iBio, Inc.
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Total comprehensive income (loss) attributable to Media General
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18

Media General, Inc.
Condensed Consolidating Statement of Comprehensive Income
For the Six Months Ended June 30, 2016
(in thousands)

	Media General	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net operating revenue	$—	$ 206,210	$ 494,122	$ 25,113	$ (19,276)	$ 706,169
Operating costs:						
Operating expenses, excluding depreciation expense	—	84,338	214,916	17,113	(11,625)	304,742
Selling, general and administrative expenses	—	45,799	105,755	3,240	(315)	154,479
Amortization of program licenses rights	—	9,143	14,983	1,018	(1,002)	24,142
Corporate and other expenses	—	—	28,444	9	—	28,453
Depreciation and amortization	—	28,988	48,839	2,631	—	80,458
(Gain) loss related to property and equipment, net	—	11	(790)	98	—	(681)
Merger-related expenses	—	—	67,443	—	—	67,443
Restructuring expenses	—	—	4,978	—	—	4,978
Operating income (loss)	—	37,931	9,554	1,004	(6,334)	42,155
Other income (expense):						
Interest expense	—	(21,361)	(35,194)	(530)	—	(57,085)
Intercompany income and (expenses)	—	(20,955)	21,299	(344)	—	—
Equity in income (loss) from operations of consolidated subsidiaries	(7,692)	6,251	—	—	1,441	—
Other, net	—	(12)	208	—	—	196
Total other income (expense)	(7,692)	(36,077)	(13,687)	(874)	1,441	(56,889)
Income (loss) before taxes	(7,692)	1,854	(4,133)	130	(4,893)	(14,734)
Income tax benefit (expense)	—	(9,546)	17,177	618	—	8,249
Net income (loss)	$ (7,692)	$ (7,692)	$ 13,044	$ 748	$ (4,893)	$ (6,485)
Net income (loss) attributable to noncontrolling interest	—	—	—	1,207	—	1,207
Net income (loss) attributable to Media General	$ (7,692)	$ (7,692)	$ 13,044	$ (459)	$ (4,893)	$ (7,692)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income (loss) attributable to Media General	$ (7,692)	$ (7,692)	$ 13,044	$ (459)	$ (4,893)	$ (7,692)

Media General, Inc.
Condensed Consolidating Statement of Comprehensive Income
For the Three Months Ended June 30, 2015
(in thousands)

	Media General	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Media General Consolidated
Net operating revenue	$ —	$ 94,258	$ 216,770	$ 16,941	$ (7,446)	$ 320,523
Operating costs:						
Operating expenses, excluding depreciation expense	—	40,294	88,410	9,856	(4,391)	134,169
Selling, general and administrative expenses	—	22,193	53,009	4,152	(303)	79,051
Amortization of program license rights	—	4,363	7,250	434	—	12,047
Corporate and other expenses	—	2,661	9,703	2	—	12,366
Depreciation and amortization	—	15,522	24,562	2,534	—	42,618
(Gain) loss related to property and equipment, net	—	165	(361)	—	—	(196)
Merger-related expenses	—	950	2,666	—	—	3,616
Restructuring expenses	—	—	—	—	—	—
Operating income (loss)	—	8,110	31,531	(37)	(2,752)	36,852
Other income (expense):						
Interest expense, net	1	(9,555)	(19,325)	(409)	—	(29,288)
Debt modification and extinguishment costs	—	—	(1,827)	—	—	(1,827)
Intercompany income and (expenses)	—	(763)	949	(186)	—	—
Equity in income (loss) from operations of consolidated subsidiaries	1,634	2,511	—	—	(4,145)	—
Other, net	—	4	118	2,500	—	2,622
Total other income (expense)	1,635	(7,803)	(20,085)	1,905	(4,145)	(28,493)
Income (loss) before income taxes	1,635	307	11,446	1,868	(6,897)	8,359
Income tax benefit (expense)	—	1,325	(5,599)	658	—	(3,616)
Net income (loss)	$ 1,635	$ 1,632	$ 5,847	$ 2,526	$ (6,897)	$ 4,743
Net income (loss) attributable to noncontrolling interests	—	—	—	3,108	—	3,108
Net income (loss) attributable to Media General	$ 1,635	$ 1,632	$ 5,847	$ (582)	$ (6,897)	$ 1,635
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income (loss) attributable to Media General	$ 1,635	$ 1,632	$ 5,847	$ (582)	$ (6,897)	$ 1,635

Media General, Inc.
Condensed Consolidating Statement of Comprehensive Income
For the Six Months Ended June 30, 2015
(in thousands)

	Media General	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Media General Consolidated
Net operating revenue	$—	$ 182,476	$ 416,500	$ 30,683	$ (12,402)	$ 617,257
Operating costs:						
Operating expenses, excluding depreciation expense	—	77,893	172,169	17,398	(7,415)	260,045
Selling, general and administrative expenses	—	45,717	106,227	8,289	(712)	159,521
Amortization of program license rights	—	8,541	14,351	913	—	23,805
Corporate and other expenses	—	5,862	19,161	(6)	—	25,017
Depreciation and amortization	—	29,658	49,234	4,009	—	82,901
(Gain) loss related to property and equipment, net	—	129	(553)	—	—	(424)
Merger-related expenses	—	2,324	6,569	—	—	8,893
Restructuring expenses	—	—	—	—	—	—
Operating income (loss)	—	12,352	49,342	80	(4,275)	57,499
Other income (expense):						
Interest expense, net	—	(20,205)	(39,412)	(694)	—	(60,311)
Debt modification and extinguishment costs	—	—	(2,440)	—	—	(2,440)
Intercompany income and (expenses)	—	(6,298)	6,716	(418)	—	—
Equity in income (loss) from operations of consolidated subsidiaries	(5,798)	2,077	—	—	3,721	—
Other, net	—	86	826	5,000	—	5,912
Total other income (expense)	(5,798)	(24,340)	(34,310)	3,888	3,721	(56,839)
Income (loss) before income taxes	(5,798)	(11,988)	15,032	3,968	(554)	660
Income tax benefit (expense)	—	6,188	(7,873)	1,226	—	(459)
Net income (loss)	$ (5,798)	$ (5,800)	$ 7,159	$ 5,194	$ (554)	$ 201
Net income (loss) attributable to noncontrolling interests	—	—	(178)	6,177	—	5,999
Net income (loss) attributable to Media General	$ (5,798)	$ (5,800)	$ 7,337	$ (983)	$ (554)	$ (5,798)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income (loss) attributable to Media General	$ (5,798)	$ (5,800)	$ 7,337	$ (983)	$ (554)	$ (5,798)

21

Media General, Inc.
Condensed Consolidating Statement of Cash Flows
Year to date through June 30, 2016
(in thousands)

	Media General	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Media General Consolidated
Cash flows from operating activities:						
Net cash provided by operating activities	$ —	$ 7,776	$ 30,052	$ 878	$ —	$ 38,706
Cash flows from investing activities:						
Capital expenditures	—	(5,973)	(18,127)	(214)	—	(24,314)
Proceeds from the sale of PP&E	—	31	4,018	2,023	—	6,072
Receipt of dividend	—	39,005		—	(39,005)	—
Advances on intercompany borrowings	—	(2,644)	—	—	2,644	—
Payments from intercompany borrowings	—	—	39,005	—	(39,005)	—
Other, net	—	—	(114)	—	—	(114)
Net cash provided (used) by investing activities	—	30,419	24,782	1,809	(75,366)	(18,356)
Cash flows from financing activities:						
Borrowings under Media General Revolving Credit Facility	—	—	60,000	—	—	60,000
Repayments under Media General Revolving Credit Facility	—	—	(60,000)	—	—	(60,000)
Repayment of borrowings under Shield Media Credit Agreement	—	—	—	(1,600)	—	(1,600)
Repayment of other borrowings	—	—	—	(431)	—	(431)
Payment for the acquisition of noncontrolling interest	—	—	(35,305)	—	—	(35,305)
Payment of dividend	—	—	(39,005)	—	39,005	—
Proceeds from intercompany borrowings			2,644		(2,644)	—
Payments on intercompany borrowing	—	(39,005)		—	39,005	—
Exercise of stock options	—	—	1,714	—	—	1,714
Other, net	—	(293)	(148)	—	—	(441)
Net cash provided (used) by financing activities	—	(39,298)	(70,100)	(2,031)	75,366	(36,063)
Net (decrease) increase in cash and cash equivalents	—	(1,103)	(15,266)	656	—	(15,713)
Cash and cash equivalents at beginning of period	—	1,103	35,925	4,063	—	41,091
Cash and cash equivalents at end of period	$ —	$ —	$ 20,659	$ 4,719	$ —	$ 25,378

22

Media General, Inc.
Condensed Consolidating Statement of Cash Flows
Year to date through June 30, 2015
(in thousands)

	Media General	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Media General Consolidated
Cash flows from operating activities:						
Net cash provided (used) by operating activities	$(1,402)	$ 6,528	$ 83,285	$ 7,977	$ —	$ 96,388
Cash flows from investing activities:						
Capital expenditures	—	(8,610)	(13,876)	(1,564)	—	(24,050)
Release of restricted cash at qualified intermediary	—	—	119,903	—	—	119,903
Proceeds from sale the of PP&E	—	50	641	—	—	691
Proceeds from spectrum sale	—	—	620	2,500	—	3,120
Receipt of dividend	—	39,005	—	—	(39,005)	—
Payments from intercompany borrowings	2,025	—	24,230	—	(26,255)	—
Payment of capital contributions	(3,011)	—	—	—	3,011	—
Other, net	—	—	—	(69)	—	(69)
Net cash provided (used) by investing activities	(986)	30,445	131,518	867	(62,249)	99,595
Cash flows from financing activities:						
Repayment of borrowings under Media General Credit Agreement	—	—	(135,000)	—	—	(135,000)
Repayment of borrowings under Shield Media Credit Agreement	—	—	—	(1,200)	—	(1,200)
Repayment of other borrowings	—	—	—	(580)	—	(580)
Payment for share repurchase	—	—	(18,747)	—	—	(18,747)
Payment of dividend	—	—	(39,005)	—	39,005	—
Payments on intercompany borrowing	—	(26,255)	—	—	26,255	—
Payment for the acquisition of noncontrolling interest	—	(9,218)	—	—	—	(9,218)
Receipt of capital contributions	—	3,011	—	—	(3,011)	—
Cash paid for debt modification	—	—	(3,425)	—	—	(3,425)
Exercise of stock options	—	—	1,817	—	—	1,817
Other, net	—	(207)	(1,215)	(50)	—	(1,472)
Net cash (used) provided by financing activities	—	(32,669)	(195,575)	(1,830)	62,249	(167,825)
Net (decrease) increase in cash and cash equivalents	(2,388)	4,304	19,228	7,014	—	28,158
Cash and cash equivalents at beginning of period	2,388	9,658	27,371	4,503	—	43,920
Cash and cash equivalents at end of period	$—	$ 13,962	$ 46,599	$ 11,517	$ —	$ 72,078

23

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

OVERVIEW

Media General is one of the U.S.'s largest local multimedia companies, providing top-rated news, information and entertainment across 48 markets. Media General, Inc. owns, operates or provides services to 71 network-affiliated broadcast television stations (23 with CBS, 13 with NBC, 12 with ABC, 8 with FOX, 8 with CW and 7 with MyNetworkTV) and their associated digital media and mobile platforms. These stations reach approximately 23% of U.S. TV households, and the Company reaches nearly 39% of the U.S. Internet audience. 50 of the 71 stations are located in the top 100 designated market areas as grouped by Nielsen ("DMAs"), while 27 of the 71 stations are located in the top 50 markets. The Company also has a large and diverse digital media business.

In September 2015, the Company announced a merger agreement under which the Company would have acquired all of the outstanding common stock of Meredith Corporation ("Meredith") in a cash and stock transaction. Later in September of 2015 the Company received an unsolicited proposal from Nexstar Broadcasting Group, Inc. ("Nexstar") to acquire all of the outstanding common stock of Media General. Following discussion between the various parties, in January 2016 Media General terminated its agreement with Meredith with Media General paying Meredith a $60 million termination fee and providing Meredith with an opportunity to negotiate for the purchase of certain broadcast and digital assets owned by the Company. Immediately thereafter, the Company entered into an agreement with Nexstar whereby Nexstar will acquire all outstanding shares of Media General for $10.55 per share in cash, 0.1249 shares of Nexstar Class A common stock for each Media General share and a contingent value right (CVR). The cash consideration and the stock consideration are fixed amounts and do not increase or decrease based upon the proceeds (if any) from the disposition of either Nexstar's or Media General's spectrum in the Federal Communication Commissions's ("FCC") Incentive Auction. Upon the completion of the transaction, Nexstar will change its name to Nexstar Media Group. Each CVR will entitle Media General shareholders to a pro rata share of the net cash proceeds as received from the sale of Media General's spectrum in the FCC's Incentive Auction. It is estimated that Media General shareholders will own approximately 34% and existing Nexstar shareholders will retain approximately 66% ownership of the combined company after closing. The closing of the transaction is subject to the satisfaction of a number of conditions including, but not limited to, the approval of various matters relating to the transaction by Media General and Nexstar shareholders, the approval of the FCC, clearance under the Hart-Scott-Rodino antitrust act and certain third party consents.

In connection with the Nexstar transaction, Nexstar and its respective subsidiaries, as applicable, have entered into definitive agreements to divest Nexstar's WCWJ station in Jacksonville, Florida and the Company's WSLS-TV station in Roanoke-Lynchburg, Virginia to Graham Media Group, Inc.; Nexstar's KADN-TV and KLAF-LD stations in Lafayette, Louisiana to Bayou City Broadcasting Lafayette, Inc.; Nexstar's KREG-TV station in Denver, Colorado to Marquee Broadcasting, Inc.; the Company's WBAY-TV station in Green Bay, Wisconsin and KWQC-TV station in Davenport-Moline-Rock Island, Iowa to Gray Television Group, Inc.; the Company's KIMT station in Rochester, Minnesota, WTHI-TV station in Terre Haute, Indiana, WLFI-TV station in Lafayette, Indiana, as well as Nexstar's WFFT-TV station in Ft. Wayne, Indiana and KQTV station in Saint Joseph, Missouri to USA Television MidAmerica Holdings, LLC; and the Company's KASA-TV station in Albuquerque, New Mexico to Ramar Communications, Inc. The Company expects that the sales of these stations will occur substantially concurrent with the closing of the transaction with Nexstar, which is expected to occur later this year.

In April 2012, President Obama signed into law the American Jobs Act, which provides the FCC with the authority to conduct an "incentive auction" to auction and repurpose broadcast television spectrum for mobile broadband use. Pursuant to this authority and to encourage broadcasters to tender their licenses for auction, the FCC is permitted to share the proceeds of spectrum auction with incumbent television station licensees. In order to receive proceeds, licensees must agree to give up their licenses, share spectrum, or, in some cases, move to a different channel to facilitate an auction of their previous channel. The FCC would then “repack” non-tendering UHF broadcasters into the lower portions of the UHF band and auction new “flexible use” wireless licenses in the upper portion of the UHF band. By statute, television stations’ participation in the “incentive auction” is voluntary. Bidding in the Clock Phase of Stage 1 of the reverse auction has been completed. The forward auction is ongoing. Depending on the outcome of this phase, the FCC may conduct one or more additional phases of the reverse auction. No auction results have been finalized. As part of the Nexstar agreement, the Company has a contingent value right entitling Media General shareholders to a pro rata share of the net cash proceeds as received from the sale of Media General’s spectrum. The Company anticipates that this right could be worth anywhere from $0 to $4 per share.

24

RESULTS OF OPERATIONS

The Company recorded net income attributable to Media General of $18 million ($0.14 per diluted share) in the second quarter of 2016 and a net loss attributable to Media General of $7.7 million (($0.06) per diluted share) during the first six months of 2016, compared to net income attributable to Media General of $1.6 million ($0.01 per diluted share) and a net loss attributable to Media General of $5.8 million (($0.04) per diluted share) in the equivalent periods of 2015. Net income attributable to Media General for the second quarter of 2016 increased $17 million from the equivalent period in the prior year driven by a 13% increase in net operating revenue. The Company's results during the first six months of 2016 included the $60 million termination fee paid to Meredith in January 2016, an additional $7 million of merger-related expenses and restructuring expenses of $5 million. Comparatively, the Company's results during the first six months of 2015 included operating gains of $5.6 million (in Other, net) on the relocation of broadcast channels in Lansing, Michigan and Austin, Texas and a $2.5 million reduction in Operating Expenses for settlement proceeds related to prior-period overcharges by a music licensing agency.

Net income for the second quarter of 2016 was $19 million and included net income attributable to noncontrolling interests of $0.7 million. For the first six months of 2016 the Company recorded a net loss of $6.5 million and net income attributable to noncontrolling interests of $1.2 million. The income attributable to noncontrolling interests represents the aggregate income of certain stations operated by the Company through JSA/SSA arrangements. The remaining noncontrolling interest in HYFN Inc. was acquired by the Company on April 1, 2016.

The Company generated $118 million and $221 million of operating income from its Broadcast segment in the three and six months ended June 30, 2016, respectively. Its Digital segment recorded operating income of $3.2 million and $1.5 million during the same periods.

REVENUES

Revenues were $363 million and $706 million in the second quarter and first six months of 2016, respectively, compared to $321 million and $617 million in the same prior-year periods. Revenues are grouped primarily into four major categories: Local, National, Political and Digital. The following chart summarizes the consolidated period-over-period changes in these select revenue categories.

	Three Months Ended			
(Unaudited, in thousands)	June 30, 2016	% of Total	June 30, 2015	Percent Change
Local	$247,861	68.3%	$220,143	12.6 %
National	53,558	14.8%	52,955	1.1 %
Political	10,448	2.9 %	2,628	297.6 %
Digital	43,045	11.9%	36,421	18.2 %
Other	7,794	2.1 %	8,376	(6.9)%
Net operating revenue	$362,706		$320,523	13.2 %

25

	Six Months Ended			
(Unaudited, in thousands)	June 30, 2016	% of Total	June 30, 2015	Percent Change
Local	$478,084	67.7%	$427,027	12.0 %
National	103,123	14.6%	102,072	1.0 %
Political	26,458	3.7 %	3,742	607.1 %
Digital	80,915	11.5%	66,671	21.4 %
Other	17,589	2.5 %	17,745	(0.9)%
Net operating revenue	$706,169		$617,257	14.4 %

Local revenue increased $28 million and $51 million during the three and six months ended June 30, 2016, respectively, as a result of increased retransmission revenue and, to a lesser extent, an increase in core local advertising. National advertising revenue increased slightly driven by automotive and retail. Political revenue for the quarter was almost 4 times the prior-year level due to strong advertising levels in Indiana, Pennsylvania, North Carolina and South Carolina. Political for the year-to-date was seven-fold the prior-year level due to the competitive Presidential primary races. The 18% and 21% increase in Digital revenue for the quarter and year-to-date, respectively, was primarily the result of increased activity in social media and higher traffic on our stations' websites.

OPERATING COSTS

Total operating costs increased $19 million in the second quarter of 2016 from the prior-year equivalent period primarily driven by a $14 million increase in network programming payments and one-time acquisition-related compensation of $7 million related to the purchase of HYFN (as discussed in Item 1, Note 9). For the first six months of 2016 operating costs increased $104 million from the prior-year equivalent period overwhelmingly due to the $60 million fee paid to Meredith to terminate that merger agreement, $27 million increase in network programming payments and the $7 million one-time payment related to the purchase of HYFN. The increase in network programming payments was driven in large part by the increase in retransmission revenue. Absent the merger-related expenses, restructuring costs, the one-time acquisition-related compensation and higher network fees, total operating costs for the second quarter were flat when compared to the same period in the prior year and total operating costs for the first six months of 2016 only increased 1% from the same period in 2015, reflecting effective expense management.

Corporate and other expenses as reported on the consolidated statements of comprehensive income increased by $5.7 million and $3 million in the three and six months ended June 30, 2016, respectively, due to the one-time acquisition-related compensation of $7 million discussed above. Excluding the impact of the one-time payment, Corporate expenses would have decreased 16% for the first six months of 2016 due to lower stock-based compensation and the impact of merger related synergies.

Depreciation and amortization expense as reported on the consolidated statements of comprehensive income was $40 million and $80 million in the three and six months ended June 30, 2016, respectively, compared to $43 million and $83 million in the corresponding prior year periods.

The Company recorded $1.6 million and $3.6 million of merger-related costs in the second quarter of 2016 and 2015, respectively, as shown on the Consolidated Condensed Statements of Comprehensive Income primarily for employee severance, investment banking, legal and professional fees related to the LIN Merger and the merger with Nexstar (reflected in 2016 only). The 2016 costs also included legal fees related to the terminated merger with Meredith. Merger-related costs for the first six months of 2016 were $67 million compared to $9 million in the first six months of 2015. The merger-related expenses for the first six months of 2016 included a $60 million termination fee associated with the terminated Meredith merger, employee severance, investment banking legal, and professional fees related to the LIN Merger, the Nexstar Merger and the terminated merger with Meredith. Merger-related costs for the first six months of 2015 were primarily for restructuring, investment banking, legal and professional fees related to the LIN Merger.

In September 2015, the Company adopted a plan to restructure certain digital segment operations (as discussed more fully in Item 1, Note 9), which is expected to save the Company $14.7 million in operating costs annually. The Company took additional steps under this plan in the first quarter of 2016. The Company recorded restructuring expense of 2.4 related to the plan during the six months ended June 30, 2016.

26

In the six months ended June 30, 2016 the Company recorded restructuring expense of 2.6 related to WAGT as described more fully in Item 1, Note 9. As of June 30, 2016, Media General has pending legal causes of action against Gray, and Schurz Communications, Inc. and WAGT Television, Inc., including but not limited to, causes of action for breach of contract. The Company has agreed to stay this litigation pending the closing of the Nexstar merger and the divestiture of certain stations with Gray (as discussed in Item 1, Note 1). If the transactions close, the parties will dismiss all claims and counterclaims with no additional consideration for either party. If not, the parties may resume the litigation.

INTEREST EXPENSE

For the three and six months ended June 30, 2016, interest expense was $29 million and $57 million, respectively, representing a decrease of 2.7% and 5.3% from the corresponding periods in the prior year due to repayments of debt during 2015. The Company’s effective interest rate was just over 5% for all periods presented.

During the first six months of 2016, the Company repaid $2 million on certain borrowings.

INCOME TAXES

The effective tax rate was 38.7% in the second quarter of 2016 as compared to 43.3% in the second quarter of 2015. The effective tax rate in the first six months of 2016 was 56.0% as compared to 69.6% in the equivalent prior-year period. The lower tax benefit is primarily due to a discrete tax benefit recorded in the first quarter of 2016 related to merger-related expenses recorded in the prior year as well as the relative levels of favorable book/tax differences compared to the pre-tax loss. In 2016, the Company adopted Approach I as defined under ASC 740 with respect to merger-related expenses and has provided tax benefit on “sell-side” merger expenses until the proposed transaction is finalized. Ultimately, some of these expenses may be non-deductible. The tax expense in both years was predominantly non-cash due to the Company’s significant net operating loss carryover. Current tax expense was approximately $1.4 million and $1.3 million for the second quarters of 2016 and 2015, respectively, and was approximately $2.3 million and $1.5 million in the first six months of 2016 and 2015, respectively; it was attributable primarily to state income taxes. Cash taxes paid (net of refunds) in the first six months of 2016 was $2 million.

The Company records income tax expense using the liability method, under which deferred tax assets and liabilities are recorded for the differing treatments of various items for financial reporting versus tax reporting purposes. The Company evaluates the need for a valuation allowance for deferred tax assets. Included in that analysis is the fact that the Company has carried forward an estimated $549 million of net operating losses (NOLs) as of June 30, 2016. The Company anticipates being able to use these NOLs before they expire over the course of the next 20 years, although there are certain limitations in future years.

OTHER

In April 2016, the Company acquired the remaining shares of HYFN, a full service digital advertising agency for a purchase price of approximately $35 million plus one-time compensation expense of $7 million related to the transaction for a total cash outflow of $42 million. Prior to the transaction, the Company held 50.1% of the outstanding shares of HYFN. As a result of the transaction, HYFN is 100% owned by the Company beginning with the second quarter of 2016.

In prior years, the Company entered into agreements with a telecommunications company to relocate broadcast channels in our Lansing, Michigan and Austin, Texas markets. For the three and six months periods ended June 30, 2015, the Company recorded non-operating gains of $2.5 million and $5.6 million, respectively, related to these agreements for the completion of the relocation.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is its cash flow from operations, but it also has access to the $150 million revolving credit facility and cash on its balance sheet. The Company has $146 million of availability under the revolving credit facility (giving effect to $3.6 million of letters of credit which have been issued but are undrawn) and $25 million of cash on its balance sheet as of June 30, 2016. There is $4.7 million of cash in the consolidated balance sheet as of June 30, 2016, which can only be used to settle the obligations of the VIEs as discussed in Note 3. During the first six months of 2016, the Company has used its cash for the Meredith termination fee, capital expenditures, further investment in its operations and other corporate initiatives.

The Company generated $39 million of cash from operating activities during the six months ended June 30, 2016. This compared to $96 million of net cash generated by operating activities in the year-ago period. The decrease from the year-ago period is primarily the result of the $60 million termination fee paid in January 2016

The Company internally, and analysts in the Broadcast industry, use a non-GAAP Broadcast Cash Flow (BCF) metric as a key measure. BCF is defined as operating income plus corporate and other expenses, depreciation and amortization, net gains related to property and equipment, program license rights amortization less payments for program license rights, merger-related expenses, and restructuring expenses. As shown in the table that follows, BCF increased from $96 million to $120 million in the second quarter of 2016 and from $174 million to $222 million in the first six months of 2016 , primarily due to the impact of Presidential primary spending during 2016:

	Three Months Ended	
(Unaudited, in thousands)	June 30, 2016	June 30, 2015
Net Operating Revenue	$362,706	$320,523
Less: Operating Costs	(302,915)	(283,671)
Operating Income	59,791	36,852
Add:		
Depreciation and amortization	40,337	42,618
Corporate and other expenses	18,101	12,366
Gain related to property and equipment, net	87	(196)
Program license rights, net	(772)	922
Merger-related expenses	1,561	3,616
Restructuring expenses	996	—
Broadcast cash flow	$120,101	$96,178

	Six Months Ended	
(Unaudited, in thousands)	June 30, 2016	June 30, 2015
Net Operating Revenue	$706,169	$617,257
Less: Operating Costs	(664,014)	(559,758)
Operating Income	42,155	57,499
Add:		
Depreciation and amortization	80,458	82,901
Corporate and other expenses	28,453	25,017
Gain related to property and equipment, net	(681)	(424)
Program license rights, net	(816)	47
Merger-related expenses	67,443	8,893
Restructuring expenses	4,978	—
Broadcast cash flow	$221,990	$173,933

The Company used cash for its investing activities of $18 million during the first six months of 2016 primarily due to $24 million of capital expenditures partially offset by $6.1 million of proceeds from the sale of property and equipment. Investing activities provided cash of $100 million for the first six months of 2015 primarily due to the release from a qualified intermediary of $120 million in restricted cash related to the 2014 sale of WJAR-TV and $3.1 million related to the relocation of broadcast channels in Lansing, Michigan and Austin, Texas. The cash inflows were partially offset by capital expenditures of $24 million.

Cash used by financing activities of $36 million in the six months ended June 30, 2016 compared to cash used by financing activities of $168 million in the six months ended June 30, 2015. The Company had a $35 million cash outflow in 2016

28

related to the acquisition of the remaining noncontrolling interest in HYFN. The higher outflow in 2015 primarily resulted from debt repayments of $135 million and a $9.2 million cash outflow related to the acquisition of the remaining noncontrolling interest in Dedicated Media.

Debt Agreements

At June 30, 2016, the Company had the following debt facilities and other debt instruments:

	Maturity Date	Amount	Interest Rate
Term Loan	2020	$1,541 million	LIBOR + 3.00% w/ 1% LIBOR floor
Revolver	2018	$146 million available; None drawn	LIBOR + 2.50%; 0.5% commitment fee
5.875% Senior Notes	2022	$400 million	Fixed
6.375% Senior Notes	2021	$275 million	Fixed
Shield Media Term Loans	2018	$26 million	LIBOR + 3.00%
Other Borrowings	2016/2017	$0.5 million	LIBOR + 3.00%

The Company loans are guaranteed by its subsidiaries, and the Company has pledged substantially all of its assets as collateral for the loans. The Shield Media loans are guaranteed by the Company, and the Company has pledged substantially all of its assets as collateral for the loans, on a pari passu basis with the Media General credit agreement. Both sets of Senior Notes are also guaranteed by the Company and certain of LIN TV's subsidiaries on a full and unconditional basis.

The credit agreement governing the Senior Secured Credit Facility contains a leverage ratio covenant which is tested for purposes of the Revolving Loan Facility if and when the Revolver borrowings and non-collateralized letters of credit exceed $45 million at a quarter end. At other times, there is not a required maximum leverage ratio in which the Company must operate. The leverage ratio involves debt levels and a rolling eight-quarter calculation of EBITDA, as defined in the agreement if applicable. For the second quarter of 2016, the maximum ratio would have been 5.0 times if it had been in effect. Additionally, the agreement has restrictions on certain transactions that are operational regardless of Revolver borrowing level, including the incurrence of additional debt, capital leases, investments, fundamental changes (including additional acquisitions mergers or consolidations), limitation liens, prepayment or amendment of certain debt, transactions with affiliates, changes in the nature of the business, asset sales and restricted payments (including dividends and share repurchases) as defined in the agreement.

The Shield Media loans have a fixed charge coverage ratio (a ratio of fixed charges (interest, debt payments, capital expenditures and taxes) to EBITDA, calculated on a rolling eight-quarter basis, as defined in the agreement). The Shield Media loans also have restrictions on transactions similar in nature to those in the new Media General credit agreement, but scaled to Shield Media's smaller size. Additionally, the Shield Media loans have more specific covenants regarding the operation of the Shield Media business and requires that each Shield Media holding company that controls a Shield Media station limit its activities to the performance of its obligations under the Shield Media credit documents, and activities incidental thereto, including owning a Shield Media station and the performance of its obligations under and activities related to the shared services agreement. The Senior Notes do not contain financial maintenance covenants, but do include restrictive covenants with respect to the ability to incur additional debt and issue disqualified stock; pay dividends or make other restricted payments; prepay, redeem or repurchase capital stock or subordinated debt; transfer or sell assets; make investments; enter into transactions with affiliates; create or incur liens; and merge or consolidate with any other person. The Media General and Shield Media credit agreements along with both sets of Senior Notes contain cross-default provisions.

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

Consolidated net leverage, as defined in the Credit Agreement governing the Revolving Credit Facility, was 5.05x as of June 30, 2016. As noted above, the Company was not required to operate within the maximum leverage ratio as the Revolver borrowings and non-collateralized letters of credit did not exceed $45 million as of June 30, 2016.

OUTLOOK

The Company owns, operates or provides services to 71 stations across 48 markets covering 23% of U.S. TV households. The Company's scale and location within several strongly contested states with substantial political spending has already facilitated increased cash flow generation during the active primary season. Additionally, the Company grew retransmission revenue in the first six months of 2016 and is participating in the FCC spectrum auction that is currently ongoing. For the remainder of 2016, the Company expects to benefit from the Olympics in Rio de Janeiro, Brazil as the location should enable more "live" events on the Company's 13 NBC stations. The Company also expects to continue to generate strong free cash flow from Political and retransmission during the remainder of the year. The Company continues to work with Nexstar to secure the necessary approvals to effectuate the announced merger transaction.

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Certain statements in this quarterly report, particularly those in the section with the heading "Outlook" are not historical facts and are "forward-looking" statements, as that term is defined by the federal securities laws. Forward-looking statements include, among others, statements related to accounting estimates and assumptions, expectations regarding the pending merger, regulatory approvals and debt levels, interest rates, the impact of technological advances including consumer usage of mobile television and expectations regarding the effects of retransmission fees, network affiliate fees, pension and postretirement plans, capital spending, general advertising levels and political advertising levels, the effects of changes to FCC regulations and FCC approval of license applications. Forward-looking statements, including those which use words such as the Company "believes," "anticipates," "hopes," "expects," "estimates," "intends," "projects," "plans," "may" and similar words, including "outlook", are made as of the date of this quart report on Form 10-Q and are subject to risks and uncertainties that could potentially cause actual results to differ materially from those results expressed in or implied by such statements. The reader should understand that it is not possible to foresee or identify all risk factors. Consequently, any such list should not be considered a complete statement of all potential risks or uncertainties.

Various important factors could cause actual results to differ materially from the Company's forward looking statements, estimates or projections including, without limitation: the impact of the Nexstar merger transaction, changes in advertising demand, failure to achieve cost savings in connection with restructuring digital, emergence of new digital advertising platforms, health care cost trends, changes to pending accounting standards, changes in consumer preferences for programming and delivery method, changes in relationships with broadcast networks and advertisers, the performance of pension plan assets, regulatory rulings including those related to joint sales and shared service agreements and tax law, natural disasters, and the ability to renew retransmission and broadcast network agreements. Actual results may differ materially from those suggested by forward-looking statements for a number of reasons including those described in Item 1A ("Risk Factors") of the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company’s Annual Report on Form 10-K for the year ended December 31, 2015, provides disclosures about market risk. As of June 30, 2016, there have been no material changes in the Company’s market risk from December 31, 2015.

Item 4. Controls and Procedures

The Company’s management, including its chief executive officer and chief financial officer, performed an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of June 30, 2016. Based on that evaluation, the Company’s management, including its chief executive officer and chief financial officer, concluded that the Company’s disclosure controls and procedures were effective as of June 30, 2016. There have been no significant changes in the Company’s internal controls over financial reporting or in other factors during the quarter ended June 30, 2016 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a)
Exhibits

31.1	Section 302 Chief Executive Officer Certification
31.2	Section 302 Chief Financial Officer Certification
32	Section 906 Chief Executive Officer and Chief Financial Officer Certification
101	The following financial information from the Media General, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, formatted in XBRL includes: (i) Consolidated Condensed Balance Sheets at June 30, 2016 and December 31, 2015, (ii) Consolidated Condensed Statements of Comprehensive Income for the three and six months ended June 30, 2016 and June 30, 2015, (iii) Consolidated Condensed Statements of Cash Flows for the six months ended June 30, 2016 and June 30, 2015, and (iv) the Notes to Consolidated Condensed Financial Statements.

33

SIGNATURES

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

MEDIA GENERAL, INC.

Date: August 5, 2016 By: /s/ Vincent L. Sadusky
Vincent L. Sadusky
President and Chief Executive Officer

Date: August 5, 2016 By: /s/ James F. Woodward
James F. Woodward
Senior Vice President, Chief Financial Officer

34