000	300,000
Bank lines	—	—	5,000	5,000
Interest rate swaps	18,290	18,290	22,723	22,723

Trading securities are held by the Supplemental 401(k) plan and are carried at fair value and are determined by reference to quoted market prices. The fair value of the long-term debt in the chart above was estimated using discounted cash flow analyses and an estimate of the Company's bank borrowing rate (by reference to publicly traded debt rates as of June 28, 2009) for similar types of borrowings. 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. Under the fair value hierarchy set forth by SFAS 157, the Company's trading securities fall under Level 1 (quoted prices in active markets) and its interest rate swaps and long-term debt fall under Level 2 (other observable inputs).

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 notional amounts totaling \$300 million; swaps with notional amounts of \$100 million will mature in August of 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 long-term debt. These swaps effectively convert the Company's variable rate bank debt to fixed rate debt with a weighted average interest rate approximating 8.3% at June 28, 2009, based on margins at that date. The following table includes information about the Company's derivative instruments as of June 28, 2009.

*(In thousands)*

<u>Derivatives designated as hedging instruments</u>	<u>Balance sheet location</u>	<u>Fair Value</u>	<u>Amount of pretax derivative gain recognized in OCI in 2009</u>
Interest rate swaps	Other liabilities and deferred credits	\$18,290	\$ 4,433

6. The Company is a diversified communications company located primarily in the southeastern United States. Effective at the beginning of the third quarter of 2009, the Company changed its management structure, shifting from its three-division structure (Publishing, Broadcast, and Interactive Media) to five geographic segments (Virginia/Tennessee, Florida, Mid-South, North Carolina, Ohio/Rhode Island) along with a sixth segment that includes interactive advertising services and certain other operations. This change was undertaken to more closely connect the Company to its customers and non-customers, to accelerate its Web-first strategy, to speed decision-making, and to create and serve new market opportunities. The Company has reclassified the corresponding items of segment information for earlier periods to conform with its current structure.

Revenues for the geographic markets include revenues from 18 network-affiliated television stations, three metro 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 Web sites that are associated with many of these specialty publications 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 promotion 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.

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

<i>(In thousands)</i>	<u>Revenues</u>	<u>Depreciation &amp; Amortization</u>	<u>Operating Profit (Loss)</u>
<b>Three Months ended June 28, 2009</b>			
Virginia/Tennessee	\$ 50,587	\$ (3,486)	\$ 11,324
Florida	37,627	(2,094)	193
Mid-South	36,941	(3,397)	5,971
North Carolina	19,675	(1,696)	1,483
Ohio/Rhode Island	12,614	(847)	2,577
Advertising Services & Other	6,242	(224)	776
Eliminations	(299)	—	(5)
			<u>22,319</u>
Unallocated amounts:			
Acquisition intangibles amortization	—	(1,787)	(1,787)
Corporate expense	—	(1,526)	(6,629)
	<u>\$163,387</u>	<u>\$ (15,057)</u>	
Interest expense			(11,257)
Loss on investments			(209)
Other			(80)
Consolidated income from continuing operations before income taxes			<u>\$ 2,357</u>
<b>Three Months ended June 29, 2008</b>			
Virginia/Tennessee	\$ 60,511	\$ (4,288)	\$ 11,409
Florida	51,569	(2,466)	(1,908)
Mid-South	44,097	(3,772)	6,913
North Carolina	26,656	(1,770)	2,445
Ohio/Rhode Island	14,617	(1,119)	2,070
Advertising Services & Other	7,419	(201)	488
Eliminations	(617)	1	(383)
			<u>21,034</u>
Unallocated amounts:			
Acquisition intangibles amortization		(3,957)	(3,957)
Corporate expense		(1,451)	(10,224)
	<u>\$204,252</u>	<u>\$ (19,023)</u>	
Interest expense			(10,548)
Impairment of and loss on investments			(5,940)
Gain on insurance recovery			2,750
Goodwill and other asset impairment			(778,318)
Other			758
Consolidated loss from continuing operations before income taxes			<u>\$ (784,445)</u>

<i>(In thousands)</i>	Revenues	Depreciation & Amortization	Operating Profit (Loss)
<b>Six months ended June 28, 2009</b>			
Virginia/Tennessee	\$ 97,427	\$ (7,144)	\$ 13,360
Florida	79,867	(4,190)	(2,837)
Mid-South	70,739	(6,788)	7,037
North Carolina	38,656	(3,392)	(76)
Ohio/Rhode Island	23,700	(1,692)	2,737
Advertising Services & Other	12,804	(449)	1,367
Eliminations	(673)	1	(49)
			<u>21,539</u>
Unallocated amounts:			
Acquisition intangibles amortization		(3,586)	(3,586)
Corporate expense		(3,135)	(15,263)
	<u>\$322,520</u>	<u>\$ (30,375)</u>	
Interest expense			(21,229)
Equity in net loss of unconsolidated affiliates			(209)
Other			(186)
Consolidated loss from continuing operations before income taxes			<u>\$ (18,934)</u>
<b>Six months ended June 29, 2008</b>			
Virginia/Tennessee	\$118,699	\$ (8,083)	\$ 20,381
Florida	104,210	(4,845)	(1,712)
Mid-South	85,702	(7,569)	11,161
North Carolina	50,974	(3,548)	3,156
Ohio/Rhode Island	27,615	(2,270)	2,348
Advertising Services & Other	12,616	(361)	(359)
Eliminations	(1,578)	9	(854)
			<u>34,121</u>
Unallocated amounts:			
Acquisition intangibles amortization		(7,782)	(7,782)
Corporate expense		(2,900)	(21,474)
	<u>\$398,238</u>	<u>\$ (37,349)</u>	
Interest expense			(22,837)
Impairment of and net loss on investments			(5,961)
Gain on insurance recovery			2,750
Goodwill and other asset impairment			(778,318)
Other			(1,327)
Consolidated loss from continuing operations before income taxes			<u>\$ (800,828)</u>

7. In January of 2009, the Company adopted FASB Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. EITF 03-6-1 clarifies that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities and are to be included in the computation of earnings per share. The Company adjusted the prior-period earnings per share calculation which resulted in a \$.01 per share change in both the second quarter and six-month period of 2008. The following table sets forth the computation of basic and diluted earnings per share from continuing operations:

<i>(In thousands, except per share amounts)</i>	Quarter Ended June 28, 2009			Quarter Ended June 29, 2008		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Loss (Numerator)	Shares (Denominator)	Per Share Amount
<b>Basic and Diluted EPS:</b>						
Income (loss) from continuing operations	\$ 13,312			\$(533,490)		
Distributed and distributed earnings attributable to participating securities	(646)			(158)		
Income (loss) from continuing operations available to common stockholders	<u>\$ 12,666</u>	<u>22,253</u>	<u>\$ 0.57</u>	<u>\$(533,648)</u>	<u>22,074</u>	<u>\$(24.18)</u>
<i>(In thousands, except per share amounts)</i>	Six Months Ended June 28, 2009			Six Months Ended June 29, 2008		
	Loss (Numerator)	Shares (Denominator)	Per Share Amount	Loss (Numerator)	Shares (Denominator)	Per Share Amount
<b>Basic and Diluted EPS:</b>						
Income (loss) from continuing operations	\$ (7,979)			\$(543,261)		
Undistributed earnings attributable to participating securities	—			(299)		
Income (loss) from continuing operations available to common stockholders	<u>\$ (7,979)</u>	<u>22,217</u>	<u>\$ (0.36)</u>	<u>\$(543,560)</u>	<u>22,093</u>	<u>\$(24.60)</u>

8. The following table provides the components of net periodic employee benefits expense for the Company's benefit plans for the second quarter and first six months of 2009 and 2008:

<i>(In thousands)</i>	Quarter Ended			
	Pension Benefits		Other Benefits	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Service cost	\$ 142	\$ 247	\$ 50	\$ 82
Interest cost	5,906	6,536	617	755
Expected return on plan assets	(5,814)	(6,424)	—	—
Amortization of prior-service (credit)/cost	(79)	(2)	424	411
Amortization of net loss/(gain)	270	1,414	(280)	(64)
Curtailement charge	50	—	—	—
Net periodic benefit cost	<u>\$ 475</u>	<u>\$ 1,771</u>	<u>\$ 811</u>	<u>\$ 1,184</u>

<i>(In thousands)</i>	Six Months Ended			
	Pension Benefits		Other Benefits	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Service cost	\$ 332	\$ 472	\$ 125	\$ 207
Interest cost	12,408	13,061	1,267	1,505
Expected return on plan assets	(12,054)	(12,949)	—	—
Amortization of prior-service (credit)/cost	(92)	(27)	874	861
Amortization of net loss/(gain)	2,047	2,764	(505)	(189)
Curtailment charge	50	—	—	—
Net periodic benefit cost	<u>\$ 2,691</u>	<u>\$ 3,321</u>	<u>\$1,761</u>	<u>\$2,384</u>

In the second quarter of 2009, the Company amended its plans so that future retirement benefits under the retirement, ERISA Excess and Executive Supplemental Retirement plans will now be based on final average earnings as of May 31, 2009. Service accruals under the retirement and ERISA Excess plans ceased at the beginning of 2007 and the retirement plan was closed to new participants at that time, but benefits had been allowed to grow based on future compensation. This change does not affect the benefits of current retirees. In the second quarter, because of the curtailment of the retirement and ERISA Excess plans, the Company recorded a net curtailment charge of \$50,000 and adjusted OCI by \$53 million net of tax.

9. The Company's comprehensive loss consisted of the following:

<i>(In thousands)</i>	Quarter Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
	Net income (loss)	\$20,588	\$(532,212)	\$ (665)
Unrealized (loss) gain on derivative contracts (net of deferred taxes)	2,348	5,373	3,972	112
Change in pension and postretirement (net of deferred taxes)	52,892	1,951	52,892	1,812
Unrealized holding gain on equity securities (net of deferred taxes)	—	103	—	—
Comprehensive income (loss)	<u>\$75,828</u>	<u>\$(524,785)</u>	<u>\$56,199</u>	<u>\$(550,543)</u>

10. The Company accounts for severance benefits related to workforce reductions in accordance with FASB Statement No. 112, *Employers' Accounting for Postemployment Benefits*, and accrues the related expense when payment of severance benefits is both probable and the amount is reasonably estimable. During the first six months of 2009, the Company recorded \$6 million in severance expense in selling, general and administrative expenses related to involuntary employee terminations. The workforce reductions, the majority of which were completed in the second quarter, were in response to the deepening economic recession and the Company's continued efforts to align its costs with the current business environment. The Company recorded severance expense of \$1.5 million and \$6 million in the second quarter and first half of 2009, as compared to \$5.4 million in the first half of 2008 (virtually all of which was recorded in the second quarter of 2008). The following table represents a summary of severance activity by segment (in thousands) for the six months ended June 28, 2009. Accrued severance costs are included in "Accrued expenses and other liabilities" on the Consolidated Condensed Balance Sheets:

<i>(In thousands)</i>	Virginia/ Tennessee	Florida	Mid-South	North Carolina	Ohio/ Rhode Island	Advertising Services & Other	Corporate	Consolidated
Accrued severance -								
December 28, 2008	\$ 870	\$ 1,522	\$ 1,086	\$ 383	\$ 907	\$ 221	\$ 167	\$ 5,156
Severance expense	2,479	2,085	382	597	215	282	8	6,048
Severance payments	(3,146)	(3,196)	(1,357)	(975)	(1,084)	(407)	(59)	(10,224)
Accrued severance -								
June 28, 2009	<u>\$ 203</u>	<u>\$ 411</u>	<u>\$ 111</u>	<u>\$ 5</u>	<u>\$ 38</u>	<u>\$ 96</u>	<u>\$ 116</u>	<u>\$ 980</u>
Accrued severance -								
December 28, 2007	\$ 9	\$ 262	\$ —	\$ —	\$ —	\$ 158	\$ —	\$ 429
Severance expense	540	3,305	229	390	250	33	679	5,426
Severance payments	(328)	(1,371)	(228)	(147)	(250)	(21)	(679)	(3,024)
Accrued severance -								
June 28, 2008	<u>\$ 221</u>	<u>\$ 2,196</u>	<u>\$ 1</u>	<u>\$ 243</u>	<u>\$ —</u>	<u>\$ 170</u>	<u>\$ —</u>	<u>\$ 2,831</u>

11. The FCC has mandated a reallocation of a portion of the broadcast spectrum to others, including Sprint/Nextel. According to the FCC order, broadcasters must surrender their old equipment to prevent interference within a narrowed broadcasting frequency range. In exchange for the relinquished equipment, Sprint/Nextel has been providing broadcasters with new digital equipment and reimbursing associated out-of-pocket expenses. During the remainder of 2009, Sprint/Nextel will continue to provide the Company with new equipment which is capable of meeting the narrowed broadcasting frequency criteria. The Company recorded gains of \$38 thousand and \$1.3 million in the second quarters of 2009 and 2008, respectively, and gains of \$.9 million and \$2 million for the first six months of 2009 and 2008, respectively, in the line item "Selling, general and administrative" on the Consolidated Condensed Statements of Operations. The Company anticipates recording additional gains approaching \$1.6 million in total in the next quarter relating to the new equipment.

12. In the second quarter of 2009, intraperiod tax allocation rules led to variations in the customary relationship between income tax expense and pretax accounting income resulting in an income tax benefit on pretax income and income tax expense on discontinued operations and other comprehensive income. The year-to-date tax benefit, excluding a \$3.6 million state tax benefit recognized in the second quarter in connection with a favorable determination of a state tax issue, bore a more customary relationship (39%) to the pretax loss from continuing operations in the first half of 2009.

13. In the second quarter of 2008, the Company and its two equal partners completed the sale of SP Newsprint to White Birch Paper Company. The sale generated proceeds of approximately \$60 million which were used to reduce debt and pay income taxes in 2008; a small adjustment related to working capital was recognized in 2009.

14. The Consolidated Condensed Balance Sheet and Consolidated Condensed Statements of Operations and Notes 1, 3, 4, 6, 7 and 10 have been revised for the effects of the Company's change in segments and the reporting of the sale of a small business magazine and related web site as a discontinued operation.

**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. Effective at the beginning of the third quarter of 2009, Media General changed its management structure from three platform-based divisions to five geographic market segments and a sixth segment that includes the Company’s interactive advertising services and certain other operations. This change was undertaken to more closely connect the Company to its customers and non-customers, to accelerate its Web-first strategy, to speed decision-making, and to create and serve new market opportunities. This market-based approach is a natural extension of the Company’s mission, which is to be the leading provider of high-quality news, information and entertainment in the Southeast by continually building its position of strength in strategically located markets.

The following map shows the locations and composition of the Company’s operating assets within its new management structure.



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

**RESULTS OF OPERATIONS**

The Company recorded net income of \$20.6 million in the second quarter of 2009 and a net loss of \$.7 million in the first six months of the year, as compared to a net loss of \$532.2 million and \$552.5 million in the equivalent 2008 periods. Embedded within these results are two items which merit separate discussion: discontinued operations and impairment charges. The Company sold four TV stations and their associated Web sites

in 2008: WTVQ in Lexington, Kentucky, WMBB in Panama City, Florida, KALB/NALB in Alexandria, Louisiana, and WNEG in Toccoa, Georgia. The Company completed the sale of its final held-for-sale station, WCWJ in Jacksonville, Florida, in the second quarter of 2009. The Company recognized an after-tax gain of \$7.1 million in 2009 and an after-tax loss of \$11.3 million in 2008 related to these divestitures. See Note 4 for a further discussion of discontinued operations. Challenging business conditions and the market's perception of the value of media company stocks prompted the Company to perform an interim impairment test as of the end of the second quarter of 2008. As a result of this testing, the Company recorded impairment charges in 2008 related to goodwill in the Publishing Division of \$512 million, FCC licenses in the Broadcast Division of \$198 million, network affiliation agreements in the Broadcast Division of \$67 million, trade names in the Broadcast Division of \$.5 million, and investments and assets held for sale of \$4.4 million, resulting in an after-tax non-cash impairment charge of \$532 million. For a more complete discussion regarding this impairment charge, see Note 3. The remainder of this discussion focuses only on results from continuing operations.

In the second quarter of 2009, the Company had income from continuing operations of \$13.3 million as compared to a loss from continuing operations of \$533.5 million in the comparable quarter of 2008; excluding the \$532 million after-tax impairment charge in 2008 the loss was \$1.4 million. Most of the improvement was due to income taxes. The quarter included an \$11 million tax benefit that was the result of a favorable determination concerning a state tax issue and an intraperiod tax allocation of tax benefits recorded on the Company's loss from continuing operations (see the Income Taxes section of this MD&A for a further discussion). Severance costs, which were lower than the second quarter of 2008 by \$3.9 million, benefitted the current quarter's reduction in operating losses and were the catalyst for significantly reduced operating costs in the face of continuing declines in advertising revenues. Additionally, the bottom line benefited from a 55% decline in intangibles amortization expense (due to the 2008 impairment write-downs of network affiliation agreement intangibles), a mandatory employee furlough program, the suspension of the company match on the 401(k) plan, and a favorable adjustment for medical expense and reduced compensation costs due to lower employee counts.

The Company recorded a loss from continuing operations of \$8.1 million in the first six months of 2009 as compared to a loss of \$543.3 million in the first half of 2008; excluding the \$532 million after-tax impairment charge in the first half of 2008, the loss was \$11.2 million. As with the quarter, reduced operating costs played a large role in the Company's improved year-over-year results. Employee compensation expenses were down 22% which served to temper a 19% revenue decline. Additional cost savings were achieved for reasons similar to those in the second quarter such as lower intangibles expense, the furlough program, the absence of the company match on the 401(k) plan, and workforce reductions.

## **MARKET RESULTS**

As previously mentioned, the third quarter of 2009 marked the Company's shift from three platform-based divisions to five geographic market segments and a sixth segment that includes the Company's interactive advertising services and certain other operations; collectively, they contain all of the operations that were formerly part of the Publishing, Broadcast and Interactive Media segments. The geographically-managed segments include: Virginia/Tennessee, Florida, Mid-South, North Carolina, and Ohio/Rhode Island.

### **Revenues**

As part of this reorganization, revenues have been grouped primarily into five major categories: Local (including the category that was formerly Retail in the Publishing Division), National, Political (which includes Political advertising as was traditionally reported), 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 Revenues by Major Category 2009 versus 2008**

<i>(In thousands)</i>	<u>Q2 Change</u>		<u>Year-to-date Change</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Local	\$(23,558)	(22.0)	\$(40,993)	(20.0)
National	(8,644)	(23.5)	(15,060)	(21.0)
Political	(2,016)	(71.7)	(6,289)	(86.7)
Classified	(13,445)	(35.9)	(28,423)	(37.2)
Subs/Content/Circulation	4,709	28.0	8,334	24.6

While the tough advertising environment played a significant role in lower Local and National advertising revenues, period-over-period comparisons were also directly affected by the reduction in Political revenues, as expected in this off-election year; markets which have a higher mix of broadcast stations over newspapers were obviously more affected by this category. Classified advertising was hampered by continued softness in the auto, real estate and employment categories. However, Subscription/Content/Circulation revenues made meaningful progress as a rise in cable and satellite retransmission revenues contributed approximately two-thirds of the growth and an increase in newspaper circulation (the result of higher rates) was responsible for the remainder.

Revenues in the Virginia/Tennessee Market fell 16% and 18% in the second quarter and first six months of 2009 as compared to equivalent prior-year periods. Decreased Local and Classified advertising were the largest reasons for the period-over-period declines, driven by the current recession-induced environment. Partially offsetting weak advertising revenues were strong Subscription/Content/Circulation revenues which showed solid growth due to rate increases across all newspapers as well as to excellent broadcast retransmission revenues.

Revenues in the Florida Market were down 27% and 23% in the second quarter and year-to-date of 2009 from comparable 2008 periods. Local advertising declined 29% and 23% in the quarterly and year-to-date periods, respectively, on weakness in the department store and home furniture categories. Classified advertising continued to show declines due to the erosion of employment, real estate and automotive advertising.

Revenues in the Mid-South Market fell 16% and 18% in the second quarter and first six months of 2009 as compared to equivalent 2008 periods as Local and National advertising were down over 20% from the prior-year levels. As anticipated, Political advertising was almost nonexistent in 2009 as compared to \$3.5 million in the first six months of last year. Following the trend, strong Subscription/Content/Circulation revenues partially offset the other revenue shortfalls.

Revenues in the North Carolina Market declined 26% and 24% in the second quarter and year-to-date of 2009 from the same periods of 2008. Cutbacks in Local and Classified advertising comprised most of the revenue shortfall in the North Carolina Market.

Revenues in the Ohio/Rhode Island Market decreased 14% in both the second quarter and first six months of 2009 from comparable prior-year periods. This is the Company's only geographic market which does not include any newspapers and is consequently less influenced by Classified advertising, but more affected by the ebb and flow of Political and Olympic revenues in corresponding odd and even-numbered years. Local advertising was down 16% in both the second quarter and first six months of 2009, with lower National and Political advertising comprising the remainder of the period-over-period declines. As with all of the other geographic markets, Subscription/Content/Circulation revenues showed increases and partially offset lower advertising revenues.

### **Operating Expenses**

Cost-containment efforts aimed at reducing the cost structure of the Company have been successful as evidenced by a 23% and 17% reduction in total operating expenses (excluding impairment charges) in the second quarter and first six months of 2009 from equivalent prior-year periods. Total compensation costs declined 28% in the quarter and 22% in the first six months of 2009 due to lower employee counts, the elimination of positions at most locations, lower commissions, the consolidation of certain production facilities, and savings from mandatory unpaid furlough days (discussed in further detail in the Liquidity section of this MD&A). Additionally, despite higher average newsprint prices, up \$39/ton (to \$633/ton) in the second quarter and up \$90/ton (to \$656/ton) in the first half of 2009, newsprint costs were down 29% and 18% in those similar periods due to reduced consumption as a result of lower advertising linage, decreased circulation volumes, and concerted conservation efforts including web-width reductions.

Operating expenses in the Virginia/Tennessee Market decreased \$9.9 million or 20% and \$14.3 million or 14.5% in the second quarter and first six months of 2009 from those same periods in 2008. The largest portion of this decrease was attributable to a 35% and 21% reduction in compensation expense in the second quarter and first six months from the equivalent prior-year periods. Reduced newsprint cost was responsible for a substantial part of the remaining decrease.

Operating expenses in the Florida Market were down \$16 million (30%) and \$23.2 million (22%) in the second quarter and year-to-date period of 2009 as compared to equivalent prior-year periods. The Florida Market, through its severance programs, reduced compensation costs by \$9.8 million and \$14.9 million in the second quarter and six months ended June 28, 2009 compared to the same periods in 2008. The Florida Market also achieved meaningful departmental savings in the areas of circulation sales, production supplies and reduced discretionary spending.

Operating expenses in the Mid-South Market fell 17% and 15% in the current quarter and first six months of 2009 from similar periods in 2008. The majority of the savings came from lower compensation cost. This market has a heavier mix of broadcast stations than newspapers and therefore, while newsprint costs were down, they were proportionally less significant to the overall cost savings than in other markets.

Operating expenses in the North Carolina Market declined 25% in the second quarter and 19% in the first six months of 2009 as compared to 2008's second quarter and year-to-date period. Approximately half of the savings in both the quarter and year-to-date were realized from lower compensation cost. Lower newsprint costs combined with reduced departmental spending contributed the remaining savings.

Operating expenses in the Ohio/Rhode Island Market were down 28% and 17% in the quarter and first six months of the current year from similar 2008 periods due primarily to lower compensation cost. The remaining savings were achieved primarily through concerted efforts to control discretionary spending. Newsprint was not a factor as the Company does not operate any newspapers in the Ohio/Rhode Island Market.

### **ADVERTISING SERVICES & OTHER**

Advertising Services & Other (ASO) primarily includes:

- Blockdot - a leading advergaming business;
- *Dealtaker.com* - an online social shopping portal that was acquired at the beginning of the second quarter of 2008;
- NetInformer - a leading provider of mobile advertising and marketing services purchased in the fourth quarter of 2008;

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

Revenues in ASO fell \$1.2 million (16%) and improved 2% in the second quarter and first six months of 2009 over the equivalent prior-year periods. The change in revenue in the second quarter was primarily due to a \$1.9 million reduction in revenue in the Production Services operations as the economy and the recently completed digital upgrade has reduced demand for this operation's services. This reduction in revenue was partially offset by strong revenue growth from *Dealtaker.com* (particularly in the first six months of 2009 as compared to 2008 when its results included only three months of ownership) reflecting increased traffic and visitors buying from merchant sites. Blockdot exhibited solid improvement in its advergames revenues as a result of successful sales initiatives.

Operating expenses were down 21% and 12% in the second quarter and first six months of 2009 from the equivalent prior-year periods due primarily to lower compensation costs. Additionally, lower cost of goods sold was in line with the previously mentioned reduced volume of work at Production Services.

### ***Operating Profit (Loss)***

The following chart shows the change in operating profit by market for the second quarter and first six months of 2009 and 2008; the period-over-period movement in market operating profit was driven by the underlying fluctuations in revenue and expense as detailed in the previous discussion.

### **Change in Market Operating Profits 2009 versus 2008**

<i>(In thousands)</i>	<u>Q2 Change</u>		<u>Year-to-date Change</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Virginia/Tennessee	\$ (85)	(0.7)	\$ (7,021)	(34.4)
Florida	2,101	—	(1,125)	65.7
Mid-South	(942)	(13.6)	(4,124)	(37.0)
North Carolina	(962)	(39.3)	(3,232)	—
Ohio/Rhode Island	507	24.5	389	16.6
Adv. Services & Other	288	59.0	1,726	—
Eliminations/Disc. Ops	378	98.7	805	94.3
<b>Total</b>	<u>\$1,285</u>	6.1	<u>\$(12,582)</u>	(36.9)

In the second quarter of 2009, the Florida Market was responsible for the majority of the operating profit improvement from last year's second quarter. Lower operating expenses, resulting from cost reduction initiatives, in this market were able to overcome decreased revenues.

In the first six months of 2009, the Virginia/Tennessee, Mid-South, and North Carolina Markets contributed the largest portion of the year-over-year operating profit shortfall. Anemic Classified advertising was the common thread among these markets, while depressed Local revenues at the Virginia/Tennessee and North Carolina Markets contributed as well. The Florida Market showed lesser declines as a substantial portion of their reduced revenues was offset by lower compensation costs and decreased newsprint expense.

### **INTEREST EXPENSE**

Interest expense increased \$.7 million in the second quarter from 2008's same quarter due to a 100 basis point increase (to 5.9%) in the Company's all-in borrowing rate, partially offset by an approximate \$90 million decline in average debt levels. Interest expense declined \$1.6 million in the year to date from the first half of 2008 due to a \$105 million decline in average debt levels, partially offset by a small increase in the average interest rate to 5.5%. Proceeds from the sales of SP Newsprint and four television station in 2008 drove the debt reduction.

In the second 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. These interest rate swaps are cash flow hedges with notional amounts totaling \$300 million and maturities of either three or five years. Changes in cash flows of the interest rate swaps offset changes in the interest payments on the Company's borrowings. These swaps effectively convert the Company's variable rate bank term loan to fixed rate debt with a weighted average interest rate approximating 8.3% at June 28, 2009.

## **INCOME TAXES**

In the second quarter and first half of 2009, the Company recorded an income tax benefit attributable to continuing operations and income tax expense on discontinued operations and other comprehensive income. The income tax benefit was comprised of two components: a \$7.5 million tax benefit on its loss from continuing operations for the year-to-date period and a discrete tax benefit related to a favorable determination of a state tax issue (\$3.6 million) resulting in an unusual effective tax rate. In the first six months of 2009, the Company benefitted income from continuing operations at a 39% rate (excluding the one-time tax benefit related to the state tax issue) compared to 32.2% a year ago. The increase in the 2009 tax rate was primarily due to the relatively low effective tax rate related to the impairment charge recorded in the second quarter of last year.

## **LIQUIDITY**

Net cash generated from operating activities in the first half of 2009 was \$3.3 million. Additionally, the Company completed the sale of its fifth held-for-sale television station, WCWJ, which yielded proceeds of approximately \$17 million. During the year, the Company collected a \$5 million note receivable related to its sale of SP Newsprint in 2008, incurred capital expenditures of \$8 million and made a retirement plan contribution of \$5 million. Based on the general economic environment and outlook, the Company has reduced its capital spending plans by postponing various projects.

At June 28, 2009, the Company had in place a \$578 million revolving credit facility and a \$288 million variable-rate bank term loan facility (together the "Facilities"). The term loan is with essentially the same syndicate of banks that provides the Company's revolving credit facility. At the end of the second quarter, there were borrowings of \$424 million outstanding under the revolving credit facility and \$288 million under the bank term loan. The Facilities have both interest coverage and leverage ratio covenants. Under the terms of the Facilities, the maximum leverage ratio covenant was reduced slightly for the remainder of 2009 beginning with the second quarter and will reduce again for the first three quarters of 2010; it will remain at a constant level thereafter. Also effective for the second quarter of 2009, the minimum interest coverage ratio increased slightly for the remaining term of the Facilities. These covenants, which involve debt levels, interest expense, and a rolling four-quarter calculation of EBITDA (a measure of cash earnings as defined in the revolving credit agreement), can affect the Company's maximum borrowing capacity allowed by the Facilities (which was approximately \$33.5 million as of the filing date). Annual borrowing capacity reductions will be made based on the Company's excess cash flow, as defined. Because the leverage ratio exceeds certain preset levels, the Facilities contain restrictions on dividends, capital spending, indebtedness, capital leases, and investments, as defined. The Company was in compliance with all covenants at quarter-end and, as covenants tighten, the Company expects to remain in compliance with them going forward by taking the steps necessary to maintain EBITDA and reduce debt.

As the economy has deteriorated, the Company responded to the economic crisis with several aggressive actions to improve its cash flow. These actions included suspending the Company's match for the 401(k) Plan for the last three quarters of 2009, a minimum of ten mandatory unpaid furlough days for all employees spread across the first three quarters of 2009 (4 days in the first quarter and 3 days in each of the second and third quarters), and the Board of Directors suspending the Company dividend. As discussed earlier, the Company has significantly reduced its workforce, and effective May 31, froze benefits under its retirement plan. All of these actions will conserve cash in either the short- or long-term, or both.

In the second quarter, the Company completed the sale of WCWJ in Jacksonville, Florida and used the proceeds to reduce debt. The combined commitment under the Facilities is now \$866 million. The Company believes that internally generated funds provided by operations, together with the unused portion of the Facilities, provide it with the flexibility to manage working capital needs and finance planned capital expenditures.

\* \* \* \* \*

*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 credit facilities, acquisitions and dispositions, the impact of cost-containment measures, staff reductions, retirement plan changes, the Internet, the Yahoo! agreements, 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.*

*Some significant factors that could affect actual results include: the effect of the credit crisis on advertising demand, asset impairments, interest rates or energy prices, the availability and pricing of credit and newsprint, changes to pending accounting standards, health care cost trends, a natural disaster, the level of political advertising, the performance of acquisitions, and regulatory rulings and laws.*

**Guarantor Financial Information**

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 comprised of certain variable interest entities for which the Company is the primary beneficiary, together with certain eliminations as of December 27, 2009, December 28, 2008 and December 30, 2007.

**Media General, Inc.**  
**Condensed Consolidating Balance Sheet**  
**As of December 27, 2009**  
(In thousands, unaudited)

	<u>Media General Corporate</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Media General Consolidated</u>
<b>ASSETS</b>					
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	<u>34,834</u>	<u>195,951</u>	<u>—</u>	<u>(25,730)</u>	<u>205,055</u>
Investment in and advances to subsidiaries	191,298	1,688,840	—	(1,880,138)	—
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
Excess cost over fair value	—	355,017	—	—	355,017
FCC licenses and other intangibles	—	220,591	—	—	220,591
<b>TOTAL ASSETS</b>	<u><b>\$ 1,013,981</b></u>	<u><b>\$2,869,851</b></u>	<u><b>\$ 303</b></u>	<u><b>\$(2,648,087)</b></u>	<u><b>\$ 1,236,048</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>EQUITY</b>					
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	<u>33,611</u>	<u>90,697</u>	<u>—</u>	<u>(25,736)</u>	<u>98,572</u>
Long-term debt	711,881	28	—	—	711,909
Intercompany loan	—	742,219	—	(742,219)	—
Deferred income taxes	—	7,233	—	—	7,233
Retirement, post-retirement and post-employment plans	173,017	—	—	—	173,017
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 income	(117,703)	—	—	—	(117,703)
Retained earnings	26,455	(416,150)	1,058	560,369	171,732
Total stockholders' equity	<u>48,732</u>	<u>2,024,512</u>	<u>(861)</u>	<u>(1,880,132)</u>	<u>192,251</u>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<u><b>\$ 1,013,981</b></u>	<u><b>\$2,869,851</b></u>	<u><b>\$ 303</b></u>	<u><b>\$(2,648,087)</b></u>	<u><b>\$ 1,236,048</b></u>

**Media General, Inc.**  
**Condensed Consolidating Statements of Operations**  
**Fiscal Year Ended December 27, 2009**  
(In thousands, unaudited)

	<u>Media General Corporate</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Median General Consolidated</u>
Revenues	\$ 28,685	\$ 756,395	\$ —	\$(127,468)	\$ 657,612
Operating costs:					
Employee compensation	27,882	271,900	657	—	300,439
Production	—	157,131	—	(2,346)	154,785
Selling, general and administrative	(4,291)	223,438	—	(125,116)	94,031
Depreciation and amortization	2,484	56,696	—	(2)	59,178
Goodwill and other asset impairment	—	84,220	—	—	84,220
Gain on insurance recovery	—	(1,915)	—	—	(1,915)
Total operating costs	<u>26,075</u>	<u>791,470</u>	<u>657</u>	<u>(127,464)</u>	<u>690,738</u>
Operating income (loss)	2,610	(35,075)	(657)	(4)	(33,126)
Other income (expense):					
Interest expense	(41,971)	(7)	—	—	(41,978)
Intercompany interest income (expense)	42,217	(42,217)	—	—	—
Impairment of and income on investments	—	701	—	—	701
Investment income (loss)—consolidated affiliates	(41,055)	—	—	41,055	—
Other, net	1,151	(179)	—	—	972
Total other income (expense)	<u>(39,658)</u>	<u>(41,702)</u>	<u>—</u>	<u>41,055</u>	<u>(40,305)</u>
Loss from continuing operations before income taxes	(37,048)	(76,777)	(657)	41,051	(73,431)
Income tax benefit	<u>(1,283)</u>	<u>(27,355)</u>	<u>—</u>	<u>—</u>	<u>(28,638)</u>
Loss from continuing operations	(35,765)	(49,422)	(657)	41,051	(44,793)
Income from discontinued operations (net of taxes)	—	155	—	—	155
Gain related to divestiture of operations (net of taxes)	<u>—</u>	<u>8,873</u>	<u>—</u>	<u>—</u>	<u>8,873</u>
Net loss	(35,765)	(40,394)	(657)	41,051	(35,765)
Other comprehensive income (net of tax)	<u>70,436</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>70,436</u>
Comprehensive income (loss)	<u>\$ 34,671</u>	<u>\$ (40,394)</u>	<u>\$ (657)</u>	<u>\$ 41,051</u>	<u>\$ 34,671</u>

**Media General, Inc.**  
**Condensed Consolidating Statements of Cash Flows**  
**Fiscal Year Ended December 27, 2009**  
(In thousands, unaudited)

	<u>Media General Corporate</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Media General Consolidated</u>
<b>Cash flows from operating activities:</b>					
Net cash provided by operating activities	\$ 20,480	\$ 13,291	\$ 7	\$ —	\$ 33,778
<b>Cash flows from investing activities:</b>					
Capital expenditures	(1,221)	(17,232)	—	—	(18,453)
Proceeds from sale of discontinued operations	17,625	—	—	—	17,625
Insurance proceeds related to machinery and equipment	—	3,120	—	—	3,120
Net change in intercompany note receivable	7,781	—	—	(7,781)	—
Collection of receivable note	—	5,000	—	—	5,000
Other, net	(623)	3,614	—	—	2,991
Net cash provided (used) by investing activities	23,562	(5,498)	—	(7,781)	10,283
<b>Cash flows from financing activities:</b>					
Increase in debt	215,700	—	—	—	215,700
Payment of debt	(233,819)	(21)	—	—	(233,840)
Net change in intercompany loan	—	(7,781)	—	7,781	—
Other, net	175	1	(7)	—	169
Net cash (used) provided by financing activities	(17,944)	(7,801)	(7)	7,781	(17,971)
<b>Net increase (decrease) in cash and cash equivalents</b>					
Cash and cash equivalents at beginning of year	26,098	(8)	—	—	26,090
Cash and cash equivalents at end of period	5,593	1,549	—	—	7,142
	<u>\$ 31,691</u>	<u>\$ 1,541</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 33,232</u>

**Media General, Inc.**  
**Condensed Consolidating Balance Sheet**  
**As of December 28, 2008**  
(In thousands, unaudited)

	<u>Media General Corporate</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Media General Consolidated</u>
<b>ASSETS</b>					
Current assets:					
Cash & cash equivalents	\$ 5,593	\$ 1,549	\$ —	\$ —	\$ 7,142
Accounts receivable, net	—	102,174	—	—	102,174
Inventories	2	12,033	—	—	12,035
Other current assets	2,699	67,463	—	(31,313)	38,849
Assets of discontinued operations	—	12,402	—	—	12,402
Total current asset	<u>8,294</u>	<u>195,621</u>	<u>—</u>	<u>(31,313)</u>	<u>172,602</u>
Investment in and advances to subsidiaries	300,565	1,597,504	—	(1,898,069)	—
Intercompany note receivable	750,000	—	—	(750,000)	—
Other assets	47,165	18,315	243	(24,436)	41,287
Property, plant & equipment, net	30,860	422,767	—	—	453,627
Excess cost over fair value	—	421,470	—	—	421,470
FCC licenses and other intangibles	—	245,266	—	—	245,266
<b>TOTAL ASSETS</b>	<u>\$ 1,136,884</u>	<u>\$2,900,943</u>	<u>\$ 243</u>	<u>\$(2,703,818)</u>	<u>\$ 1,334,252</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current liabilities:					
Accounts payable	\$ 16,024	\$ 25,347	\$ —	\$ (6)	\$ 41,365
Accrued expenses and other liabilities	25,519	92,086	—	(31,314)	86,291
Liabilities of discontinued operations	—	3,053	—	—	3,053
Total current liabilities	<u>41,543</u>	<u>120,486</u>	<u>—</u>	<u>(31,320)</u>	<u>130,709</u>
Long-term debt	730,000	49	—	—	730,049
Intercompany loan	—	750,000	—	(750,000)	—
Retirement, post-retirement and post-employment plans	251,175	—	—	—	251,175
Other deferred credits	60,087	7,014	440	(449)	67,092
Stockholders' equity					
Common stock	114,010	4,872	—	(4,872)	114,010
Additional paid-in capital	23,846	2,436,495	(1,912)	(2,436,495)	21,934
Accumulated other comprehensive income	(188,139)	—	—	—	(188,139)
Retained earnings	104,362	(417,973)	1,715	519,318	207,422
Total stockholders' equity	<u>54,079</u>	<u>2,023,394</u>	<u>(197)</u>	<u>(1,922,049)</u>	<u>155,227</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 1,136,884</u>	<u>\$2,900,943</u>	<u>\$ 243</u>	<u>\$(2,703,818)</u>	<u>\$ 1,334,252</u>

**Media General, Inc.**  
**Condensed Consolidating Statements of Operations**  
**Fiscal Year Ended December 28, 2008**  
(In thousands, unaudited)

	<u>Media General Corporate</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Media General Consolidated</u>
Revenues	\$ 39,395	\$ 922,853	\$ —	\$(164,873)	\$ 797,375
Operating costs:					
Employee compensation	32,190	349,961	(1,715)	(2)	380,434
Production	—	197,758	—	(4,724)	193,034
Selling, general and administrative	(1,204)	272,881	—	(160,128)	111,549
Depreciation and amortization	2,784	68,690	—	(10)	71,464
Goodwill and other asset impairment	—	908,701	—	—	908,701
Gain on insurance recovery	—	(3,250)	—	—	(3,250)
Total operating costs	<u>33,770</u>	<u>1,794,741</u>	<u>(1,715)</u>	<u>(164,864)</u>	<u>1,661,932</u>
Operating income (loss)	5,625	(871,888)	1,715	(9)	(864,557)
Other income (expense):					
Interest expense	(43,441)	(8)	—	—	(43,449)
Intercompany interest income (expense)	42,653	(42,653)	—	—	—
Impairment of and loss on investments	(39)	(4,380)	—	—	(4,419)
Investment income (loss)-consolidated affiliates	(630,589)	—	—	630,589	—
Other, net	875	104	—	—	979
Total other income (expense)	<u>(630,541)</u>	<u>(46,937)</u>	<u>—</u>	<u>630,589</u>	<u>(46,889)</u>
Income (loss) from continuing operations before income taxes	(624,916)	(918,825)	1,715	630,580	(911,446)
Income tax expense (benefit)	6,938	(295,129)	—	—	(288,191)
Income (loss) from continuing operations	(631,854)	(623,696)	1,715	630,580	(623,255)
Income from discontinued operations (net of taxes)	—	2,701	—	—	2,701
Loss related to divestiture of operations (net of taxes)	—	(11,300)	—	—	(11,300)
Net income (loss)	(631,854)	(632,295)	1,715	630,580	(631,854)
Other comprehensive loss (net of tax)	(110,862)	—	—	—	(110,862)
Comprehensive income (loss)	<u>\$ (742,716)</u>	<u>\$ (632,295)</u>	<u>\$ 1,715</u>	<u>\$ 630,580</u>	<u>\$ (742,716)</u>

**Media General, Inc.**  
**Condensed Consolidating Statements of Cash Flows**  
**Fiscal Year Ended December 28, 2008**  
(In thousands, unaudited)

	<u>Media General Corporate</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Media General Consolidated</u>
<b>Cash flows from operating activities:</b>					
Net cash (used) provided by operating activities	\$ (59,545)	\$ 158,213	\$ 90	\$ —	\$ 98,758
<b>Cash flows from investing activities:</b>					
Capital expenditures	(4,698)	(26,819)	—	—	(31,517)
Purchase of businesses	(23,804)	—	—	—	(23,804)
Proceeds from sales of discontinued operations and investments	78,836	59,466	—	—	138,302
Net change in intercompany note receivable	186,500	—	—	(186,500)	—
Funding of note receivable	—	(5,000)	—	—	(5,000)
Other, net	5,833	49	—	—	5,882
Net cash provided (used) by investing activities	242,667	27,696	—	(186,500)	83,863
<b>Cash flows from financing activities:</b>					
Increase in debt	330,000	—	—	—	330,000
Repayment of debt	(497,500)	(23)	—	—	(497,523)
Debt issuance costs	(4,182)	—	—	—	(4,182)
Cash dividends paid	(18,510)	—	—	—	(18,510)
Net change in intercompany loan	—	(186,500)	—	186,500	—
Other, net	610	2	(90)	—	522
Net cash (used) provided by financing activities	(189,582)	(186,521)	(90)	186,500	(189,693)
Net decrease in cash and cash equivalents	(6,460)	(612)	—	—	(7,072)
Cash and cash equivalents at beginning of year	12,053	2,161	—	—	14,214
Cash and cash equivalents at end of period	<u>\$ 5,593</u>	<u>\$ 1,549</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,142</u>

**Media General, Inc.**  
**Condensed Consolidating Balance Sheet**  
**As of December 30, 2007**  
(In thousands, unaudited)

	<u>Media General Corporate</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Media General Consolidated</u>
<b>ASSETS</b>				
Current assets:				
Cash & cash equivalents	\$ 12,053	\$ 2,161	\$ —	\$ 14,214
Accounts receivable, net	—	133,576	—	133,576
Inventories	1	6,825	(150)	6,676
Other current assets	11,368	77,774	(37,102)	52,040
Assets of discontinued operations	—	107,355	—	107,355
Total current assets	<u>23,422</u>	<u>327,691</u>	<u>(37,252)</u>	<u>313,861</u>
Investment in unconsolidated affiliates	1,435	50,925	—	52,360
Investment in and advances to subsidiaries	891,486	1,591,428	(2,482,914)	—
Intercompany note receivable	936,500	—	(936,500)	—
Other assets	45,989	21,212	(1,527)	65,674
Property, plant & equipment, net	87,440	387,533	—	474,973
Excess cost over fair value	—	917,521	—	917,521
FCC licenses and other intangibles	—	646,677	—	646,677
<b>TOTAL ASSETS</b>	<u>\$ 1,986,272</u>	<u>\$3,942,987</u>	<u>\$(3,458,193)</u>	<u>\$ 2,471,066</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 12,903	\$ 19,757	\$ (6)	\$ 32,654
Accrued expenses and other liabilities	31,626	107,229	(37,102)	101,753
Liabilities of discontinued operations	—	5,614	—	5,614
Total current liabilities	<u>44,529</u>	<u>132,600</u>	<u>(37,108)</u>	<u>140,021</u>
Long-term debt	897,500	72	—	897,572
Intercompany loan	—	936,500	(936,500)	—
Deferred income taxes	(14,510)	326,098	—	311,588
Retirement, post-retirement and post-employment plans	147,578	—	—	147,578
Other deferred credits	56,114	4,231	955	61,300
Stockholders' equity				
Common stock	113,059	4,872	(4,872)	113,059
Additional paid-in capital	19,713	2,412,059	(2,412,059)	19,713
Accumulated other comprehensive income	(74,816)	(2,461)	—	(77,277)
Retained earnings	797,105	129,016	(68,609)	857,512
Total stockholders' equity	<u>855,061</u>	<u>2,543,486</u>	<u>(2,485,540)</u>	<u>913,007</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS'     EQUITY</b>	<u>\$ 1,986,272</u>	<u>\$3,942,987</u>	<u>\$(3,458,193)</u>	<u>\$ 2,471,066</u>

**Media General, Inc.**  
**Condensed Consolidating Statements of Operations**  
**Fiscal Year Ended December 30, 2007**  
(In thousands, unaudited)

	<u>Media General Corporate</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Media General Consolidated</u>
Revenues	\$ 38,278	\$1,043,095	\$ —	\$(185,080)	\$ 896,293
Operating costs:					
Employee compensation	34,847	364,324	—	(14)	399,157
Production	—	220,528	—	(9,102)	211,426
Selling, general and administrative	15,319	312,474	(26,976)	(175,933)	124,884
Depreciation and amortization	4,434	68,205	390	(31)	72,998
Gain on insurance recovery	—	(17,604)	—	—	(17,604)
Total operating costs	<u>54,600</u>	<u>947,927</u>	<u>(26,586)</u>	<u>(185,080)</u>	<u>790,861</u>
Operating income (loss)	(16,322)	95,168	26,586	—	105,432
Other income (expense):					
Interest expense	(58,337)	(5)	(1,235)	—	(59,577)
Intercompany interest income (expense)	60,407	(60,407)	—	—	—
Investment loss—unconsolidated affiliates	(756)	(34,069)	—	—	(34,825)
Investment income (loss)—consolidated affiliates	9,406	—	—	(9,406)	—
Other, net	3,233	(2,194)	87	—	1,126
Total other income (expense)	<u>13,953</u>	<u>(96,675)</u>	<u>(1,148)</u>	<u>(9,406)</u>	<u>(93,276)</u>
Income (loss) from continuing operations before income taxes	(2,369)	(1,507)	25,438	(9,406)	12,156
Income tax expense (benefit)	<u>(13,056)</u>	<u>6,103</u>	<u>9,874</u>	<u>—</u>	<u>2,921</u>
Income (loss) from continuing operations	10,687	(7,610)	15,564	(9,406)	9,235
Income from discontinued operations (net of taxes)	—	3,452	—	—	3,452
Loss related to divestiture of operations (net of taxes)	<u>—</u>	<u>(2,000)</u>	<u>—</u>	<u>—</u>	<u>(2,000)</u>
Net income (loss)	10,687	(6,158)	15,564	(9,406)	10,687
Other comprehensive income (net of tax)	<u>33,265</u>	<u>706</u>	<u>—</u>	<u>—</u>	<u>33,971</u>
Comprehensive income (loss)	<u>\$ 43,952</u>	<u>\$ (5,452)</u>	<u>\$ 15,564</u>	<u>\$ (9,406)</u>	<u>\$ 44,658</u>

**Media General, Inc.**  
**Condensed Consolidating Statements of Cash Flows**  
**Fiscal Year Ended December 30, 2007**  
(In thousands, unaudited)

	<u>Media General Corporate</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Media General Consolidated</u>
<b>Cash flows from operating activities:</b>					
Net cash provided (used) by operating activities	\$ 125,593	\$ (94,326)	\$ 99,562	\$ —	\$ 130,829
<b>Cash flows from investing activities:</b>					
Capital expenditures	(11,460)	(66,682)	—	—	(78,142)
Purchase of business	(2,525)	—	—	—	(2,525)
Insurance proceeds related to machinery and equipment	—	27,841	—	—	27,841
Net change in intercompany note receivable	(125,500)	—	—	125,500	—
Distribution from unconsolidated affiliate	—	5,000	—	—	5,000
Other, net	5,584	2,661	—	—	8,245
Net cash (used) provided by investing activities	<u>(133,901)</u>	<u>(31,180)</u>	<u>—</u>	<u>125,500</u>	<u>(39,581)</u>
<b>Cash flows from financing activities:</b>					
Increase in debt	570,000	—	—	—	570,000
Repayment of debt	(493,500)	(3)	(95,320)	—	(588,823)
Stock repurchase	(48,716)	—	—	—	(48,716)
Debt issuance costs	(1,010)	—	—	—	(1,010)
Cash dividends paid	(21,156)	—	—	—	(21,156)
Net change in intercompany loan	—	125,500	—	(125,500)	—
Other, net	4,985	—	(4,242)	—	743
Net cash provided (used) by financing activities	<u>10,603</u>	<u>125,497</u>	<u>(99,562)</u>	<u>(125,500)</u>	<u>(88,962)</u>
Net increase (decrease) in cash and cash equivalents	2,295	(9)	—	—	2,286
Cash and cash equivalents at beginning of year	9,758	2,170	—	—	11,928
Cash and cash equivalents at end of period	<u>\$ 12,053</u>	<u>\$ 2,161</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14,214</u>