MEDIA GENERAL INC
Form 10-K
March 02, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

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

For the transition period _____ to _____

Commission File No. 1-6383

MEDIA GENERAL, INC.

(Exact name of registrant as specified in its charter)

Commonwealth of Virginia (State or other jurisdiction of incorporation or organization)	46-5188184 (I.R.S. Employer Identification No.)
333 E. Franklin St., Richmond, VA (Address of principal executive offices)	23219 (Zip Code)

(804) 887-5000

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Voting Common Stock	New York Stock Exchange
(Title of class)	(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ____X____ No __________

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ________ No _____X_____

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

Yes ___X_____ No __________

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

Yes ____X___ ___ No _________

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (as defined in Rule 12b-2 of the Act).

Large accelerated filer __X__ Accelerated filer ______ Non-accelerated filer _____

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

Yes ________ No ______X_____

The aggregate market value of voting and non-voting stock held by nonaffiliates of the registrant, based upon the closing price of the Company's Class A Common Stock as reported on the New York Stock Exchange, as of June 30, 2014, was $1,822,091,042.

The number of shares of Voting Common Stock (no par value) outstanding on February 27, 2015, was 130,161,950.

Part III incorporates information by reference from the proxy statement for the Annual Meeting of Stockholders to be held on April 23, 2015.

Index to Media General, Inc.

Annual Report on Form 10-K for the Year Ended December 31, 2014

Part I

Item 1. Business

General

On December 19, 2014 (the "Closing Date"), Media General, Inc., now known as MGOC, Inc. (“Old Media General”), and LIN Media LLC, a Delaware limited liability company (“LIN Media” or “LIN”) were combined in a business combination transaction (the “LIN Merger”). As a result of this merger, Media General, Inc. formerly known as Mercury New Holdco, Inc. (“New Media General” or the “Company”) became the parent public-reporting company of the combined company; LIN Television Corporation (“LIN Television”) became a direct, wholly owned subsidiary of New Media General and Old Media General became a direct, wholly owned subsidiary of LIN Television and an indirect, wholly owned subsidiary of New Media General. The Company is headquartered in Richmond, Virginia.

Also on the Closing Date, the Company, through its wholly owned subsidiaries, completed the sale of the following television stations: (i) WJAR-TV in Providence, Rhode Island, (ii) WLUK-TV and WCWF-TV in Green Bay-Appleton, Wisconsin, (iii) certain assets of WTGS-TV in Savannah, Georgia, (iv) WVTM-TV in Birmingham, Alabama, (v) WJCL-TV in Savannah, Georgia, and (vi) WALA-TV in Mobile, Alabama. It also completed the purchase of the following television stations: (i) KXRM-TV and KXTU-LD in Colorado Springs, Colorado and (ii) WTTA-TV in Tampa, Florida.

References to Media General or the Company in this Annual Report on Form 10-K that include any period at and before the effectiveness of the LIN Merger shall be deemed to refer to Old Media General as the predecessor registrant to New Media General. References to Legacy Media General refer to Old Media General prior to the merger with New Young Broadcasting Holding Co., Inc. (“Young”) as further described below.

On November 12, 2013, Legacy Media General and Young were combined in a tax-free, all-stock merger transaction (the “Young Merger”). In the Merger, Media General issued to Young’s equity holders 60.2 million shares of Media General voting common stock. The merger with Young was accounted for as a reverse acquisition in accordance with FASB Accounting Standards Codification Topic 805, *Business Combinations* (“ASC 805”). For financial reporting purposes, Young was the acquirer and the continuing reporting entity. Accordingly, financial information presented for the Company in the consolidated financial statements for the year ended December 31, 2012 reflects the historical activity of Young.

As a result of the mergers described above, the Company owns, operates or services 71 network-affiliated stations and their associated digital media and mobile platforms (22 with CBS, 14 with NBC, 12 with ABC, eight with FOX, seven with MyNetworkTV, seven with CW, and one with Telemundo), operating in 48 markets.

Legacy Media General was incorporated in Virginia and became a public company in 1969. It grew through acquisition, mostly by purchasing high-quality, privately owned local media entities in the Southeast. Legacy Media General sold all of its newspapers in 2012. Young was incorporated in 2009 for purposes of acquiring the business of Young Broadcasting Inc. in connection with Young Broadcasting Inc.'s bankruptcy filing under Chapter 11 of Title 11 of the United States Bankruptcy Code. In June of 2010, Young Broadcasting Inc. emerged from bankruptcy as a wholly owned subsidiary of Young pursuant to Young Broadcasting Inc.'s confirmed Chapter 11 plan of reorganization. Various LIN entities have owned and operated television stations since 1966. LIN Television was incorporated in 1990 and LIN TV Corp. ("LIN TV"), LIN Television's former parent, was incorporated in 1998. On July 30, 2013, LIN TV merged with and into LIN Media LLC, a wholly owned subsidiary of LIN TV, with LIN Media LLC continuing as the surviving entity. LIN TV became a public company in 2002.

Broadcast Stations and Markets

The Company's operations as of December 31, 2014, include television stations (which cover 23% of the U.S.), websites and digital operations as shown on the following map:

The following table sets forth general information for the Company's television stations as of December 31, 2014:

Market	**DMA Rank** (1)	**Station**	**Network Affiliation**	**Status** (2)	**Station Rank** (3)	**Audience Share %** (3)	**Expiration Date of Primary Network Agreement**	**Expiration of FCC License**
San Francisco, CA	6	KRON	MyTV		5	2	9/28/2016	12/1/2014 (5)
Tampa - St. Petersburg - Sarasota, FL	14	WFLA	NBC		2	6	12/31/2015	2/1/2021
Tampa - St. Petersburg - Sarasota, FL	14	WTTA	MyNet		7	1	9/28/2016	2/1/2013 (5)
Portland, OR	22	KOIN	CBS		3	8	12/31/2021	2/1/2023
Raleigh - Durham, NC	24	WNCN	NBC		3	4	12/31/2015	12/1/2020
Indianapolis, IN	26	WISH	CW		2	8	9/1/2021	8/1/2021
Indianapolis, IN	26	WNDY	MyNet		6	1	9/28/2016	8/1/2021
Nashville, TN	29	WKRN	ABC		3	9	8/31/2015	8/1/2021
Hartford-New Haven, CT	30	WTNH	ABC		3	8	8/31/2017	4/1/2015
Hartford-New Haven, CT	30	WCTX	MyNet		6	1	9/28/2016	4/1/2015
Columbus, OH	32	WCMH	NBC		2	9	12/31/2015	10/1/2021
Greenville-Spartanburg, SC, Asheville, NC	37	WSPA	CBS		2	10	8/31/2019	12/1/2020
Greenville-Spartanburg, SC, Asheville, NC	37	WYCW	CW		6	2	9/1/2021	12/1/2020
Grand Rapids-Kalamazoo-Battle Creek, MI	39	WOOD	NBC		1	15	1/1/2017	10/1/2021
Grand Rapids-Kalamazoo-Battle Creek, MI	39	WOTV	ABC		5	2	8/31/2017	10/1/2021
Grand Rapids-Kalamazoo-Battle Creek, MI	39	WXSP	MyNet		8	1	9/28/2016	10/1/2021
Austin, TX	40	KXAN	NBC		1	8	1/1/2017	8/1/2022
Austin, TX	40	KNVA+	CW	LMA	5	2	9/1/2021	8/1/2022
Austin, TX	40	KBVO	MyNet		6	1	9/28/2016	8/1/2022
Birmingham, AL	44	WIAT	CBS		3	6	8/31/2019	4/1/2021
Norfolk-Portsmouth-Newport News, VA	45	WAVY	NBC		1	10	1/1/2017	10/1/2020
Norfolk-Portsmouth-Newport News, VA	45	WVBT	FOX		5	3	12/31/2017	10/1/2020
Harrisburg, PA	45	WHTM	ABC		2	10	12/31/2017	8/1/2015

Albuquerque-Santa Fe, NM	47	KRQE+	CBS		2	9	8/31/2019	10/1/2022
Albuquerque-Santa Fe, NM	47	KASA	FOX		4	3	12/31/2017	10/1/2022
Albuquerque-Santa Fe, NM	47	KWBQ+	CW	SSA	5	2	9/1/2021	10/1/2022
Albuquerque-Santa Fe, NM	47	KASY	MyNet	SSA	6	2	9/28/2016	10/1/2022
Buffalo, NY	52	WIVB	CBS		2	11	8/31/2019	6/1/2015
Buffalo, NY	52	WNLO	CW		5	2	9/1/2021	6/1/2015
Providence, RI-New Bedford, MA	53	WPRI	CBS		2	8	8/31/2019	4/1/2015
Providence, RI-New Bedford, MA	53	WNAC	FOX	LMA	3	4	12/31/2017	4/1/2007
Richmond, VA	57	WRIC	ABC		2	9	8/31/2015	10/1/2020
Albany, NY	58	WTEN+	ABC		3	12	8/31/2015	6/1/2015
Albany, NY	58	WXXA	FOX	SSA/JSA	4	5	12/31/2017	6/1/2015
Mobile, AL - Pensacola, FL	59	WKRG	CBS		1	13	8/31/2019	4/1/2021
Mobile, AL/Pensacola, FL	59	WFNA	CW		7	1	9/1/2021	4/1/2021
Knoxville, TN	61	WATE	ABC		3	6	8/31/2015	8/1/2021
Dayton, OH	64	WDTN	NBC		2	8	1/1/2017	10/1/2021
Dayton, OH	64	WBDT	CW	SSA/JSA	5	3	9/1/2021	10/1/2021
Roanoke - Lynchburg, VA	66	WSLS	NBC		3	9	12/31/2015	10/1/2020
Wichita-Hutchinson, KS	67	KSNW+	NBC		2	13	1/1/2017	6/1/2022
Honolulu, HI	69	KHON+	FOX		2	11	12/31/2017	2/1/2015
Green Bay, WI	70	WBAY	ABC		1	16	8/31/2015	12/1/2021
Colorado Springs-Pueblo, CO	89	KXRM	FOX		4	5	12/31/2017	4/1/2014 (5)
Colorado Springs-Pueblo, CO	89	KXTU	CW		5	1	9/1/2021	4/1/2014 (5)
Savannah, GA	92	WSAV	NBC		2	11	12/31/2015	4/1/2021
Jackson, MS	94	WJTV	CBS		2	13	8/31/2019	6/1/2021
Charleston, SC	95	WCBD	NBC		2	10	12/31/2015	12/1/2020
Tri-Cities, TN/VA	97	WJHL	CBS		2	13	8/31/2019	8/1/2021
Greenville - New Bern, NC	99	WNCT	CBS		3	11	8/31/2019	12/1/2020
Davenport, IA	100	KWQC	NBC		1	21	12/31/2015	2/1/2022
Myrtle Beach - Florence, SC	102	WBTW	CBS		1	18	8/31/2019	12/1/2020
Fort Wayne, IN	109	WANE	CBS		1	21	8/31/2019	8/1/2021
Sioux Falls, SD	111	KELO+	CBS		1	25	8/31/2019	4/1/2022

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Market	DMA Rank (1)	Station	Network Affiliation	Status (2)	Station Rank (3)	Audience Share % (3)	Expiration Date of Primary Network Agreement	Expiration of FCC License
Augusta, GA - Aiken, SC	112	WJBF (4)	ABC		2	15	12/31/2018	4/1/2021
Youngstown, OH	113	WKBN	CBS		2	15	12/31/2021	10/1/2021
Youngstown, OH	113	WYTV	ABC	SSA/JSA	3	7	8/31/2017	10/1/2021
Youngstown, OH	113	WYFX+	FOX		4	4	12/31/2017	10/1/2021
Springfield-Holyoke, MA	114	WWLP	NBC		1	21	1/1/2017	4/1/2015
Lansing, MI	115	WLNS	CBS		2	16	12/31/2021	10/1/2013 (5)
Lansing, MI	115	WLAJ	ABC	SSA/JSA	3	5	12/31/2015	10/1/2021
Lafayette, LA	122	KLFY	CBS		1	19	12/31/2021	6/1/2021
Columbus, GA	126	WRBL	CBS		1	12	8/31/2019	4/1/2021
Topeka, KS	134	KSNT	NBC		2	14	1/1/2017	6/1/2022
Topeka, KS	134	KTKA	ABC	SSA/JSA	3	6	12/31/2018	6/1/2022
Topeka, KS	134	KTMJ	FOX		4	4	12/31/2017	6/1/2022
Mason City, IA	153	KIMT	CBS		2	15	8/31/2019	2/1/2022
Terre Haute, IN	155	WTHI	CBS		1	21	8/31/2019	81/2021
Hattiesburg - Laurel, MS	167	WHLT	CBS		2	7	8/31/2019	6/1/2021
Rapid City, SD	173	KCLO	CBS		3	8	8/31/2019	4/1/2022
Lafayette, IN	189	WLFI	CBS		1	21	12/31/2021	8/1/2021

(1) Designated Market Area or "DMA" estimates and rankings are taken from Nielsen Local Universe Estimates for the 2014-2015 Broadcast Season, effective September 27, 2014. There are 210 DMAs in the United States. All Nielsen data included in this report represents Nielsen estimates, and Nielsen has neither reviewed nor approved the data included in this report.

(2) We own or operate all of our stations and digital channels except for those (i) noted as "LMA" which indicates stations to which we provide services under a local marketing agreement, (ii) noted as "SSA" which indicates stations to which we provide technical, engineering, promotional, administrative and other operational support services under a shared services agreement, and (iii) noted as "JSA" which indicates stations to which we provide advertising sales services under a joint sales agreement.

(3) Station Rank and Audience Share % are based on an average of February 2014, May 2014, July 2014 and November 2014 Nielsen data, Sign-On to Sign-Off (M-SU 6A-2A) TV household share.

(4) The station is also party to joint sales and shared service agreements for WAGT, a NBC affiliate, which is licensed to an independent third party.

(5) Broadcast licenses are granted by the FCC for maximum terms of eight years and are subject to renewal upon application to the FCC. The licenses remain in effect until action on the renewal applications has been completed. The Company has filed all of its applications for renewal in a timely manner prior to the applicable expiration dates and expects its applications will be approved when the FCC works though its backlog, as is routine in the industry.

Revenues, Cyclicality and Seasonality

The Company's primary source of revenue is the sale of advertising time on its television stations. Advertising revenue is recognized when advertisements are aired. Agency commissions related to advertising are recorded as a reduction of revenue. Advertising rates are influenced by a variety of factors including demand, the size of a station's market, the station's overall rating, economic conditions and the popularity of the station's local, network and syndicated programming. Broadcast advertising revenue represented approximately 73%, 77% and 84% of gross operating revenues for the years ended December 31, 2014, 2013 and 2012, respectively.

Broadcast advertising revenue is generally higher in even-numbered years due to political election spending and advertising revenue generated from the Olympic Games on the Company's fourteen NBC stations. Increased consumer advertising in the spring and for the holiday season generally generates higher advertising revenue in the second and fourth quarters of each year.

The Company receives consideration from certain satellite and cable providers in return for the Company's consent to the retransmission of the signals of its television stations. Retransmission consent revenue is recognized on a per subscriber basis in accordance with terms of each contract. Retransmission consent revenue represented approximately 19%, 16% and 10% of gross operating revenues for the years ended December 31, 2014, 2013 and 2012, respectively.

As part of the merger with LIN Media in 2014, the Company has an innovative digital media portfolio that helps agencies and brands effectively and efficiently reach their target audiences. The digital media businesses use the latest in conversational marketing, video, display, mobile, social intelligence and monetization, as well as reporting across all screens. The industry-leading digital portfolio is comprised of six digital offerings: LIN Digital, LIN Mobile, Federated Media, Dedicated Media, HYFN, and BiteSize TV. LIN Digital provides premium display and premium video advertising on LIN Digital's advertising network. LIN Mobile provides premium mobile advertising, including proprietary software to optimize audience reach. Federated Media provides premium display and video advertising on a network of influential website publishers, including popular lifestyle bloggers. Dedicated Media provides performance-based marketing, data targeting and analytics and helps clients optimize digital marketing campaigns. HYFN is a full service digital agency that develops and implements mobile, social and web experiences for some of the world's largest brands. The newest investment, BiteSize TV, is a video content creator. Together with the Company's television station websites, the digital businesses described above provide an ecosystem that drives scale, synergies and opportunities to further expand the Company's national, regional and local sales channels. Digital advertising revenue is recognized when the advertisement is displayed on our websites and mobile applications, or the websites and mobile applications of the publishers and partners in our advertising network.

The Company generates revenue from other sources, which include commercial production and tower space rental income. The Company, in the ordinary course of business, also provides advertising airtime to certain customers in exchange for products or services.

Industry

All television stations in the country are grouped by Nielsen, a national audience measuring service, into approximately 210 Designated Market Areas ("DMA") that are ranked in size according to various formulae based upon actual or potential audience. Each DMA is determined as an exclusive geographic area consisting of all counties in which the home-market commercial stations receive the greatest percentage of total viewing hours. Nielsen periodically publishes data on estimated audiences for the television stations in the various television markets throughout the country. The estimates are expressed in terms of the percentage of the total potential audience in the market viewing a station, which is referred to as the station's "rating," and of the percentage of the audience actually watching television, which is referred to as the station's "share." Nielsen provides such data on the basis of total television households and selected demographic groupings in the market using three methods of determining a station's ability to attract viewers (diary markets, meter-diary adjusted markets and local people meter markets). Ratings in large DMAs are determined by meters connected directly to select television sets. In mid-sized DMAs, ratings are determined by a combination of meters connected directly to television sets and weekly diaries of television viewing, while in smaller markets only weekly diaries are used to determine viewing.

Whether a station is affiliated with one of the four major networks (ABC, CBS, NBC or FOX) has a significant impact on the composition of the station's revenue, expenses and operations. A typical network affiliate receives a significant percentage of its programming each day from the network. This programming is provided to the affiliate by the network in exchange for a substantial majority of the advertising time during network programs. The network then sells this advertising time and retains the revenue. The affiliate retains the revenue from time sold during breaks in and between network programs and programs the affiliate produces or purchases from syndicators. In addition, stations generally pay a network program fee for the right to broadcast network programs. Traditional network programming typically achieves higher audience levels than syndicated programs aired by independent stations.

In acquiring syndicated programming to supplement network programming, network affiliates compete with the other stations in their markets. Local cable systems generally do not compete with local stations for programming, but various national cable and satellite networks from time to time have acquired programs that would have otherwise been offered to local television stations.

Competition

Competition in the television industry takes place on several levels: competition for audience, competition for programming (including news) and competition for advertisers. Additional factors that are material to a television station's competitive position include signal coverage and assigned frequency.

Audience. Stations compete for audience on the basis of program popularity, which has a direct effect on advertising rates. A significant percentage of the daily programming on the Company's stations is supplied by the network with which each station is affiliated. In those periods, the stations are totally dependent upon the performance of the network programs in attracting viewers. There can be no assurance that such programming will achieve or maintain satisfactory viewership levels in the future. Non-network time periods are programmed by the station with a combination of self-produced news, public affairs and other entertainment programming, including news and syndicated programs purchased for cash, cash and barter or barter only.

Although the commercial television broadcast industry historically has been dominated by the four major broadcast networks (ABC, CBS, NBC and FOX), stations affiliated with other national networks (e.g., The CW, MyNetworkTV and ION Television), independent stations, and other video programming delivery methods, such as cable and satellite systems, are significant competitors for the television audience. In addition, certain cable operators have elected to compete for a share of the market revenue and audience with local cable news channels and regional sports networks.

Other sources of competition include home entertainment systems (including DVDs and video game devices), video-on-demand and pay-per-view, portable digital devices and the Internet. In particular, programmers, including networks and other program providers may now distribute programming directly to consumers via the Internet and portable digital devices including smartphones.

Further advances in technology may increase competition for household audiences and advertisers. Video compression techniques, applicable to all video delivery systems, reduce the bandwidth required for television signal transmission and have the potential to provide vastly expanded programming to highly targeted audiences. This ability to reach very narrowly defined audiences is expected to alter the competitive dynamics for advertising expenditures. The same compression technology, however, enables local television broadcast stations to broadcast multiple digital channels of local television programming. This technology expands the capacity of local television broadcast stations to provide more programming and potentially develop new sources of revenue. The Company is unable to predict the effect that any of these or other technological changes in which programming may be delivered will have on the broadcast television industry or the future results of the Company’s operations.

Programming. Competition for programming involves negotiating with national program distributors or syndicators, which sell first-run and rerun packages of programming. The stations compete against in-market broadcast station competitors for exclusive local access to off-network reruns and first-run products in their respective markets. As noted, cable and satellite systems compete with local stations for programming to a lesser extent, and various national cable and satellite networks from time to time have acquired exclusive rights for programs that would have otherwise been offered to local television stations.

Advertising. Advertising rates are based upon the size of the market in which the station operates, the program’s popularity among the viewers that an advertiser wishes to attract, the number of advertisers competing for the available time, the demographic makeup of the market served by the station, the availability of alternative advertising media in the market area, aggressive and knowledgeable sales forces and development of projects, features and programs that tie advertiser messages to programming. Advertising revenue comprises the primary source of revenue for commercial television stations. The Company’s stations compete for such advertising revenue with other television stations in their respective markets, as well as with other advertising media, such as the Internet, cable and satellite systems, newspapers, radio stations, magazines, outdoor advertising, transit advertising, and direct mail serving the same market. Competition for advertising dollars in the broadcasting industry occurs primarily within individual markets. Generally, a television station in the market does not compete with stations in other market areas.

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Broadcast Regulation

The ownership, operation and sale of television stations are subject to the jurisdiction of the Federal Communications Commission (the “FCC”), which acts under the authority granted by the Communications Act of 1934, as amended (the “Communications Act”). Among other things, the FCC assigns frequency bands for broadcasting; determines the particular frequencies, locations and operating power of stations; issues, renews, revokes and modifies station licenses; regulates equipment used by stations; adopts and implements regulations and policies that directly or indirectly affect the ownership, operation and employment practices of stations; and has the power to impose penalties for violations of the Communications Act and its related rules and regulations.

The following is a brief summary of certain provisions of the Communications Act and specific FCC regulations and policies. Reference should be made to the Communications Act, FCC rules and the public notices and rulings of the FCC for further information concerning the nature and extent of federal regulation of broadcast stations.

License Renewals

Continuation of operations requires that the Company retain and, from time to time, renew a variety of governmental approvals. FCC licenses to operate broadcast television stations generally have a term of eight years. Historically, the FCC has renewed the vast majority of broadcast licenses, but there can be no assurance that the Company’s licenses will be renewed at their expiration dates or, if renewed, that the renewal terms will be for the maximum permitted period. The non-renewal or revocation of one or more of the Company’s primary FCC licenses could have a material, adverse effect on its operations.

Ownership Matters

The Communications Act prohibits the assignment or transfer of control of a broadcast license without the prior approval of the FCC. In determining whether to permit the assignment or transfer of control of, or the grant or renewal of, a broadcast license, the FCC considers a number of factors pertaining to the licensee, including compliance with various rules limiting common ownership of media properties, the “character” of the licensee and its principals and compliance with the Communications Act’s limitations on ownership by non-U.S. citizens, non-U.S. entities or representatives of foreign persons or foreign governments (collectively, “aliens”). In general, aliens may not own or vote an aggregate interest of greater than 25% in an entity that controls a broadcast licensee.

FCC rules impose limits on the ownership and cross-ownership of interests in television broadcast stations and certain other media, including:

- the ownership of multiple television stations in the same market;
- the cross-ownership of television stations and radio broadcast stations in the same market;
- the ownership of television stations and daily newspapers of general circulation in the same market; and
- the national ownership of television stations, which precludes a single entity from owning television stations reaching more than 39% of the entire population of the United States.

In applying its media ownership limits, the FCC treats persons or entities holding "attributable" interests as station "owners." Subject to some exceptions, attributable media interests include the following:

- the direct or indirect right to vote 5% or more of the stock of a corporation (or 20% or more of such stock in the case of insurance companies, investment companies and bank trust departments that are passive investors);

a position as an officer or director;

a general partnership interest;

a limited partnership interest that is not “insulated” in accordance with FCC rules;

a time brokerage agreement for more than 15% of the airtime of another television station in the market;

a joint sales agreement (“JSA”) for more than 15% of the weekly advertising time of another television station in the market; and

any combination of debt and equity amounting to more than 33% of the total asset value (debt plus equity) of a media outlet if the holder either is a major program supplier (providing more than 15% of weekly programming) or holds another attributable media interest in the same market.

The Communications Act requires the FCC to review its ownership rules every four years to determine whether those rules are necessary in the public interest. On April 15, 2014, the FCC released an order and a notice of proposed rulemaking to close its 2010 Quadrennial Review of its ownership rules and open its 2014 Quadrennial Review. The FCC determined to treat a JSA between two same-market television stations as attributable for purposes of its multiple ownership rules if the agreement applies to more than 15% of the weekly advertising time of the brokered station. The FCC gave broadcasters a two-year grace period to bring existing agreements into compliance with the new rule, a period that Congress subsequently extended so that existing JSAs may continue in effect until December 19, 2016. This rule change affects the Company’s present agreements to sell advertising inventory for independently owned stations in Augusta, GA; Albany, NY; Lansing, MI; Springfield, OH; Youngstown, OH; Dayton, OH and Topeka, KS. In its 2014 Quadrennial Review, the FCC will continue to consider changes to the FCC’s rules regarding broadcast-newspaper cross ownership restrictions and the possible elimination of rules restricting the ownership of radio and TV stations in the same market. The FCC also is considering, among other things, whether to update the definitions of television service contours to take account of digital operations, require television broadcasters to disclose agreements with other broadcasters for shared services and to impose restrictions on these agreements, and regulate network affiliation swaps under the television duopoly rule.

In addition to the FCC, the Department of Justice and the Federal Trade Commission also may review matters related to the concentration of media ownership within markets.

Carriage of Television Broadcast Signals over Cable and Direct Broadcast Satellite Systems

Pursuant to FCC rules, local television stations may elect every three years to either (1) require cable and/or direct broadcast satellite operators to carry the stations’ signals or (2) enter into retransmission consent agreements for carriage. The Company has elected to enter into retransmission agreements with the cable and direct satellite broadcast companies serving its markets. There is no assurance, however, that the Company will be able to agree on acceptable terms for retransmission agreements when existing agreements expire.

Effective June 18, 2014, the FCC changed its rules implementing the statutory duty to negotiate retransmission consent agreements in good faith. With this change, a television broadcast station ranked among the top-four stations (as measured by audience share) in its Nielsen DMA is prohibited from negotiating retransmission consent jointly with another top-four station in the same market if the stations are not commonly owned. Under the rule changes, top-four stations may not delegate authority to negotiate or approve a retransmission consent agreement to another non-commonly owned top-four station located in the same DMA or to a third party that negotiates on behalf of another top-four television station in the same DMA; neither may top-four stations facilitate or agree to facilitate coordinated negotiation of retransmission consent terms among multiple top-four stations in the same DMA, including through the sharing of information. Retransmission consent agreements jointly negotiated prior to the effective date of the new rules remain enforceable until expiration of their terms, but contractual provisions related to separately owned top-four stations consulting or jointly negotiating retransmission agreements are no longer enforceable. The Company cannot predict what effect, if any, the new rules may have on future negotiations for retransmission consent agreements.

The FCC's syndicated exclusivity rules allow local broadcast television stations to demand that cable operators black out syndicated non-network programming carried on "distant signals" (i.e. signals of broadcast stations, including so-called "superstations," which serve areas substantially removed from the cable system's local community). The FCC's network non-duplication rules allow local network-affiliated broadcast stations to require that cable operators black out duplicate network programming carried on distant signals. In a number of markets in which the Company owns stations affiliated with a network, however, a station that is affiliated with the same network in a nearby market is carried on cable systems in the Company's markets. The carriage of two network stations on the same cable system could result in a decline of viewership, adversely affecting the revenues of the Company's stations.

By a notice of proposed rulemaking released on December 19, 2014, the FCC has sought comment on a proposed change to its rules to broaden the term "multichannel video programming distributor" ("MVPD") so that it would include within its scope—and thus within the scope of FCC rules pertaining to MVPDs—certain online video distributors. The FCC has proposed to include those services that make multiple linear streams of video programming available for purchase by subscribers at a prescheduled time, regardless of the technology of the distribution platform ("Linear Programming Interpretation"). The FCC also asked for comment on an alternate interpretation of the MVPD definition that would add to the FCC's classification entities that make available the transmission paths to the programmer ("Transmission Path Interpretation"). In addition, the FCC has proposed that its retransmission consent rules would apply to online MVPDs. We cannot predict what changes the FCC may adopt in this proceeding or the effect that any such changes may have on the business and operations of the Company.

Restrictions on Broadcast Programming

As a broadcast licensee, the Company also must comply with a variety of FCC rules regulating its operations such as political broadcasting rules, children's television rules and limitations on indecent or obscene programming. Violation of these and other FCC rules could subject the Company to significant fines or other sanctions.

Advertising of cigarettes and certain other tobacco products on broadcast stations has been banned for many years. Various states also restrict the advertising of alcoholic beverages and, from time to time, certain members of Congress have contemplated legislation to place restrictions on the advertisement of such alcoholic beverages. FCC rules also restrict the amount and type of advertising that can appear in a program broadcast primarily for an audience of children 12 years of age and younger.

Under the Communications Act and FCC rules, stations must provide "reasonable access" for the purchase of time by legally qualified candidates for federal office and "equal opportunities" for the purchase of equivalent amounts of comparable broadcast time by opposing candidates for the same elective office and must make favorable rates available