

MEREDITH CORP

Form 10-Q

April 28, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2010

Commission file number 1-5128

MEREDITH CORPORATION

(Exact name of registrant as specified in its charter)

Iowa

42-0410230

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1716 Locust Street, Des Moines, Iowa

50309-3023

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (515) 284-3000

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

Yes

No

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

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Shares of stock outstanding at March 31, 2010

Common shares 36,279,652

Class B shares 9,092,582

Total common and Class B shares 45,372,234

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Meredith Corporation and Subsidiaries
Condensed Consolidated Balance Sheets

| | (Unaudited) | |
|---|-------------------|------------------|
| Assets | March 31, 2010 | June 30, 2009 |
| (In thousands) | | |
| Current assets | | |
| Cash and cash equivalents | \$ 23,666 | \$ 27,910 |
| Accounts receivable, net | 229,209 | 192,367 |
| Inventories | 24,874 | 28,151 |
| Current portion of subscription acquisition costs | 59,541 | 60,017 |
| Current portion of broadcast rights | 9,767 | 8,297 |
| Other current assets | 15,996 | 23,398 |
| Total current assets | 363,053 | 340,140 |
| Property, plant, and equipment | 453,674 | 444,904 |
| Less accumulated depreciation | (265,074) | (253,597) |
| Net property, plant, and equipment | 188,600 | 191,307 |
| Subscription acquisition costs | 58,062 | 63,444 |
| Broadcast rights | 3,440 | 4,545 |
| Other assets | 53,247 | 45,907 |
| Intangible assets, net | 554,551 | 561,581 |
| Goodwill | 484,919 | 462,379 |
| Total assets | \$ 1,705,872 | \$ 1,669,303 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Current portion of long-term debt | \$ 140,000 | \$ — |
| Current portion of long-term broadcast rights payable | 13,580 | 10,560 |
| Accounts payable | 83,927 | 86,381 |
| Accrued expenses and other liabilities | 122,759 | 81,544 |
| Current portion of unearned subscription revenues | 167,858 | 170,731 |
| Total current liabilities | 528,124 | 349,216 |
| Long-term debt | 175,000 | 380,000 |
| Long-term broadcast rights payable | 9,979 | 11,851 |
| Unearned subscription revenues | 138,396 | 148,393 |
| Deferred income taxes | 89,027 | 64,322 |

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| | | |
|--|--------------|--------------|
| Other noncurrent liabilities | 105,437 | 106,138 |
| Total liabilities | 1,045,963 | 1,059,920 |
| Shareholders' equity | | |
| Series preferred stock | — | — |
| Common stock | 36,280 | 35,934 |
| Class B stock | 9,092 | 9,133 |
| Additional paid-in capital | 63,193 | 53,938 |
| Retained earnings | 581,719 | 542,006 |
| Accumulated other comprehensive loss | (30,375) | (31,628) |
| Total shareholders' equity | 659,909 | 609,383 |
| Total liabilities and shareholders' equity | \$ 1,705,872 | \$ 1,669,303 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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Meredith Corporation and Subsidiaries
Condensed Consolidated Statements of Earnings (Unaudited)

| Periods Ended March 31, (In thousands except per share data) | Three Months | | Nine Months | |
|---|--------------|------------|-------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues | | | | |
| Advertising | \$ 199,170 | \$ 184,265 | \$ 578,854 | \$ 597,891 |
| Circulation | 74,598 | 72,869 | 211,686 | 211,086 |
| All other | 79,575 | 80,460 | 232,073 | 253,971 |
| Total revenues | 353,343 | 337,594 | 1,022,613 | 1,062,948 |
| Operating expenses | | | | |
| Production, distribution, and editorial | 144,517 | 159,197 | 438,521 | 491,618 |
| Selling, general, and administrative | 142,044 | 124,323 | 428,298 | 421,523 |
| Depreciation and amortization | 10,313 | 10,714 | 30,533 | 32,346 |
| Total operating expenses | 296,874 | 294,234 | 897,352 | 945,487 |
| Income from operations | 56,469 | 43,360 | 125,261 | 117,461 |
| Interest income | 6 | 121 | 25 | 348 |
| Interest expense | (3,952) | (4,911) | (14,737) | (15,698) |
| Earnings from continuing operations before income taxes | 52,523 | 38,570 | 110,549 | 102,111 |
| Income taxes | 19,224 | 13,696 | 39,955 | 40,766 |
| Earnings from continuing operations | 33,299 | 24,874 | 70,594 | 61,345 |
| Income (loss) from discontinued operations, net of taxes | — | 554 | — | (4,737) |
| Net earnings | \$ 33,299 | \$ 25,428 | \$ 70,594 | \$ 56,608 |
| Basic earnings per share | | | | |
| Earnings from continuing operations | \$ 0.73 | \$ 0.55 | \$ 1.56 | \$ 1.36 |
| Discontinued operations | — | 0.01 | — | (0.11) |
| Basic earnings per share | \$ 0.73 | \$ 0.56 | \$ 1.56 | \$ 1.25 |
| Basic average shares outstanding | 45,331 | 44,961 | 45,259 | 45,051 |
| Diluted earnings per share | | | | |
| Earnings from continuing operations | \$ 0.73 | \$ 0.55 | \$ 1.55 | \$ 1.36 |
| Discontinued operations | — | 0.01 | — | (0.11) |
| Diluted earnings per share | \$ 0.73 | \$ 0.56 | \$ 1.55 | \$ 1.25 |
| Diluted average shares outstanding | 45,651 | 45,092 | 45,505 | 45,177 |
| Dividends paid per share | \$ 0.230 | \$ 0.225 | \$ 0.680 | \$ 0.655 |

See accompanying Notes to Condensed Consolidated Financial Statements.

Meredith Corporation and Subsidiaries
 Consolidated Statement of Shareholders' Equity (Unaudited)

| (In thousands except per share data) | Common Stock - \$1 par value | Class B Stock - \$1 par value | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|---|------------------------------|-------------------------------|----------------------------|-------------------|--------------------------------------|------------|
| Balance at June 30, 2009 | \$ 35,934 | \$ 9,133 | \$ 53,938 | \$ 542,006 | \$ (31,628) | \$ 609,383 |
| Net earnings | — | — | — | 70,594 | — | 70,594 |
| Other comprehensive income, net | — | — | — | — | 1,253 | 1,253 |
| Total comprehensive income | | | | | | 71,847 |
| Share-based incentive plan transactions | 463 | — | 6,996 | — | — | 7,459 |
| Purchases of Company stock | (157) | (1) | (5,070) | — | — | (5,228) |
| Share-based compensation | — | — | 8,630 | — | — | 8,630 |
| Conversion of Class B to common stock | 40 | (40) | — | — | — | — |
| Dividends paid, 68 cents per share | | | | | | |
| Common stock | — | — | — | (24,682) | — | (24,682) |
| Class B stock | — | — | — | (6,199) | — | (6,199) |
| Tax benefit from incentive plans | — | — | (1,301) | — | — | (1,301) |
| Balance at March 31, 2010 | \$ 36,280 | \$ 9,092 | \$ 63,193 | \$ 581,719 | \$ (30,375) | \$ 659,909 |

See accompanying Notes to Condensed Consolidated Financial Statements.

Meredith Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

| Nine Months Ended March 31, (In thousands) | 2010 | 2009 |
|--|------------|------------|
| Cash flows from operating activities | | |
| Net earnings | \$ 70,594 | \$ 56,608 |
| Adjustments to reconcile net earnings to net cash provided by operating activities | | |
| Depreciation | 23,503 | 25,102 |
| Amortization | 7,030 | 7,251 |
| Share-based compensation | 8,630 | 8,600 |
| Deferred income taxes | 17,191 | 37,409 |
| Amortization of broadcast rights | 17,357 | 19,123 |
| Payments for broadcast rights | (16,574) | (18,807) |
| Gain from dispositions of assets | (2,819) | (1,758) |
| Provision for write-down of impaired assets | 3,249 | 5,602 |
| Excess tax benefits from share-based payments | (489) | (673) |
| Changes in assets and liabilities | 12,231 | 154 |
| Net cash provided by operating activities | 139,903 | 138,611 |
| Cash flows from investing activities | | |
| Acquisitions of businesses | (32,542) | (6,118) |
| Additions to property, plant, and equipment | (18,249) | (18,642) |
| Proceeds from dispositions of assets | — | 636 |
| Net cash used in investing activities | (50,791) | (24,124) |
| Cash flows from financing activities | | |
| Proceeds from issuance of long-term debt | 85,000 | 120,000 |
| Repayments of long-term debt | (150,000) | (150,000) |
| Purchases of Company stock | (5,228) | (21,763) |
| Dividends paid | (30,881) | (29,573) |
| Proceeds from common stock issued | 7,459 | 3,178 |
| Excess tax benefits from share-based payments | 489 | 673 |
| Other | (195) | (250) |
| Net cash used in financing activities | (93,356) | (77,735) |
| Net increase (decrease) in cash and cash equivalents | (4,244) | 36,752 |
| Cash and cash equivalents at beginning of period | 27,910 | 37,644 |
| Cash and cash equivalents at end of period | \$ 23,666 | \$ 74,396 |

See accompanying Notes to Condensed Consolidated Financial Statements.

Meredith Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

Basis of presentation—The condensed consolidated financial statements include the accounts of Meredith Corporation and its wholly owned subsidiaries (Meredith or the Company), after eliminating all significant intercompany balances and transactions. Meredith does not have any off-balance sheet arrangements. The Company's use of special-purpose entities is limited to Meredith Funding Corporation, whose activities are fully consolidated in Meredith's condensed consolidated financial statements. Certain prior-year financial information has been reclassified to conform to the current period presentation.

The condensed consolidated financial statements as of March 31, 2010, and for the three and nine months ended March 31, 2010 and 2009, are unaudited but, in management's opinion, include all normal, recurring adjustments necessary for a fair presentation of the results of interim periods. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire fiscal year.

These consolidated financial statements, including the related notes, are condensed and presented in accordance with accounting principles generally accepted in the United States of America (GAAP). These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements, which are included in Meredith's Annual Report on Form 10-K for the year ended June 30, 2009, filed with the United States Securities and Exchange Commission (SEC).

Meredith is a diversified media company focused primarily on the home and family marketplace. On the basis of products and services, the Company has established two reportable segments: national media group and local media group. Prior to fiscal 2010, the national media group was called the publishing group and the local media group was called the broadcasting group. Other than changing the names of the segments, there have been no changes in the basis of segmentation since June 30, 2009. The national media group segment includes magazine and book publishing, integrated marketing, interactive media, database-related activities, brand licensing, and other related operations. The local media group segment consists primarily of the operations of network-affiliated television stations, related interactive media operations, and video related operations.

Recently Adopted Accounting Standards—In June 2009, the Financial Accounting Standards Board (FASB) approved its Accounting Standards Codification (Codification) as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification does not change current GAAP, but is intended to simplify user access to authoritative literature related to a particular topic. Because the Codification does not change or alter existing GAAP, its adoption did not have any impact on the Company's financial position or results of operations. Its adoption did affect the way the Company references GAAP in its consolidated financial statements and accounting policies.

In December 2007, the FASB revised the authoritative guidance for business combinations, which establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company adopted this revised business combinations guidance on July 1, 2009. This guidance did not have any impact on the Company's consolidated financial statements upon adoption. The Company

expects the guidance to have an impact on its accounting for future business combinations, but the effect will be dependent upon the acquisitions that are made in the future.

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In April 2008, the FASB issued authoritative guidance on determination of the useful lives of intangible assets, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of an intangible asset. This guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations or asset acquisitions. This guidance did not have any impact on the Company's consolidated financial statements upon adoption on July 1, 2009. The Company expects it to have an impact on its accounting for future transactions, but the effect will be dependent upon the transactions that are made in the future.

In June 2008, the FASB issued authoritative guidance on determining whether instruments granted in share-based payment transactions are participating securities. Under the guidance, unvested share-based payment awards that contain rights to receive nonforfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing EPS. The Company adopted this authoritative guidance effective July 1, 2009. Its adoption did not have an impact on the consolidated financial statements.

In April 2009, the FASB issued authoritative guidance on interim disclosures about fair value of financial instruments. This guidance requires disclosures about fair value of financial instruments in interim reporting periods of publicly-traded companies that were previously only required to be disclosed in annual financial statements. The Company adopted this guidance in the first quarter of fiscal 2010. Its adoption expanded the Company's disclosure about fair value of our financial instruments in our interim consolidated financial statements.

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires disclosure of transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of the assets and liabilities measured under Level 3 of the fair value measurement hierarchy. The Company adopted the new disclosure requirements on January 1, 2010, except for the requirement concerning gross presentation of Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. The adoption of the Level 1 and Level 2 disclosure guidance did not have an impact on the Company's consolidated financial position or results of operations.

In February 2010, the FASB issued amended guidance on subsequent events. Under this amended guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and the Company adopted these new requirements for the period ended March 31, 2010.

Recently Issued Accounting Standards—In September 2009, authoritative guidance on revenue arrangements with multiple deliverables was issued. This guidance addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how the arrangement consideration should be allocated among the separate units of accounting. This guidance is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. It may be applied retrospectively or prospectively for new or materially modified arrangements and early adoption is permitted. The Company is assessing the potential impact of this guidance on our financial position and results of operations.

2. Restructuring and Discontinued Operations

Restructuring

In March 2010, the Company committed to the realignment of our national media group's digital operations. In connection with this plan, the Company recorded a pre-tax restructuring charge of \$1.7 million for severance costs related to the involuntary termination of employees, which is recorded in the selling, general, and administrative line in the Condensed Consolidated Statements of Earnings. The plan affected approximately 30 employees. The majority

of severance costs will be paid out over the next 12 months.

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In December 2009, in response to the recessionary economy and the related decreases in consumer and advertising spending, management committed to a performance improvement plan to reposition our Special Interest Media (SIM) operations. In connection with this plan, the Company recorded a pre-tax restructuring charge of \$5.5 million, including severance costs of \$2.2 million and the write-off of deferred subscription acquisition costs of \$1.8 million, which are recorded in the selling, general, and administrative line in the Condensed Consolidated Statements of Earnings, and the write-off of manuscript and art inventory of \$1.5 million, which is recorded in the production, distribution, and editorial line in the Condensed Consolidated Statements of Earnings. Severance costs relate to the involuntary termination of employees. The plan affected approximately 45 employees. The majority of severance costs will be paid out over the next 9 months.

In March 2010, the Company recorded a \$1.3 million reversal of excess restructuring reserves previously accrued by the national media group in prior fiscal years. This credit to operating expenses is recorded in the selling, general, and administrative line in the Condensed Consolidated Statements of Earnings.

Details of changes in the Company's restructuring accrual since June 30, 2009, are as follows:

| | | |
|---|--------|-------|
| Nine Months Ended March 31, (In thousands) | 2010 | |
| Balance at June 30, 2009 | \$ | 9,894 |
| Severance accruals | 3,922 | |
| Cash payments | (4,084 |) |
| Reversal of excess accrual and other | (1,407 |) |
| Balance at March 31, 2010 | \$ | 8,325 |

In December 2008, the Company announced the closing of Country Home magazine, effective with the March 2009 issue. The results of Country Home magazine have been segregated from continuing operations and reported as discontinued operations. Amounts applicable to discontinued operations that have been reclassified in the Condensed Consolidated Statements of Earnings are as follows:

| | | |
|--|--------------|-------------|
| Periods Ended March 31, 2009 (In thousands except per share data) | Three Months | Nine Months |
| Revenues | \$ 5,260 | \$ 16,584 |
| Costs and expenses | (4,351) | (17,587) |
| Special items | — | (6,761) |
| Income (loss) before income taxes | 909 | (7,764) |
| Income taxes | (355) | 3,027 |
| Income (loss) from discontinued operations | \$ 554 | \$ (4,737) |
| Income (loss) per share from discontinued operations | | |
| Basic | \$ 0.01 | \$ (0.11) |
| Diluted | 0.01 | (0.11) |

3. Inventories

Major components of inventories are summarized below. Of total net inventory values shown, approximately 46 percent are under the last-in first-out (LIFO) method at March 31, 2010, and 41 percent at June 30, 2009.

| (In thousands) | March 31, 2010 | June 30, 2009 |
|---------------------------------|-------------------|------------------|
| Raw materials | \$ 15,528 | \$ 18,322 |
| Work in process | 12,703 | 15,554 |
| Finished goods | 2,512 | 2,604 |
| | 30,743 | 36,480 |
| Reserve for LIFO cost valuation | (5,869) | (8,329) |
| Inventories | \$ 24,874 | \$ 28,151 |

4. Intangible Assets and Goodwill

Intangible assets consist of the following:

| (In thousands) | March 31, 2010 | | | June 30, 2009 | | |
|--|-----------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
| | Gross Amount | Accumulated Amortization | Net Amount | Gross Amount | Accumulated Amortization | Net Amount |
| Intangible assets subject to amortization | | | | | | |
| National media group | | | | | | |
| Noncompete agreements | \$ 480 | \$ (311) | \$ 169 | \$ 480 | \$ (224) | \$ 256 |
| Advertiser relationships | 18,400 | (12,486) | 5,914 | 18,400 | (10,515) | 7,885 |
| Customer lists | 9,230 | (3,241) | 5,989 | 9,230 | (2,252) | 6,978 |
| Other | 3,544 | (2,491) | 1,053 | 3,544 | (2,177) | 1,367 |
| Local media group | | | | | | |
| Network affiliation agreements | 218,559 | (101,636) | 116,923 | 218,559 | (97,967) | 120,592 |
| Total | \$ 250,213 | \$ (120,165) | 130,048 | \$ 250,213 | \$ (113,135) | 137,078 |
| Intangible assets not subject to amortization | | | | | | |
| National media group | | | | | | |
| Internet domain names | | | 996 | | | 996 |
| Trademarks | | | 124,431 | | | 124,431 |
| Local media group | | | | | | |
| FCC licenses | | | 299,076 | | | 299,076 |
| Total | | | 424,503 | | | 424,503 |
| Intangible assets, net | | | \$ 554,551 | | | \$ 561,581 |

Amortization expense was \$7.0 million for the nine months ended March 31, 2010. Annual amortization expense for intangible assets is expected to be as follows: \$9.4 million in fiscal 2010, \$9.3 million in fiscal 2011, \$9.0 million in fiscal 2012, \$6.3 million in fiscal 2013, and \$6.0 million in fiscal 2014.

For certain acquisitions consummated during the last three fiscal years, the sellers are entitled to contingent payments should the acquired operations achieve certain financial targets generally based on earnings before interest and taxes, as defined in the respective acquisition agreements. None of the contingent consideration is dependent on the continued employment of the sellers. As of March 31, 2010, the Company estimates that future aggregate contingent payments will range from approximately \$18.3 million to \$36.3 million; the most likely

estimate being approximately \$26.6 million. The maximum amount of contingent payments the sellers may receive over the next three years is \$155.7 million. The additional purchase consideration, if any, will be recorded as additional goodwill on our Consolidated Balance Sheet when the contingencies are resolved. For the nine months ended March 31, 2010, the Company recognized additional consideration of \$22.5 million, which increased goodwill. No additional consideration was recognized in the nine-month period ended March 31, 2009.

Changes in the carrying amount of goodwill were as follows:

| Nine Months Ended March 31, | 2010 | | | 2009 | | |
|--------------------------------|----------------------------|-------------------------|------------|----------------------------|-------------------------|------------|
| | National Media Group | Local Media Group | Total | National Media Group | Local Media Group | Total |
| Balance at beginning of period | \$ 462,379 | \$ — | \$ 462,379 | \$ 449,734 | \$ 82,598 | \$ 532,332 |
| Acquisitions | 22,540 | — | 22,540 | 16 | — | 16 |
| Adjustments | — | — | — | (1,157) | — | (1,157) |
| Balance at end of period | \$ 484,919 | \$ — | \$ 484,919 | \$ 448,593 | \$ 82,598 | \$ 531,191 |

5. Long-term Debt

Long-term debt consists of the following:

| (In thousands) | March 31, 2010 | June 30, 2009 |
|--|-------------------|------------------|
| Variable-rate credit facilities | | |
| Asset-backed commercial paper facility of \$100 million, due 3/29/2011 | \$ — | \$ 80,000 |
| Revolving credit facility of \$150 million, due 10/7/2010 | 65,000 | 125,000 |
| Private placement notes | | |
| 4.70% senior notes, due 7/1/2010 | 75,000 | 75,000 |
| 4.70% senior notes, due 6/16/2011 | 50,000 | 50,000 |
| 5.04% senior notes, due 6/16/2012 | 50,000 | 50,000 |
| 6.70% senior notes, due 7/13/2013 | 50,000 | — |
| 7.19% senior notes, due 7/13/2014 | 25,000 | — |
| Total long-term debt | 315,000 | 380,000 |
| Current portion of long-term debt | (140,000) | — |
| Long-term debt | \$ 175,000 | \$ 380,000 |

In connection with the asset-backed commercial paper facility, Meredith entered into a revolving agreement to sell all of its rights, title, and interest in the majority of its accounts receivable related to advertising and miscellaneous revenues to Meredith Funding Corporation, a special purpose entity established to purchase accounts receivable from Meredith. At March 31, 2010, \$141.8 million of accounts receivable net of reserves was outstanding under the agreement. Meredith Funding Corporation in turn may sell receivable interests to an asset-backed commercial paper conduit administered by a major national bank. In consideration of the sale, Meredith receives cash and a subordinated note, bearing interest at the prime rate, 3.25 percent at March 31, 2010, from Meredith Funding Corporation. The

agreement is structured as a true sale under which the creditors of Meredith Funding Corporation will be entitled to be satisfied out of the assets of Meredith Funding Corporation prior to any value being returned to Meredith or its creditors. The accounts of Meredith Funding Corporation are fully consolidated in Meredith's condensed consolidated financial statements. The asset-backed commercial paper facility will next renew on March 29, 2011.

6. Fair Value Measurement

We have estimated the fair value of our financial instruments using available market information and valuation methodologies we believe to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts that we would realize upon disposition.

The fair value hierarchy consists of three broad levels of inputs that may be used to measure fair value, which are described below:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 Assets or liabilities for which fair value is based on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

The carrying amount and estimated fair value of broadcast rights payable were \$23.6 million and \$21.9 million, respectively, as of March 31, 2010. The fair value of broadcast rights payable was determined using the present value of future cash flows discounted at the Company's current borrowing rate.

The carrying amount and estimated fair value of long-term debt were \$315.0 million and \$322.4 million, respectively, as of March 31, 2010. The fair value of long-term debt was determined using the present value of future cash flows using borrowing rates currently available for debt with similar terms and maturities.

7. Pension and Postretirement Benefit Plans

The following table presents the components of net periodic benefit costs:

| Periods Ended March 31, (In thousands) | Three Months | | Nine Months | |
|---|--------------|----------|-------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| Pension benefits | | | | |
| Service cost | \$ 2,184 | \$ 2,181 | \$ 6,384 | \$ 6,543 |
| Interest cost | 1,411 | 1,436 | 4,367 | 4,308 |
| Expected return on plan assets | (2,291) | (2,331) | (5,861) | (6,993) |
| Prior service cost amortization | 214 | 210 | 641 | 630 |
| Actuarial loss amortization | 841 | 155 | 4,085 | 465 |
| Net periodic benefit expense | \$ 2,359 | \$ 1,651 | \$ 9,616 | \$ 4,953 |
| Postretirement benefits | | | | |
| Service cost | \$ 106 | \$ 115 | \$ 317 | \$ 345 |
| Interest cost | 227 | 245 | 681 | 735 |
| Prior service cost amortization | (184) | (184) | (552) | (552) |

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| | | | | |
|-------------------------------------|--------|--------|--------|--------|
| Net periodic postretirement expense | \$ 149 | \$ 176 | \$ 446 | \$ 528 |
|-------------------------------------|--------|--------|--------|--------|

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8. Comprehensive Income

Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from nonowner sources. The Company's comprehensive income includes net earnings, changes in the fair value of interest rate swap agreements, and changes in prior service cost and net actuarial losses from pension and postretirement benefit plans. Total comprehensive income for the three months ended March 31, 2010 and 2009, was \$33.3 million and \$25.9 million, respectively. Total comprehensive income for the nine months ended March 31, 2010 and 2009, was \$71.8 million and \$56.3 million, respectively.

9. Earnings per Share

The following table presents the calculations of earnings per share:

| Periods Ended March 31, (In thousands except per share data) | Three Months | | Nine Months | |
|---|--------------|-----------|-------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| Earnings from continuing operations | \$ 33,299 | \$ 24,874 | \$ 70,594 | \$ 61,345 |
| Basic average shares outstanding | 45,331 | 44,961 | 45,259 | 45,051 |
| Dilutive effect of stock options and equivalents | 320 | 131 | 246 | 126 |
| Diluted average shares outstanding | 45,651 | 45,092 | 45,505 | 45,177 |
| Earnings per share from continuing operations | | | | |
| Basic earnings per share | \$ 0.73 | \$ 0.55 | \$ 1.56 | \$ 1.36 |
| Diluted earnings per share | 0.73 | 0.55 | 1.55 | 1.36 |

For the three months ended March 31, antidilutive options excluded from the above calculations totaled 4,521,000 in 2010 (with a weighted average exercise price of \$42.71) and 5,184,000 in 2009 (with a weighted average exercise price of \$41.22). For the nine months ended March 31, antidilutive options excluded from the above calculations totaled 5,279,000 in 2010 (with a weighted average exercise price of \$40.91) and 5,077,000 in 2009 (with a weighted average exercise price of \$41.83).

In the nine months ended March 31, 2010, options were exercised to purchase 170,600 shares. No options were exercised in the nine months ended March 31, 2009.

10. Segment Information

Meredith is a diversified media company focused primarily on the home and family marketplace. On the basis of products and services, the Company has established two reportable segments: national media group and local media group. Prior to fiscal 2010, the national media group was named the publishing group and the local media group was named the broadcasting group. Other than changing the names of the segments, there have been no changes in the basis of segmentation since June 30, 2009. There are no material intersegment transactions.

There are two principal financial measures reported to the chief executive officer for use in assessing segment performance and allocating resources. Those measures are operating profit and earnings from continuing operations before interest, taxes, depreciation, and amortization (EBITDA). Operating profit for segment reporting, disclosed below, is revenues less operating costs excluding unallocated corporate expenses. Segment operating expenses include

allocations of certain centrally incurred costs such as employee benefits, occupancy, information systems, accounting services, internal legal staff, and human resources administration. These costs are allocated based on actual usage or other appropriate methods, primarily number of employees. Unallocated corporate expenses are corporate overhead expenses not directly attributable to the operating groups. In accordance with authoritative guidance on disclosures about segments of an enterprise and related information, EBITDA is not presented below.

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The following table presents financial information by segment:

| Periods Ended March 31, (In thousands) | Three Months | | Nine Months | |
|---|--------------|------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues | | | | |
| National media group | \$ 284,585 | \$ 280,320 | \$ 817,364 | \$ 850,895 |
| Local media group | 68,758 | 57,274 | 205,249 | 212,053 |
| Total revenues | \$ 353,343 | \$ 337,594 | \$ 1,022,613 | \$ 1,062,948 |
| Operating profit | | | | |
| National media group | \$ 50,865 | \$ 47,971 | \$ 121,232 | \$ 105,069 |
| Local media group | 12,828 | 1,348 | 32,291 | 34,373 |
| Unallocated corporate | (7,224) | (5,959) | (28,262) | (21,981) |
| Income from operations | \$ 56,469 | \$ 43,360 | \$ 125,261 | \$ 117,461 |
| Depreciation and amortization | | | | |
| National media group | \$ 3,694 | \$ 3,789 | \$ 10,843 | \$ 11,843 |
| Local media group | 6,078 | 6,471 | 18,160 | 18,988 |
| Unallocated corporate | 541 | 454 | 1,530 | 1,515 |
| Total depreciation and amortization | \$ 10,313 | \$ 10,714 | \$ 30,533 | \$ 32,346 |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

EXECUTIVE OVERVIEW

Meredith Corporation (Meredith or the Company) is one of the nation's leading media and marketing companies, one of the leading magazine publishers serving women, and a broadcaster with television stations in top markets such as Atlanta, Phoenix, and Portland. Each month we reach more than 85 million American consumers through our magazines, books, custom publications, websites, and television stations.

Meredith operates two business segments. The national media group, which was formerly the publishing group, consists of magazine and book publishing, integrated marketing, interactive media, database-related activities, brand licensing, and other related operations. The local media group, which was formerly the broadcasting group, consists of 12 network-affiliated television stations, one radio station, related interactive media operations, and video related operations. Both segments operate primarily in the United States (U. S.) and compete against similar media and other types of media. The national media group accounted for 80 percent of the Company's \$1.0 billion in revenues in the first nine months of fiscal 2010 while local media group revenues represented 20 percent.

NATIONAL MEDIA GROUP

Advertising revenues made up 48 percent of national media group's first nine months' revenues. These revenues were generated from the sale of advertising space in the Company's magazines and on websites to clients interested in promoting their brands, products, and services to consumers. Circulation revenues accounted for 26 percent of national media group's first nine months' revenues. Circulation revenues result from the sale of magazines to consumers through subscriptions and by single copy sales on newsstands, primarily at major retailers and grocery/drug stores. The remaining 26 percent of national media group's revenues came from a variety of activities that included the sale of integrated marketing products and services and books as well as brand licensing, and other related activities. National media group's major expense categories are production and delivery of publications and promotional mailings and employee compensation costs.

LOCAL MEDIA GROUP

The local media group derives almost all of its revenues—91 percent in the first nine months of fiscal 2010—from the sale of advertising, both on the air and on our stations' websites. The remainder comes from television retransmission fees, television production services and products, and other services. Political advertising revenues are cyclical in that they are significantly greater during biennial election campaigns (which take place primarily in odd-numbered fiscal years) than at other times. Local media group's major expense categories are employee compensation and programming costs.

FIRST NINE MONTHS FISCAL 2010 FINANCIAL OVERVIEW

In the first nine months of fiscal 2010, management committed to performance improvement plans that included the realignment of our national media group digital operations and the repositioning of our Special Interest Media (SIM) operations. In connection with these plans, the national media group recorded pre-tax restructuring charges of \$1.7 million for severance and benefit costs in the third quarter of fiscal 2010 and \$5.5 million including severance and benefit costs of \$2.2 million and the write-off of various assets of our SIM operations of \$3.3 million in the second quarter. During the third quarter of fiscal 2010, the national media group recorded a \$1.3 million reversal of excess restructuring reserves accrued in prior fiscal years.

National media group revenues decreased 4 percent from the prior year primarily due to reductions in revenues at Meredith Books, which was expected due to the March 2009 licensing agreement with John Wiley & Sons, Inc.

- (Wiley). While advertising and integrated marketing revenues increased in the three-month period, they were lower than the prior-year nine-month period primarily due to the weakened economic conditions that existed during the early part of our fiscal year. Brand licensing revenues increased

in both the three and nine-month periods. National media group operating profit increased 15 percent, primarily as a result of the Company's ongoing initiative to reduce operating costs.

Local media group revenues were primarily affected by the cyclical decline in political advertising at the television stations and, to a lesser extent, lower overall demand in advertising in the first part of our fiscal year.

- As a result, local media group revenues and operating profit decreased 3 percent and 6 percent, respectively.
- However, for the three months ended March 31, 2010, local media group revenues increased 20 percent and operating profit was \$12.8 million, up significantly from \$1.3 million in the prior year.
- Diluted earnings per share increased 24 percent to \$1.55 from prior-year first nine months earnings of \$1.25.
- We generated \$139.9 million in operating cash flow.

DISCONTINUED OPERATIONS

In the third quarter of fiscal 2009, the Company discontinued the operations of Country Home magazine. The revenues and expenses, along with associated taxes, were reclassified from continuing operations into a single line item on the Condensed Consolidated Statements of Earnings titled earnings (loss) from discontinued operations, net of taxes. Unless stated otherwise, as in the section titled Discontinued Operations, all of the information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) relates to continuing operations.

USE OF NON-GAAP FINANCIAL MEASURES

These consolidated financial statements, including the related notes, are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Our analysis of local media group results includes references to earnings from continuing operations before interest, taxes, depreciation, and amortization (EBITDA). EBITDA and EBITDA margin are non-GAAP measures. We use EBITDA along with operating profit and other GAAP measures to evaluate the financial performance of our local media group. EBITDA is a common measure of performance in the broadcasting industry and is used by investors and financial analysts, but its calculation may vary among companies. Local media group EBITDA is not used as a measure of liquidity, nor is it necessarily indicative of funds available for our discretionary use.

We believe the non-GAAP measures used in MD&A contribute to an understanding of our financial performance and provide an additional analytic tool to understand our results from core operations and to reveal underlying trends. These measures should not, however, be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

RESULTS OF OPERATIONS

| Three Months Ended March 31, (In thousands except per share data) | 2010 | 2009 | Change |
|--|--------------|--------------|--------|
| Total revenues | \$ 353,343 | \$ 337,594 | 5 % |
| Operating expenses | (296,874) | (294,234) | 1 % |
| Income from operations | \$ 56,469 | \$ 43,360 | 30 % |
| Earnings from continuing operations | \$ 33,299 | \$ 24,874 | 34 % |
| Net earnings | 33,299 | 25,428 | 31 % |
| Diluted earnings per share from continuing operations | 0.73 | 0.55 | 33 % |
| Diluted earnings per share | 0.73 | 0.56 | 30 % |
| | | | |
| Nine Months Ended March 31, (In thousands except per share data) | 2010 | 2009 | Change |
| Total revenues | \$ 1,022,613 | \$ 1,062,948 | (4)% |
| Operating expenses | (897,352) | (945,487) | (5)% |
| Income from operations | \$ 125,261 | \$ 117,461 | 7 % |
| Earnings from continuing operations | \$ 70,594 | \$ 61,345 | 15 % |
| Net earnings | 70,594 | 56,608 | 25 % |
| Diluted earnings per share from continuing operations | 1.55 | 1.36 | 14 % |
| Diluted earnings per share | 1.55 | 1.25 | 24 % |

The following sections provide an analysis of the results of operations for the national media group and local media group and an analysis of the consolidated results of operations for the three and nine months ended March 31, 2010, compared with the prior-year period. This commentary should be read in conjunction with the interim condensed consolidated financial statements presented elsewhere in this report and with our Annual Report on Form 10-K for the year ended June 30, 2009.

NATIONAL MEDIA GROUP

National media group operating results were as follows:

| Three Months Ended March 31, | 2010 | | 2009 | | Change |
|------------------------------|------------|--|------------|--|--------|
| (In thousands) | | | | | |
| Advertising revenue | \$ 137,337 | | \$ 132,242 | | 4 % |
| Circulation revenue | 74,598 | | 72,869 | | 2 % |
| Other revenue | 72,650 | | 75,209 | | (3) % |
| Total revenues | 284,585 | | 280,320 | | 2 % |
| Operating expenses | (233,720) | | (232,349) | | 1 % |
| Operating profit | \$ 50,865 | | \$ 47,971 | | 6 % |
| Operating profit margin | 17.9 % | | 17.1 % | | |

| Nine Months Ended March 31, | 2010 | | 2009 | | Change |
|-----------------------------|------------|--|------------|--|--------|
| (In thousands) | | | | | |
| Advertising revenue | \$ 391,970 | | \$ 396,627 | | (1) % |
| Circulation revenue | 211,686 | | 211,086 | | 0 % |
| Other revenue | 213,708 | | 243,182 | | (12) % |
| Total revenues | 817,364 | | 850,895 | | (4) % |
| Operating expenses | (696,132) | | (745,826) | | (7) % |
| Operating profit | \$ 121,232 | | \$ 105,069 | | 15 % |
| Operating profit margin | 14.8 % | | 12.3 % | | |

Revenues

Magazine advertising revenues increased 3 percent in the third quarter; they declined 2 percent in the first nine months of fiscal 2010. Total advertising pages increased 1 percent in the third quarter but declined 3 percent in the first nine months of fiscal 2010. On the strength of Better Homes and Gardens and Family Circle, our women's service field titles increased advertising revenues and pages in both the third quarter and first nine months of fiscal 2010. Fitness also grew ad revenues and pages in both periods. While the parenthood and Hispanic titles increased ad revenues and pages in the third quarter, they were down for the nine-month period. Advertising revenues and pages were down in our shelter and men's titles for the third quarter and first nine months. Among our core advertising categories, toiletries and cosmetics, retail, and household supplies showed strength while demand was weaker for the prescription drug, home, and media and entertainment categories. Online advertising revenues in our interactive media operations increased 23 percent in the third quarter and 10 percent in the first nine months of fiscal 2010 as compared to the prior-year periods due to strong demand.

Magazine circulation revenues increased 2 percent in the third quarter and were flat for the first nine months of fiscal 2010. Subscription revenues decreased in the low single-digits on a percentage basis in both periods while newsstand revenues increased in the high teens for the three-month period and in the low single-digits for the nine-month period. The decrease in subscription revenues was primarily due to lower revenue per copy distributed. The increase in newsstand revenues was primarily the result of stronger special interest media sales.

Other revenues within the national media group declined 3 percent in the third quarter and 12 percent in the first nine months of fiscal 2010. Integrated marketing revenues increased 10 percent in the third quarter led by growth in digital initiatives on behalf of new and existing clients, particularly in the pharmaceutical industry. For the nine-month period, integrated marketing revenues declined 9 percent due to cutbacks in existing programs, primarily related to the automotive and retail sectors, as well as fewer new programs launched compared to the prior year. Book revenues declined for the three and nine-month periods due to the change in the business model. In the prior-year, Meredith published books under the Better Homes and Gardens trademark and other licensed trademarks. Effective March 1, 2009, Wiley acquired the exclusive global rights to publish and distribute books based on

Meredith's consumer-leading brands. Wiley pays Meredith royalties based on net sales subject to a guaranteed minimum. Brand licensing revenues grew nearly 50 percent in the third quarter due primarily to an increase in sales of Better Homes and Gardens'-branded products at Wal-Mart stores. Brand licensing revenues were up 30 percent for the first nine months of fiscal 2010.

Operating Expenses

National media group operating costs increased 1 percent in the third quarter; however, they decreased 7 percent in the first nine months of fiscal 2010. Book manufacturing costs decreased due to the changes made in the book business model. Paper costs decreased primarily due to a reduction in average paper prices of 19 percent in the third quarter and 15 percent for the first nine months. These cost reductions were partially offset by increased processing costs, postage, pension and other retirement plan costs, and performance-based incentive accruals. Following integrated marketing's revenues, integrated marketing production expenses increased in the third quarter but declined in the nine-month period. While circulation expenses declined in the first nine months of fiscal 2010, they were higher in the third quarter of fiscal 2010 due primarily to higher direct mail volume.

In the third quarter of fiscal 2010, the national media group recorded \$1.7 million in severance and benefit costs related to the realignment of digital operations. Partially offsetting this charge in the third quarter was a \$1.3 million reversal of excess restructuring accrual recorded by the national media group. In the second quarter of fiscal 2010, the write-off of subscription acquisition costs of \$1.8 million and of manuscript and art inventory of \$1.5 million, and severance and related benefit costs of \$2.2 million related to the repositioning of our SIM operations, were recorded by the national media group segment. In the second quarter of fiscal 2009, severance and related benefit costs of \$6.0 million recorded on the national media group segment related to the companywide reduction in workforce.

Operating Profit

National media group operating profit grew 6 percent in the quarter and 15 percent in the nine-month period compared with the respective prior-year periods. For the third quarter, increases in operating profit in our brand licensing and book operations more than offset lower operating profits in our magazine and interactive media operations. For the nine-month period, increases in operating profit in our magazine, brand licensing, and book operations more than offset lower operating profits in our interactive media and integrated marketing operations.

LOCAL MEDIA GROUP

Local media group operating results were as follows:

| Three Months Ended March 31, (In thousands) | 2010 | | 2009 | | Change |
|--|------------|---|------------|---|--------|
| Non-political advertising revenues | \$ 60,312 | | \$ 51,778 | | 16 % |
| Political advertising revenues | 1,521 | | 245 | | 521 % |
| Other revenues | 6,925 | | 5,251 | | 32 % |
| Total revenues | 68,758 | | 57,274 | | 20 % |
| Operating expenses | (55,930 |) | (55,926 |) | 0 % |
| Operating profit | \$ 12,828 | | \$ 1,348 | | 852 % |
| Operating profit margin | 18.7 | % | 2.4 | % | |
| | | | | | |
| Nine Months Ended March 31, (In thousands) | 2010 | | 2009 | | Change |
| Non-political advertising revenues | \$ 181,532 | | \$ 178,143 | | 2 % |
| Political advertising revenues | 5,352 | | 23,121 | | (77)% |
| Other revenues | 18,365 | | 10,789 | | 70 % |
| Total revenues | 205,249 | | 212,053 | | (3)% |
| Operating expenses | (172,958 |) | (177,680 |) | (3)% |
| Operating profit | \$ 32,291 | | \$ 34,373 | | (6)% |
| Operating profit margin | 15.7 | % | 16.2 | % | |

Revenues

While local media group total revenues declined 3 percent in the first nine months of fiscal 2010, they increased 20 percent in the third quarter. Non-political advertising revenues increased 16 percent in the third quarter and 2 percent for the first nine months of fiscal 2010. Local non-political advertising revenues increased 13 percent in the third quarter and were flat for the first nine months of fiscal 2010. National non-political advertising revenues increased 25 percent as compared to the prior-year quarter and were up 7 percent compared to the prior-year first nine months. Net political advertising revenues totaled \$1.5 million in the third quarter and \$5.4 million in the first nine months of the current fiscal year compared with \$0.2 million in the prior-year third quarter and \$23.1 million in the prior-year nine-month period. Fluctuations in political advertising revenues at our stations and throughout the broadcasting industry generally follow the biennial cycle of election campaigns. Political advertising may displace a certain amount of non-political advertising; therefore, the revenues may not be entirely incremental. Online advertising revenues increased 20 percent as compared to the prior-year third quarter and were up 2 percent as compared to the prior-year nine months. Other revenue, which is primarily retransmission fees, increased 32 percent in the current quarter and 70 percent in the nine-month period. The increase is primarily due to new transmission agreements we have with cable and satellite operators in our markets.

Operating Expenses

Local media group operating expenses were flat in the third quarter of fiscal 2010. They decreased 3 percent in the first nine months of fiscal 2010. For both periods, there was lower bad debt expense, employee compensation, depreciation expense, and advertising and promotion costs. Those decreases were partially offset by higher

performance-based incentive accruals, pension and other retirement plan costs, studio production expenses, and legal expenses. In addition, in the second quarter of fiscal 2009, severance and related benefit costs of \$2.0 million were recorded on the local media group segment related to the companywide reduction in workforce. While film amortization increased in the third quarter, it was down for the nine-month period. For both the third quarter and the nine-month period, a credit to expenses for a gain on the Sprint Nextel Corporation equipment exchange reduced operating expenses. This gain represents the difference between the fair value of the digital equipment we received and the book value of the analog equipment we exchanged.

Operating Profit

Local media group operating profit of \$12.8 million in the current quarter was a significant increase from the \$1.3 million in the prior-year quarter due primarily to the 16 percent increase in non-political advertising. Local media group operating profit decreased 6 percent in the first nine months of fiscal 2010 as compared to the same period in fiscal 2009 primarily reflecting lower revenues due to the cyclical nature of political advertising.

Supplemental Disclosure of Local Media Group EBITDA

Meredith's local media group EBITDA is defined as local media group operating profit plus depreciation and amortization expense. EBITDA is not a GAAP financial measure and should not be considered in isolation or as a substitute for GAAP financial measures. See the discussion of management's rationale for the use of EBITDA in the preceding Executive Overview section. Local media group EBITDA and EBITDA margin were as follows:

| Three Months Ended March 31, (In thousands) | 2010 | | 2009 | |
|--|------------|---|------------|---|
| Revenues | \$ 68,758 | | \$ 57,274 | |
| Operating profit | \$ 12,828 | | \$ 1,348 | |
| Depreciation and amortization | 6,078 | | 6,471 | |
| EBITDA | \$ 18,906 | | \$ 7,819 | |
| EBITDA margin | 27.5 | % | 13.7 | % |
| | | | | |
| Nine Months Ended March 31, (In thousands) | 2010 | | 2009 | |
| Revenues | \$ 205,249 | | \$ 212,053 | |
| Operating profit | \$ 32,291 | | \$ 34,373 | |
| Depreciation and amortization | 18,160 | | 18,988 | |
| EBITDA | \$ 50,451 | | \$ 53,361 | |
| EBITDA margin | 24.6 | % | 25.2 | % |

UNALLOCATED CORPORATE EXPENSES

Unallocated corporate expenses are general corporate overhead expenses not attributable to the operating groups. These expenses were as follows:

| | 2010 | 2009 | Change | |
|------------------------------|----------|----------|--------|---|
| (In thousands) | | | | |
| Three months ended March 31, | \$ 7,224 | \$ 5,959 | 21 | % |
| Nine months ended March 31, | 28,262 | 21,981 | 29 | % |

Unallocated corporate expenses increased 21 percent in the third quarter and 29 percent in the first nine months of fiscal 2010 compared with the respective prior-year periods. Increases in performance-based incentive accruals, pension and other retirement plan costs, and consulting fees more than offset decreases in legal services expenses and share-based compensation. For the nine-month period, charitable contributions also decreased. In the second quarter of fiscal 2009, severance and related benefit costs of \$1.0 million were recorded in unallocated corporate expenses

related to the companywide reduction in workforce.

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CONSOLIDATED

Consolidated Operating Expenses

Consolidated operating expenses were as follows:

| Three Months Ended March 31, (In thousands) | 2010 | 2009 | Change |
|--|------------|------------|--------|
| Production, distribution, and editorial | \$ 144,517 | \$ 159,197 | (9) % |
| Selling, general, and administrative | 142,044 | 124,323 | 14 % |
| Depreciation and amortization | 10,313 | 10,714 | (4) % |
| Operating expenses | \$ 296,874 | \$ 294,234 | 1 % |

| Nine Months Ended March 31, (In thousands) | 2010 | 2009 | Change |
|---|------------|------------|--------|
| Production, distribution, and editorial | \$ 438,521 | \$ 491,618 | (11) % |
| Selling, general, and administrative | 428,298 | 421,523 | 2 % |
| Depreciation and amortization | 30,533 | 32,346 | (6) % |
| Operating expenses | \$ 897,352 | \$ 945,487 | (5) % |

Fiscal 2010 production, distribution, and editorial costs decreased 9 percent as compared to the prior-year third quarter and 11 percent as compared to the prior-year first nine months. Declines in book manufacturing costs and national media paper expense more than offset increases in national media processing and postage and local media studio production expenses. Both local media film amortization and integrated marketing production expenses increased in the third quarter, but they declined for the nine-month period. In the second quarter of fiscal 2010, a write-off of manuscript and art inventory of \$1.5 million was recorded in production, distribution, and editorial costs related to the repositioning of our SIM operations.

Selling, general, and administrative expenses increased 14 percent in the third quarter and 2 percent in the nine-month period. Increases in performance-based incentive accruals, pension and other retirement plan costs, and consulting fees were partially offset by decreases in bad debt and legal expenses. While circulation expenses declined in the first nine months of fiscal 2010, they were higher in the third quarter. For the nine-month period, charitable contributions also decreased. In the third quarter of fiscal 2010, the national media group recorded \$1.7 million in severance and benefit costs related to the realignment of our digital operations. Partially offsetting this charge in the third quarter was a \$1.3 million reversal of excess restructuring reserves recorded by the national media group. In the second quarter of fiscal 2009, severance and related benefit costs of \$9.0 million related to the companywide reduction in workforce were recorded in selling, general, and administrative expenses. This compares to \$2.2 million of severance and related benefit costs and the write-off of deferred subscription acquisition costs of \$1.8 million related to the repositioning of our SIM operations being recorded in selling, general, and administrative expenses in the second quarter of fiscal 2010.

Depreciation and amortization expenses decreased 4 percent in the third quarter and 6 percent in the nine-month period primarily due to lower machinery and computer equipment depreciation.

Income from Operations

Income from operations increased 30 percent in the third quarter and 7 percent in the first nine months of fiscal 2010.

Weakened economic conditions in the early part of our fiscal year affected revenues and thus operating profit in the nine-month period while increased revenues in the third quarter contributed substantially to the third quarter increase in operating profit. In addition, our efficiency initiatives continued to contribute to a reduction in operating expenses for the nine-month period.

Net Interest Expense

Net interest expense decreased to \$3.9 million in the fiscal 2010 third quarter compared with \$4.8 million in the

comparable prior-year quarter. For the nine months ended March 31, 2010, net interest expense was \$14.7 million versus \$15.4 million in the comparable prior-year period. Average long-term debt outstanding was \$331 million in the third quarter of fiscal 2010 and \$350 million for the nine-month period compared with \$455 million in the prior-year third quarter and \$462 million in the prior-year nine-month period. The Company's approximate weighted average interest rate was 5.4 percent in the first nine months of fiscal 2010 and 4.5 percent in the first nine months of fiscal 2009.

Income Taxes

Our effective tax rate was 36.6 percent in the third quarter and 36.1 percent in the first nine months of fiscal 2010 as compared to 35.5 percent in the third quarter and 39.9 percent in the first nine months of fiscal 2009. Fiscal 2010 results included a first quarter benefit of \$3.0 million reflecting a favorable adjustment made to deferred income tax liabilities as a result of state and local legislation enacted during the quarter and a third quarter benefit of \$1.9 million due to the resolution of a tax contingency.

Earnings from Continuing Operations and Earnings per Share from Continuing Operations

Earnings from continuing operations were \$33.3 million (\$0.73 per diluted share), an increase of 34 percent from fiscal 2009 third quarter earnings from continuing operations of \$24.9 million (\$0.55 per diluted share). For the nine months ended March 31, 2010, earnings were \$70.6 million (\$1.55 per diluted share), an increase of 15 percent from prior-year nine month earnings of \$61.3 million (\$1.36 per diluted share). The increase in the third quarter primarily reflects the increase in advertising revenues. For the nine-month period, the increase primarily reflects the reduction in operating expenses. In addition, the lower restructuring charges recorded in the current year compared to the prior year and the income tax benefits recorded in fiscal 2010 affected both the third quarter and nine-month period.

Discontinued Operations

For fiscal 2009, the earnings (loss) from discontinued operations represents the operating results, net of taxes, of Country Home magazine. The revenues and expenses of Country Home magazine, along with associated taxes, were removed from continuing operations and reclassified into a single line item on the Condensed Consolidated Statement of Earnings titled earnings (loss) from discontinued operations, net of taxes as follows:

| Periods Ended March 31, 2009 (In thousands except per share data) | Three Months | Nine Months |
|--|--------------|-------------|
| Revenues | \$ 5,260 | \$ 16,584 |
| Costs and expenses | (4,351) | (17,587) |
| Special items | — | (6,761) |
| Income (loss) before income taxes | 909 | (7,764) |
| Income taxes | (355) | 3,027 |
| Income (loss) from discontinued operations | \$ 554 | \$ (4,737) |
| Income (loss) per share from discontinued operations | | |
| Basic | \$ 0.01 | \$ (0.11) |
| Diluted | 0.01 | (0.11) |

Net Earnings and Earnings per Share

Net earnings were \$33.3 million (\$0.73 per diluted share) in the quarter ended March 31, 2010, up 31 percent from \$25.4 million (\$0.56 per diluted share) in the comparable prior-year quarter. For the nine months, net earnings were \$70.6 million (\$1.55 per diluted share), an increase of 25 percent from prior-year nine-month earnings of \$56.6 million (\$1.25 per diluted share). The increase in the third quarter primarily reflects the increase in advertising revenues. For the nine-month period, the increase primarily reflects the reduction in operating expenses in fiscal 2010

and the loss from discontinued operations in fiscal 2009. Lower restructuring charges recorded in the current year than in the prior year and the income tax benefits recorded in fiscal 2010 affected both the third quarter and nine-month period.

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LIQUIDITY AND CAPITAL RESOURCES

| Nine Months Ended March 31, (In thousands) | 2010 | 2009 | Change | |
|--|-------------|------------|--------|----|
| Net earnings | \$ 70,594 | \$ 56,608 | 25 | % |
| Cash flows from operations | \$ 139,903 | \$ 138,611 | 1 | % |
| Cash flows used in investing | (50,791) | (24,124) | 111 | % |
| Cash flows used in financing | (93,356) | (77,735) | 20 | % |
| Net increase (decrease) in cash and cash equivalents | \$ (4,244) | \$ 36,752 | (112) |)% |

OVERVIEW

Meredith's primary source of liquidity is cash generated by operating activities. Debt financing is typically used for significant acquisitions. We expect cash on hand, internally generated cash flow, and available credit from financing agreements will provide adequate funds for operating and recurring cash needs (e.g., working capital, capital expenditures, debt repayments, and cash dividends) into the foreseeable future. As of March 31, 2010, we have up to \$85 million remaining available under our revolving credit facility and up to \$100 million available under our asset-backed commercial paper facility (depending on levels of accounts receivable). While there are no guarantees that we will be able to replace current credit agreements when they expire, we expect to be able to do so.

SOURCES AND USES OF CASH

Cash and cash equivalents decreased \$4.2 million in the first nine months of fiscal 2010; they increased \$36.8 million in the comparable period of fiscal 2009. In both periods, net cash provided by operating activities was primarily used for acquisitions, common stock repurchases, capital investments, debt repayments, and dividends.

Operating Activities

The largest single component of operating cash inflows is cash received from advertising customers. Other sources of operating cash inflows include cash received from magazine circulation sales and other revenue transactions such as integrated marketing and licensing. Operating cash outflows include payments to vendors and employees and interest, pension, and income tax payments. Our most significant vendor payments are for production and delivery of publications and promotional mailings, broadcasting programming rights, employee compensation costs and benefits, and other services and supplies.

Cash provided by operating activities totaled \$139.9 million in the first nine months of fiscal 2010 compared with \$138.6 million in the first nine months of fiscal 2009. The increase in cash provided by operating activities was primarily due to higher net earnings in the current year and a reduction in current year tax payments mostly offset by an increase in pension payments and other working capital changes.

Investing Activities

Investing cash inflows generally include proceeds from the sale of assets or a business. Investing cash outflows generally include payments for the acquisition of new businesses; investments; and additions to property, plant, and equipment.

Net cash used by investing activities increased to \$50.8 million in the first nine months of fiscal 2010 from \$24.1 million in the prior-year period. The increase primarily reflected more cash used for investments in businesses due to higher contingent purchase price payments made in the current year than in the prior year.

Financing Activities

Financing cash inflows generally include borrowings under debt agreements and proceeds from the exercise of common stock options issued under share-based compensation plans. Financing cash outflows generally include the repayment of long-term debt, repurchases of Company stock, and the payment of dividends.

Net cash used by financing activities totaled \$93.4 million in the nine months ended March 31, 2010, compared with \$77.7 million for the nine months ended March 31, 2009. The increase in cash used for financing activities is primarily due to debt being paid down by a net \$65.0 million in the current year compared to it being paid down by a net \$30.0 million in the prior year. Partially offsetting this increase is \$21.8 million used to purchase common stock in the first nine months of fiscal 2009 compared to only \$5.2 million used to purchase common stock in the current nine-month period.

Long-term Debt

At March 31, 2010, long-term debt outstanding totaled \$315 million (\$250 million in fixed-rate unsecured senior notes and \$65 million outstanding under a revolving credit facility). Of the senior notes, \$75 million is due in the next 12 months. We expect to repay these senior notes with cash from operations and credit available under existing credit agreements. The weighted average effective interest rate for the fixed-rate notes was 5.42 percent. The interest rate on the asset-backed commercial paper facility changes monthly and is based on the average commercial paper cost to the lender plus a fixed spread. As of March 31, 2010, the asset-backed commercial paper facility had a capacity of up to \$100 million and will next renew on March 29, 2011.

The interest rate on the revolving credit facility is variable based on LIBOR and Meredith's debt to trailing 12 month EBITDA ratio. The weighted average effective interest rate for the revolving credit facility was 0.79 percent at March 31, 2010. The revolving credit facility has capacity for up to \$150 million outstanding with an option to request up to another \$150 million. At March 31, 2010, \$65 million was outstanding under the revolving credit facility. This facility expires on October 7, 2010. The Company intends to renew this revolving credit facility prior to its expiration date.

All of our debt agreements include financial covenants, and failure to comply with any such covenants could result in the debt becoming payable on demand. The Company was in compliance with all debt covenants at March 31, 2010.

Contractual Obligations

As of March 31, 2010, there had been no material changes in our contractual obligations from those disclosed in our Annual Report on Form 10-K for the year ended June 30, 2009.

Share Repurchase Program

As part of our ongoing share repurchase program, we spent \$5.2 million in the first nine months of fiscal 2010 to repurchase approximately 158,000 shares of common stock at then current market prices. We spent \$21.8 million to repurchase 880,000 shares in the first nine months of fiscal 2009. We expect to continue repurchasing shares from time to time subject to market conditions. As of March 31, 2010, approximately 1.3 million shares were authorized for future repurchase. The status of the repurchase program is reviewed at each quarterly Board of Directors meeting. See Part II, Item 2 (c), Issuer Repurchases of Equity Securities, of this Quarterly Report on Form 10-Q for detailed information on share repurchases during the quarter ended March 31, 2010.

Dividends

Dividends paid in the first nine months of fiscal 2010 totaled \$30.9 million, or 68 cents per share, compared with dividend payments of \$29.6 million, or 65.5 cents per share, in the first nine months of fiscal 2009.

Capital Expenditures

Spending for property, plant, and equipment totaled \$18.2 million in the first nine months of fiscal 2010 compared with prior-year first nine months spending of \$18.6 million. Current year spending primarily relates to the initiative to consolidate back-office television station functions such as traffic, master control, and research into centralized hubs in Atlanta and Phoenix. Prior year spending was primarily related to digital and high definition conversions being completed at all of the Company's broadcast stations. We have no material commitments for capital expenditures. We expect funds for future capital expenditures to come from operating activities or, if necessary, borrowings under credit agreements.

OTHER MATTERS

CRITICAL ACCOUNTING POLICIES

Meredith's critical accounting policies are summarized in our Annual Report on Form 10-K for the year ended June 30, 2009. As of March 31, 2010, the Company's critical accounting policies had not changed from June 30, 2009.

ACCOUNTING AND REPORTING DEVELOPMENTS

In June 2009, the Financial Accounting Standards Board (FASB) approved its Accounting Standards Codification (Codification) as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the United States Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification does not change current GAAP, but is intended to simplify user access to authoritative literature related to a particular topic. Because the Codification does not change or alter existing GAAP, its adoption did not have any impact on the Company's financial position or results of operations. Its adoption did affect the way the Company references GAAP in its consolidated financial statements and accounting policies.

In December 2007, the FASB revised the authoritative guidance for business combinations, which establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company adopted this revised business combinations guidance on July 1, 2009. This guidance did not have any impact on the Company's consolidated financial statements upon adoption. The Company expects the guidance to have an impact on its accounting for future business combinations, but the effect will be dependent upon the acquisitions that are made in the future.

In April 2008, the FASB issued authoritative guidance on determination of the useful lives of intangible assets, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of an intangible asset. This guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations or asset acquisitions. This guidance did not have any impact on the Company's consolidated financial statements upon adoption on July 1, 2009. The Company expects it to have an impact on its accounting for future transactions, but the effect will be dependent upon the transactions that are made in the future.

In June 2008, the FASB issued authoritative guidance on determining whether instruments granted in share-based payment transactions are participating securities. Under the guidance, unvested share-based payment awards that contain rights to receive nonforfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing EPS. The Company adopted this authoritative guidance effective July 1, 2009. Its adoption did not have an impact on the consolidated financial statements.

In April 2009, the FASB issued authoritative guidance on interim disclosures about fair value of financial instruments. This guidance requires disclosures about fair value of financial instruments in interim reporting periods of publicly-traded companies that were previously only required to be disclosed in annual financial statements. The Company adopted this guidance in the first quarter of fiscal 2010. Its adoption expanded the Company's disclosure about fair value of our financial instruments in our interim consolidated financial statements.

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires disclosure of transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of the

assets and liabilities measured under Level 3 of the fair value measurement hierarchy. The Company adopted the new disclosure requirements on January 1, 2010, except for the requirement concerning gross presentation of Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. The adoption of the Level 1 and Level 2 disclosure guidance did not have an impact on the Company's consolidated financial position or results of operations.

In February 2010, the FASB issued amended guidance on subsequent events. Under this amended guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and the Company adopted these new requirements for the period ended March 31, 2010.

In September 2009, authoritative guidance on revenue arrangements with multiple deliverables was issued. This guidance addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how the arrangement consideration should be allocated among the separate units of accounting. This guidance is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. It may be applied retrospectively or prospectively for new or materially modified arrangements and early adoption is permitted. The Company is assessing the potential impact of this guidance on our financial position and results of operations.

FORWARD LOOKING STATEMENTS

Except for the historical information contained herein, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those predicted by such forward-looking statements. These statements are based on management's current knowledge and estimates of factors affecting the Company's operations. Readers are cautioned not to place undue reliance on such forward-looking information. Factors that could adversely affect future results include, but are not limited to, downturns in national and/or local economies; a softening of the domestic advertising market; world, national or local events that could disrupt broadcast television; increased consolidation among major advertisers or other events depressing the level of advertising spending; the unexpected loss or insolvency of one or more major clients; the integration of acquired businesses; changes in consumer reading, purchasing and/or television viewing patterns; increases in paper, postage, printing, or syndicated programming costs; changes in television network affiliation agreements; technological developments affecting products or methods of distribution; changes in government regulations affecting the Company's industries; unexpected changes in interest rates; and the consequences of acquisitions and/or dispositions. Meredith's Annual Report on Form 10-K for the year ended June 30, 2009, includes a more complete description of the risk factors that may affect our results. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Meredith is exposed to certain market risks as a result of its use of financial instruments, in particular the potential market value loss arising from adverse changes in interest rates. The Company does not utilize financial instruments for trading purposes and does not hold any derivative financial instruments that could expose the Company to significant market risk. Readers are referred to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, in the Company's Annual Report on Form 10-K for the year ended June 30, 2009, for a more complete discussion of these risks.

Interest Rates

We generally manage our risk associated with interest rate movements through the use of a combination of variable and fixed-rate debt. At March 31, 2010, Meredith had outstanding \$250 million in fixed-rate long-term debt. There are no earnings or liquidity risks associated with the Company's fixed-rate debt. The fair value of the fixed-rate debt (based on discounted cash flows reflecting borrowing rates currently available for debt with similar terms and

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maturities) varies with fluctuations in interest rates. A 10 percent decrease in interest rates would have changed the fair value of the fixed-rate debt to \$259.8 million from \$257.6 million at March 31, 2010.

At March 31, 2010, \$65 million of our debt was variable-rate debt. The Company is subject to earnings and liquidity risks for changes in the interest rate on this debt. A 10 percent increase in interest rates would increase annual interest expense by \$0.1 million.

Broadcast Rights Payable

There has been no material change in the market risk associated with broadcast rights payable since June 30, 2009.

Item 4.

Controls and Procedures

Meredith's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed in the reports that Meredith files or submits under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized, and reported within the time periods specified in the United States Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to Meredith's management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. There have been no significant changes in the Company's internal control over financial reporting in the quarter ended March 31, 2010, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes to the Company's risk factors as disclosed in Item 1A, Risk Factors, in the Company's Annual Report on Form 10-K for the year ended June 30, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Repurchases of Equity Securities

The following table sets forth information with respect to the Company's repurchases of common stock during the quarter ended March 31, 2010.

| Period | (a) Total number of shares purchased | (b) Average price paid per share | (c) Total number of shares purchased as part of publicly announced programs | (d) Maximum number of shares that may yet be purchased under programs |
|------------------------------------|--|---|--|--|
| January 1 to January 31, 2010 | 23,553 | \$ 33.59 | 23,553 | 1,465,493 |
| February 1 to February 28, 2010 | 3,475 | 31.48 | 3,475 | 1,462,018 |
| March 1 to March 31, 2010 | 124,034 | 33.31 | 124,034 | 1,337,984 |
| Total | 151,062 | 33.31 | 151,062 | 1,337,984 |

No Class B shares were purchased during the quarter ended March 31, 2010.

In May 2008, Meredith announced the Board of Directors had authorized the repurchase of up to 2.0 million additional shares of the Company's stock through public and private transactions.

For more information on the Company's share repurchase program, see Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, under the heading "Share Repurchase Program."

Item Exhibits
6.

- 10.1 Amendment No. 12 to Receivables Purchases Agreement dated as of March 30, 2010, among Meredith Funding Corporation, as Seller; Meredith Corporation, as Servicer; JPMorgan Chase Bank, N.A., as Financial Institution and Agent; and Falcon Asset Securitization Company LLC, as Purchaser.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

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

MEREDITH CORPORATION

Registrant

/s/ Joseph H. Ceryanec

Joseph H. Ceryanec

Vice President - Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: April 28, 2010

INDEX TO ATTACHED EXHIBITS

| Exhibit Number | Item |
|-------------------|---|
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