

LIN Media LLC
Form 10-Q
August 11, 2014
Table of Contents

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 June 30, 2014

Commission file number: 001-36032

Commission file number: 000-25206

LIN Media LLC
(Exact name of registrant as specified in its charter)

LIN Television Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

Delaware
(State or other jurisdiction of incorporation or organization)

90-0935925
(I.R.S. Employer Identification No.)

13-3581627
(I.R.S. Employer Identification No.)

701 Brazos Street, Suite 800
Austin, Texas 78701
(Address of principal executive offices)

(512) 774-6110
(Registrant's telephone number, including area code)

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 to its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding twelve 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

This combined Form 10-Q is separately filed by (i) LIN Media LLC and (ii) LIN Television Corporation. LIN Television Corporation meets the conditions set forth in general instruction H (1) (a) and (b) of Form 10-Q and is, therefore, filing this form with the reduced disclosure format permitted by such instruction.

LIN Media LLC Class A common shares, outstanding as of August 8, 2014: 37,693,498 shares.

LIN Media LLC Class B common shares, outstanding as of August 8, 2014: 17,901,726 shares.

LIN Media LLC Class C common shares, outstanding as of August 8, 2014: 2 shares.

LIN Television Corporation common stock, \$0.01 par value, outstanding as of August 8, 2014: 1,000 shares.

Table of Contents

EXPLANATORY NOTE

On July 30, 2013, LIN TV Corp., a Delaware corporation (“LIN TV”), completed its merger with and into LIN Media LLC, a Delaware limited liability company and wholly owned subsidiary of LIN TV (“LIN LLC”), with LIN LLC as the surviving entity (the “2013 LIN LLC Merger”) pursuant to the Agreement and Plan of Merger, dated February 12, 2013, by and between LIN TV and LIN LLC (the “2013 LIN LLC Merger Agreement”). Entry into the 2013 LIN LLC Merger Agreement had previously been reported by LIN TV on its Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on February 15, 2013.

LIN LLC filed a Current Report on Form 8-K on July 31, 2013 (the “Form 8-K”) for the purpose of establishing LIN LLC as the successor registrant to LIN TV pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and to disclose certain related matters, including the consummation of the Merger. Pursuant to Rule 12g-3(a) under the Exchange Act and in accordance with the filing of the Form 8-K, the class A common shares representing limited liability interests in LIN LLC, as the successor issuer to LIN TV, were deemed registered under Section 12(b) of the Exchange Act. References to LIN LLC, we, us, or the Company in this Quarterly Report on Form 10-Q that include any period at and before the effectiveness of the 2013 LIN LLC Merger shall be deemed to refer to LIN TV as the predecessor registrant to LIN LLC. For more information concerning the effects of the 2013 LIN LLC Merger and the succession of LIN LLC to LIN TV upon its effectiveness, please see the Form 8-K.

Table of Contents

Table of Contents

Part I. Financial Information

<u>Item 1. Unaudited Consolidated Financial Statements of LIN Media LLC</u>	<u>3</u>
<u>Consolidated Balance Sheets</u>	<u>4</u>
<u>Consolidated Statements of Operations</u>	<u>5</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>6</u>
<u>Consolidated Statements of Shareholders' Equity (Deficit)</u>	<u>7</u>
<u>Consolidated Statements of Cash Flows</u>	<u>9</u>
<u>Notes to Unaudited Consolidated Financial Statements (See separate index for Financial Statements of LIN Television Corporation)</u>	<u>10</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>35</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>44</u>
<u>Item 4. Controls and Procedures</u>	<u>44</u>

Part II. Other Information

<u>Item 1. Legal Proceedings</u>	<u>45</u>
<u>Item 1A. Risk Factors</u>	<u>46</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>52</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>52</u>
<u>Item 4. Mine Safety Disclosure</u>	<u>52</u>
<u>Item 5. Other Information</u>	<u>53</u>
<u>Item 6. Exhibits</u>	<u>54</u>
<u>Signature Page</u>	<u>55</u>

Table of Contents

Part I. Financial Information

Item 1. Unaudited Consolidated Financial Statements

3

Table of Contents

LIN Media LLC
 Consolidated Balance Sheets
 (unaudited)

	June 30, 2014	December 31, 2013
	(in thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,716	\$ 12,525
Marketable securities	980	—
Accounts receivable, less allowance for doubtful accounts (2014 - \$3,867; 2013 - \$3,188)	154,115	145,309
Deferred income tax assets	7,410	6,898
Other current assets	22,442	15,201
Total current assets	204,663	179,933
Property and equipment, net	217,362	221,078
Deferred financing costs	14,861	16,448
Goodwill	210,968	203,528
Broadcast licenses	536,515	536,515
Other intangible assets, net	48,480	47,049
Other assets	12,727	12,299
Total assets (a)	\$ 1,245,576	\$ 1,216,850
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 20,495	\$ 17,364
Accounts payable	17,299	14,002
Income taxes payable	463	1,420
Accrued expenses	67,583	51,696
Program obligations	6,968	7,027
Total current liabilities	112,808	91,509
Long-term debt, excluding current portion	910,729	927,328
Deferred income tax liabilities	61,579	64,686
Program obligations	3,559	4,146
Other liabilities	24,417	27,209
Total liabilities (a)	1,113,092	1,114,878
Commitments and Contingencies (Note 9)		
Redeemable noncontrolling interest	9,905	12,845
LIN Media LLC shareholders' equity:		
Class A common shares, 100,000,000 shares authorized, Issued: 42,636,094 and 39,013,005 shares as of June 30, 2014 and December 31, 2013, respectively. Outstanding: 37,688,435 and 34,065,346 shares as of June 30, 2014 and December 31, 2013, respectively	642,840	624,564
Class B common shares, 50,000,000 shares authorized, 17,901,726 and 20,901,726 shares as of June 30, 2014 and December 31, 2013, respectively, issued and outstanding; convertible into an equal number of shares of class A common or class C common shares	518,365	518,395
Class C common shares, 50,000,000 shares authorized, 2 shares as of June 30, 2014 and December 31, 2013, issued and outstanding; convertible into an equal number of	—	—

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shares of class A common shares			
Treasury shares, 4,947,659 shares of class A common shares as of June 30, 2014 and December 31, 2013, at cost	(21,984)	(21,984)
Accumulated deficit	(993,338	)	(1,006,322)
Accumulated other comprehensive loss	(25,181	)	(25,526)
Total LIN Media LLC shareholders' equity	120,702		89,127
Noncontrolling interest	1,877		—
Total equity	122,579		89,127
Total liabilities, redeemable noncontrolling interest and shareholders' equity	\$ 1,245,576		\$ 1,216,850

Our consolidated assets as of June 30, 2014 and December 31, 2013 include total assets of: \$55,165 and \$56,056, respectively, of variable interest entities (“VIEs”) that can only be used to settle the obligations of the VIEs. These assets include broadcast licenses and other intangible assets of: \$43,565 and \$44,677 and program rights of: \$1,948 and \$2,186 as of June 30, 2014 and December 31, 2013, respectively. Our consolidated liabilities as of June 30, (a) 2014 and December 31, 2013 include \$3,752 and \$4,126, respectively, of total liabilities of the VIEs for which the VIEs’ creditors have no recourse to the Company, including \$2,525 and \$2,727, respectively, of program obligations. See further description in Note 1 — “Basis of Presentation and Summary of Significant Accounting Policies.”

The accompanying notes are an integral part of the unaudited consolidated financial statements.

Table of Contents

LIN Media LLC

Consolidated Statements of Operations
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands, except per share data)		(in thousands, except per share data)	
Net revenues	\$ 188,765	\$ 164,346	\$ 355,006	\$ 305,338
Operating expenses:				
Direct operating	75,487	63,623	144,921	118,191
Selling, general and administrative	48,308	40,040	93,248	77,338
Amortization of program rights	6,788	7,152	13,381	14,937
Corporate	8,656	9,094	21,197	19,365
Depreciation	11,087	11,320	21,773	22,958
Amortization of intangible assets	5,706	5,723	11,277	11,152
Restructuring charge	—	391	—	2,523
Loss from asset dispositions	5	87	99	182
Operating income	32,728	26,916	49,110	38,692
Other expense:				
Interest expense, net	14,150	14,428	28,359	28,299
Share of loss in equity investments	25	25	100	25
Other (income) expense, net	(101	) 84	(83	) 60
Total other expense, net	14,074	14,537	28,376	28,384
Income before provision for income taxes	18,654	12,379	20,734	10,308
Provision for income taxes	7,788	5,210	8,809	4,159
Net income	10,866	7,169	11,925	6,149
Net loss attributable to noncontrolling interests	(461	) (306	) (1,059	) (470
Net income attributable to LIN Media LLC	\$ 11,327	\$ 7,475	\$ 12,984	\$ 6,619
Basic net income per common share:				
Net income	\$ 0.21	\$ 0.14	\$ 0.24	\$ 0.13
Weighted-average number of common shares outstanding used in calculating basic income per common share	53,961	52,278	53,755	52,095
Diluted net income per common share:				
Net income	\$ 0.20	\$ 0.13	\$ 0.23	\$ 0.12
Weighted-average number of common shares outstanding used in calculating diluted income per common share	56,740	55,595	56,608	55,406

The accompanying notes are an integral part of the unaudited consolidated financial statements.

Table of Contents

LIN Media LLC

Consolidated Statements of Comprehensive Income
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)		(in thousands)	
Net income	\$10,866	\$7,169	\$11,925	\$6,149
Amortization of pension net losses, reclassified, net of tax of \$101 and \$169 for the three months ended June 30, 2014 and 2013, respectively, and \$225 and \$338 for the six months ended June 30, 2014 and 2013, respectively	154	259	345	518
Comprehensive income	11,020	7,428	12,270	6,667
Comprehensive loss attributable to noncontrolling interest	(461)	(306)	(1,059)	(470)
Comprehensive income attributable to LIN Media LLC	\$11,481	\$7,734	\$13,329	\$7,137

The accompanying notes are an integral part of the unaudited consolidated financial statements.

Table of Contents

LIN Media LLC
 Consolidated Statement of Shareholders' Equity
 (unaudited)
 (in thousands)

	Common Shares		Treasury Shares		Accumulated	Other	Noncontrolling	Total
	Class A	Class B	Class A	Class B	Accumulated	Comprehensive	Interest	Shareholders'
	Amount	Amount	Amount	(at cost)	Deficit	Loss		Equity
Balance as of December 31, 2013	\$624,564	\$518,395	\$—	\$(21,984)	\$(1,006,322)	\$ (25,526)	\$ —	\$ 89,127
Pension liability adjustment, net of tax of \$225	—	—	—	—	—	345	—	345
Issuance of class A common shares	1,948	—	—	—	—	—	—	1,948
Conversion of class B common shares to class A common shares	30	(30)	—	—	—	—	—	—
Tax benefit from exercise of share options and vesting of restricted share awards	11,965	—	—	—	—	—	—	11,965
Share-based compensation	4,333	—	—	—	—	—	13	4,346
Reclassification from redeemable noncontrolling interest	—	—	—	—	—	—	2,766	2,766
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	(902)	(902)
Net income	—	—	—	—	12,984	—	—	12,984
Balance as of June 30, 2014	\$642,840	\$518,365	\$—	\$(21,984)	\$(993,338)	\$ (25,181)	\$ 1,877	\$ 122,579

The accompanying notes are an integral part of the unaudited consolidated financial statements.

Table of Contents

LIN Media LLC
 Consolidated Statement of Stockholders' Deficit
 (unaudited)
 (in thousands)

	Common Stock Class A Amount	Common Stock Class B Amount	Common Stock Class C Amount	Treasury Stock (at cost)	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
Balance as of December 31, 2012	\$ 313	\$ 235	\$ —	\$(21,984)	\$ 1,129,691	\$(1,164,435)	\$ (35,384)	\$ (91,564)
Pension liability adjustment, net of tax of \$338	—	—	—	—	—	—	518	518
Issuance of class A common stock	3	—	—	—	1,156	—	—	1,159
Tax benefit from exercise of stock options and vesting of restricted stock awards	—	—	—	—	1,497	—	—	1,497
Stock-based compensation	—	—	—	—	4,440	—	—	4,440
Net income attributable to LIN TV Corp.	—	—	—	—	—	6,619	—	6,619
Balance as of June 30, 2013	\$ 316	\$ 235	\$ —	\$(21,984)	\$ 1,136,784	\$(1,157,816)	\$ (34,866)	\$ (77,331)

The accompanying notes are an integral part of the unaudited consolidated financial statements.

Table of Contents

LIN Media LLC
 Consolidated Statements of Cash Flows
 (unaudited)

	Six Months Ended June 30,	
	2014	2013
	(in thousands)	
OPERATING ACTIVITIES:		
Net income	\$11,925	\$6,149
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	21,773	22,958
Amortization of intangible assets	11,277	11,152
Amortization of financing costs and note discounts	1,800	1,808
Amortization of program rights	13,381	14,937
Cash payments for programming	(13,784	) (16,072
Share of loss in equity investments	100	25
Deferred income taxes, net	8,103	3,803
Share-based compensation	4,346	4,528
Loss from asset dispositions	99	182
Other, net	1,954	846
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	717	1,203
Other assets	(9,934	) (3,036
Accounts payable	(2,118	) (6,479
Accrued interest expense	(160	) 4,510
Other liabilities and accrued expenses	11,871	(3,949
Net cash provided by operating activities	61,350	42,565
INVESTING ACTIVITIES:		
Capital expenditures	(11,463	) (14,170
Acquisition of broadcast towers	(7,257) —
Payments for business combinations, net of cash acquired	(22,733	) (9,824
Proceeds from the sale of assets	107	34
Contributions to equity investments	(100) —
Purchase of marketable securities	(980) —
Capital contribution to joint venture with NBCUniversal	—	(100,000
Net cash used in investing activities	(42,426	) (123,960
FINANCING ACTIVITIES:		
Net proceeds on exercises of employee and director share-based compensation	1,948	1,156
Proceeds from borrowings on long-term debt	45,000	96,000
Principal payments on long-term debt	(58,681	) (41,617
Payment of long-term debt issue costs	—	(652
Net cash (used in) provided by financing activities	(11,733	) 54,887
Net increase (decrease) in cash and cash equivalents	7,191	(26,508
Cash and cash equivalents at the beginning of the period	12,525	46,307
Cash and cash equivalents at the end of the period	\$19,716	\$19,799
The accompanying notes are an integral part of the unaudited consolidated financial statements.		

Table of Contents

LIN Media LLC

Notes to Unaudited Consolidated Financial Statements

Note 1 — Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation

LIN Media LLC (“LIN LLC”), together with its subsidiaries, including LIN Television Corporation, a Delaware corporation (“LIN Television”), is a local multimedia company operating in the United States. LIN LLC and its subsidiaries are affiliates of HM Capital Partners I LP (“HMC”). In these notes, the terms “Company,” “we,” “us” or “our” mean LIN LLC and all subsidiaries included in our consolidated financial statements.

On July 30, 2013, LIN TV Corp., a Delaware corporation (“LIN TV”), completed its merger with and into LIN LLC, a Delaware limited liability company and wholly owned subsidiary of LIN TV, with LIN LLC as the surviving entity (the “2013 LIN LLC Merger”) pursuant to the Agreement and Plan of Merger, dated February 12, 2013, by and between LIN TV and LIN LLC (the “2013 LIN LLC Merger Agreement”). LIN LLC filed a Current Report on Form 8-K on July 31, 2013 (the “Form 8-K”) for the purpose of establishing LIN LLC as the successor registrant to LIN TV pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and to disclose certain related matters, including the consummation of the 2013 LIN LLC Merger. Pursuant to Rule 12g-3(a) under the Exchange Act and in accordance with the filing of the Form 8-K, the class A common shares representing limited liability interests in LIN LLC, as the successor registrant to LIN TV, were deemed registered under Section 12(b) of the Exchange Act. References to “LIN LLC,” “we,” “us,” or the “Company” in this Quarterly Report on Form 10-Q that include any period at and before the effectiveness of the 2013 LIN LLC Merger shall be deemed to refer to LIN TV as the predecessor registrant to LIN LLC. For more information concerning the effects of the 2013 LIN LLC Merger and the succession of LIN LLC to LIN TV upon its effectiveness, please see the Form 8-K.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All intercompany accounts and transactions have been eliminated.

In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments necessary to state fairly our financial position, results of operations and cash flows for the periods presented. The interim results of operations are not necessarily indicative of the results to be expected for the full year.

The accompanying consolidated financial statements include the accounts of our Company, our wholly-owned and majority-owned and controlled subsidiaries, and VIEs for which we are the primary beneficiary. We review all local marketing agreements (“LMAs”), shared services agreements (“SSAs”), joint sales agreements (“JSAs”) and related agreements to evaluate whether consolidation of entities that are party to such arrangements is required under U.S. GAAP.

During the first quarter of 2014, we began operating under two segments, which also represent our reportable segments, “Broadcast” and “Digital” that are disclosed separately from our corporate activities. Our Broadcast segment includes 43 television stations and seven digital channels that are either owned, operated or serviced by us in 23 U.S. markets, all of which are engaged principally in the sale of television advertising and digital advertising primarily related to our television station companion websites. Our Digital segment includes the operating results of the following digital companies: LIN Digital LLC (“LIN Digital”), LIN Mobile, LLC (“LIN Mobile”), Nami Media, Inc. (“Nami Media”), HYFN, Inc. (“HYFN”), Dedicated Media, Inc. (“Dedicated Media”), and Federated Media Publishing LLC (“Federated Media”). Corporate and unallocated expenses primarily include our costs to operate as a public company and to operate our corporate locations. Corporate is not a reportable segment. We have retrospectively recast prior period disclosures to reflect this change in our reportable operating segments. See Note 5 - “Segment

Reporting” for further discussion. Prior to January 1, 2014, we had one reportable segment.

We conduct our business through LIN Television and its subsidiaries. Prior to the 2013 LIN LLC Merger, LIN TV had no operations or assets other than its investments in its subsidiaries. Subsequent to the 2013 LIN LLC Merger and consistent with its classification as a partnership for federal income tax purposes, LIN LLC has separate operations relating to the administration of the partnership. The consolidated financial statements of LIN LLC represent its own operations and the consolidated operations of LIN Television, which remains a corporation after the 2013 LIN LLC Merger.

On July 24, 2014, we filed a joint proxy statement/prospectus with the Securities and Exchange Commission which was mailed to the shareholders of LIN LLC in connection with a special meeting of the shareholders of LIN LLC to be held on August 20, 2014 for the purpose of voting on the proposal to adopt the Agreement and Plan of Merger, dated March 21, 2014, with Media General, Inc., a Virginia corporation ("Media General"), Mercury New Holdco, Inc., a Virginia corporation ("New Holdco"),

Table of Contents

Mercury Merger Sub 1, Inc., a Virginia corporation and a direct, wholly-owned subsidiary of New Holdco (“Merger Sub 1”), Mercury Merger Sub 2, LLC, a Delaware limited liability company and a direct, wholly owned subsidiary of New Holdco (“Merger Sub 2”) (the “Merger Agreement”). If the transactions contemplated by the Merger Agreement (the “Merger”) are completed, LIN LLC will become a wholly-owned subsidiary of New Holdco and Media General will become a wholly-owned subsidiary of LIN LLC (“New Media General”). The combined company will own and operate or service 74 stations across 46 markets, reaching approximately 26.5 million households or 23% of U.S. TV households (certain of these stations are expected to be swapped or otherwise divested in order to address regulatory considerations). The transaction is currently expected to close during the first quarter of 2015.

Joint Venture Sale Transaction and Merger

On February 12, 2013, we, along with our wholly-owned subsidiaries LIN Television and LIN Television of Texas, L.P., a Delaware limited partnership (“LIN Texas”) entered into an agreement whereby LIN Texas sold its 20.38% equity interest in Station Venture Holdings (“SVH”), a joint venture in which an affiliate of NBCUniversal (“NBC”) held the remaining 79.62% equity interest (collectively, the “JV Sale Transaction”). Pursuant to the JV Sale Transaction, LIN Television made a \$100 million capital contribution to SVH and in turn, was released from the guarantee of an \$815.5 million note held by SVH (“GECC Guarantee”) as well as any further obligations related to any shortfall funding agreements between LIN Television and SVH.

Concurrent with the closing of the JV Sale Transaction, LIN TV entered into the 2013 LIN LLC Merger Agreement. The 2013 LIN LLC Merger enabled the surviving entity to be classified as a partnership for federal income tax purposes and the change in classification was treated as a liquidation of LIN TV for federal income tax purposes, with the result that LIN TV realized a capital loss in its 100% equity interest in LIN Television.

For further discussion of the JV Sale Transaction and the 2013 LIN LLC Merger, refer to Item 1. “Business,” Note 1 - “Basis of Presentation and Summary of Significant Accounting Policies,” and Note 13 - “Commitments and Contingencies” to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2013 (the “10-K”).

Variable Interest Entities

In determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. We consolidate VIEs when we are the primary beneficiary.

We have a JSA and an SSA with WBDT Television, LLC (“WBDT”) for WBDT-TV in the Dayton, OH market. We also have JSAs and SSAs with affiliates of Vaughan Acquisition LLC (“Vaughan”) for WTGS-TV in the Savannah, GA market, WYTV-TV in the Youngstown, OH market and KTKA-TV in the Topeka, KS market and SSAs with KASY-TV Licensee, LLC (“KASY”), KWBQ-TV, KRWB-TV and KASY-TV in the Albuquerque, Santa-Fe NM market. Under these agreements, we provide administrative services to these stations, have an obligation to reimburse certain of the stations' expenses, and we are compensated through a performance-based fee structure that provides us the benefit of certain returns from the operation of these stations. We determined that WBDT, Vaughan and KASY are VIEs and as a result of the JSAs and/or SSAs, we have variable interests in these entities. We are the primary beneficiary of these entities, and therefore, we consolidate these entities within our consolidated financial statements.

An order that the Federal Communications Commission (“FCC”) adopted in March 2014, however, will require changes in our relationship with these entities going forward. In that order, the FCC concluded that JSAs should be “attributable” for purposes of the media ownership rules if they permit a television licensee to sell more than 15% of the commercial

inventory of a television station owned by a third party in the same market. Stations with JSAs that would put them in violation of the new rules will have until June 19, 2016 to amend or terminate those arrangements, unless they are able to obtain a waiver of such rules. Accordingly, absent further developments, we will be required to modify or terminate our existing JSAs by no later than June 19, 2016.

The carrying amounts and classifications of the assets and liabilities of the variable interest entities described above, which have been included in our consolidating balance sheets as of June 30, 2014 and December 31, 2013 are as follows (in thousands):

11

Table of Contents

	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$418	\$278
Accounts receivable, net	6,823	6,345
Other assets	913	927
Total current assets	8,154	7,550
Property and equipment, net	2,192	2,469
Broadcast licenses and other intangible assets, net	43,565	44,677
Other assets	1,254	1,360
Total assets	\$55,165	\$56,056
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	\$1,162	\$1,162
Accounts payable	45	63
Accrued expenses	1,184	1,336
Program obligations	1,283	1,303
Total current liabilities	3,674	3,864
Long-term debt, excluding current portion	2,424	3,005
Program obligations	1,242	1,424
Other liabilities	47,825	47,763
Total liabilities	\$55,165	\$56,056

The assets of our consolidated VIEs can only be used to settle the obligations of the VIEs and may not be sold, or otherwise disposed of, except for assets sold or replaced with others of like kind or value. Other liabilities of \$47.8 million and \$47.8 million as of June 30, 2014 and December 31, 2013, respectively, serve to reduce the carrying value of the entities, and are eliminated in our consolidated financial statements. This reflects the fact that as of June 30, 2014 and December 31, 2013, LIN Television has an option that it may exercise if the FCC attribution rules change. The option would allow LIN Television to acquire the assets or member's interest of the VIE entities for a nominal exercise price, which is significantly less than the carrying value of their tangible and intangible net assets. The options are carried at zero on our consolidated balance sheet, as any value attributable to the options is eliminated in the consolidation of the VIEs. In an order adopted in March 2014, the FCC concluded that JSAs should be "attributable" for purposes of the media ownership rules if they permit a television licensee to sell more than 15% of the commercial inventory of a television station owned by a third party in the same market. Stations with JSAs that would put them in violation of the new rules will have until June 19, 2016 to amend or terminate those arrangements, unless they are able to obtain a waiver of such rules. Accordingly, absent further developments, or the grant of waivers, we will be required to modify or terminate our existing JSAs no later than June 19, 2016.

Redeemable Noncontrolling Interest

The redeemable noncontrolling interest as of December 31, 2013 includes the interest of minority shareholders of HYFN, Dedicated Media and Nami Media. During the six months ended June 30, 2014, we have reclassified the interest of the minority shareholders of Nami Media to permanent equity, as the mandatory redemption feature of Nami Media's minority shareholders' interest terminated in February 2014. Accordingly, the following table presents the activity of the redeemable noncontrolling interest included in our consolidated balance sheets related to HYFN and Dedicated Media, which represents third parties' proportionate share of our consolidated net assets (in thousands):

Table of Contents

	Redeemable Noncontrolling Interest
Balance as of December 31, 2013	\$12,845
Net loss	(1,059)
Share-based compensation and other	(4)
Reclassification to noncontrolling interest (Nami Media)	(1,877)
Balance as of June 30, 2014	\$9,905

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the notes thereto. Our actual results could differ from these estimates. Estimates are used for the allowance for doubtful accounts in receivables, valuation of goodwill and intangible assets, assumptions used to determine fair value of financial instruments, amortization and impairment of program rights and intangible assets, share-based compensation and other long-term incentive compensation arrangements, pension costs, barter transactions, income taxes, employee medical insurance claims, useful lives of property and equipment, contingencies, litigation and net assets of businesses acquired.

Net Earnings per Common Share

Basic earnings per share (“EPS”) is computed by dividing income attributable to common shareholders by the number of weighted-average outstanding common shares. Diluted EPS reflects the effect of the assumed exercise of share options and vesting of restricted shares only in the periods in which such effect would have been dilutive.

The following table sets forth the computation of the common shares outstanding used in determining basic and diluted EPS (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Denominator for EPS calculation:				
Weighted-average common shares, basic	53,961	52,278	53,755	52,095
Effect of dilutive securities:				
Share options	2,779	3,317	2,853	3,311
Weighted-average common shares, diluted	56,740	55,595	56,608	55,406

We apply the treasury stock method to measure the dilutive effect of our outstanding share options and restricted share awards and include the respective common share equivalents in the denominator of our diluted EPS calculation. Securities representing zero common shares for the three and six months ended June 30, 2014, respectively and less than 0.1 million shares of common stock for the three and six months ended June 30, 2013, respectively, were excluded from the computation of diluted EPS for these periods because their effect would have been anti-dilutive. The net income per share amounts are the same for our class A, class B and class C common shares because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") issued a converged standard on revenue recognition from contracts with customers, ASU 2014-09 (Topic 606 and IFRS 15). This standard will supersede nearly all existing revenue recognition guidance. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. We are currently evaluating the impact this guidance will have on our financial condition, results of operations and cash flows.

Table of Contents

In April 2014, the FASB issued Accounting Standard Update No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360) - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"). ASU 2014-08 changes the threshold for disclosing discontinued operations and the related disclosure requirements. Pursuant to ASU 2014-08, only disposals representing a strategic shift, such as a major line of business, a major geographical area or a major equity investment, should be presented as a discontinued operation. ASU 2014-08 is effective for annual periods beginning on or after December 15, 2014 with early adoption permitted but only for disposals or classifications as held for sale which have not been reported in financial statements previously issued or available for issuance. We are currently evaluating the impact that the new guidance will have on our disclosures and consolidated financial statements.

Note 2 — Acquisitions

Federated Media Publishing, Inc.

On February 3, 2014, LIN Digital Media LLC, a wholly owned subsidiary of LIN Television, acquired 100% of the capital stock of Federated Media Publishing, Inc., which we subsequently converted into a Delaware limited liability company ("Federated Media"). Federated Media is a digital content and conversational marketing company that leverages the relationships and content from its publishing network to deliver contextually relevant advertising and conversational and engagement tools that reach agencies' and brands' targeted audiences across digital and social media platforms. The purchase price totaled \$22.5 million, net of cash, including post-closing adjustments, and was funded from cash on hand and amounts drawn on our revolving credit facility.

The following table summarizes the provisional allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed by us in the acquisition (in thousands):

Current assets	\$9,811	
Property and equipment	72	
Non-current assets	195	
Other intangible assets	11,497	
Goodwill	7,440	
Current liabilities	(6,501)
Total	\$22,514	

The amount allocated to definite-lived intangible assets represents the estimated fair values of publisher relationships of \$4.2 million, customer relationships of \$1.2 million, completed technology of \$3.9 million, and trademarks of \$2.2 million. These intangible assets will be amortized over the estimated remaining useful lives of approximately 8 years for publisher relationships, 4 years for customer relationships, 3 years for completed technology and 7 years for trademarks.

Goodwill of \$7.4 million is the excess of the aggregate purchase price over the fair value of the identifiable net assets acquired, and primarily represents the benefits of the incremental revenue we expect to generate from the acquisition of Federated Media. All of the goodwill recognized in connection with the acquisition of Federated Media is deductible for tax purposes.

Net revenues and operating loss of Federated Media included in our consolidated statements of operations for the six months ended June 30, 2014 were \$10.4 million and \$0.7 million, respectively.

Dedicated Media, Inc.

On April 9, 2013, LIN Television acquired a 60% interest (calculated on a fully diluted basis) in Dedicated Media, a multi-channel advertisement buying and optimization company. Under the terms of our agreement with Dedicated

Media, we agreed to purchase the remaining outstanding shares of Dedicated Media by no later than February 15, 2015 if Dedicated Media achieves both (i) a target earnings before interest, taxes, depreciation and amortization (“EBITDA”) and (ii) a target gross profit in 2014, as outlined in the purchase agreement. The purchase price of these shares is based on multiples of Dedicated Media’s 2014 EBITDA and gross profit. Our maximum potential obligation under the purchase agreement is \$26 million. If Dedicated Media does not meet the target EBITDA or target gross profit in 2014, we have the option to purchase the remaining outstanding shares using the same purchase price multiple.

Table of Contents

HYFN, Inc.

On April 4, 2013, LIN Television acquired a 50.1% interest (calculated on a fully diluted basis) in HYFN, a full service digital advertising agency specializing in the planning, development, deployment and support for websites, mobile sites, interactive banners, games and various applications for multiple devices. Under the terms of our agreement with HYFN, we agreed to purchase the remaining outstanding shares of HYFN by no later than February 15, 2016 if HYFN achieves both (i) a target EBITDA and (ii) target net revenues in 2015, as outlined in the transaction agreements. The purchase price of these shares is based on multiples of HYFN's 2015 net revenue and EBITDA. Our maximum potential obligation under the terms of our agreement is approximately \$62.4 million. If HYFN does not meet the target EBITDA or target net revenues in 2015, we have the option to purchase the remaining outstanding shares using the same purchase price multiple.

Our obligations to purchase the noncontrolling interest holders' shares of both Dedicated Media and HYFN are outside of our control, because they are based on the achievement of certain financial targets described above. Therefore, the noncontrolling interest related to Dedicated Media and HYFN as of June 30, 2014 has been reported as redeemable noncontrolling interest and classified as temporary equity on our consolidated balance sheets. As of the acquisition dates, the fair values of the noncontrolling interests were \$3.8 million and \$7.2 million for Dedicated Media and HYFN, respectively, and were measured based on the purchase prices for our 60% and 50.1% ownership interest in Dedicated Media and HYFN, respectively, and the net assets acquired as of the acquisition dates. As of June 30, 2014, we believe that achievement of the financial targets is not yet probable and therefore, have not reflected these obligations in our consolidated financial statements.

If we do not purchase the remaining outstanding shares of Dedicated Media or HYFN by the dates set forth in the respective purchase agreements, the noncontrolling interest holders have the right to purchase our interest. The purchase price of these shares is based on the same purchase price multiple described above and is exercisable only if the applicable financial targets are not met and we do not elect to purchase the remaining interest. The fair value of this option is zero and no amounts related to these options are included in our consolidated financial statements as of June 30, 2014.

Pro Forma Information

The following table sets forth unaudited pro forma results of operations for the six months ended June 30, 2014 and June 30, 2013 assuming that the above acquisitions of Federated Media, Dedicated Media and HYFN along with transactions necessary to finance the acquisitions, occurred on January 1, 2013 (in thousands):

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net revenue	\$356,373	\$329,016
Net income	\$11,189	\$967
Basic income per common share attributable to LIN Media LLC	\$0.21	\$0.02
Diluted income per common share attributable to LIN Media LLC	\$0.20	\$0.02

This pro forma financial information is based on historical results of operations, adjusted for the allocation of the purchase price and other acquisition accounting adjustments, and is not necessarily indicative of what our results would have been had we operated the business since January 1, 2013. The pro forma adjustments for the six months ended June 30, 2014 and 2013 reflect depreciation expense, amortization of intangibles related to the fair value adjustments of the assets acquired, additional interest expense related to the financing of the transaction and the related tax effects of the adjustments.

In connection with the acquisition of Federated Media, we and Federated Media incurred a combined total of \$0.8 million of transaction related costs primarily related to legal and other professional services. These costs were not included in the 2014 pro forma amounts. The 2013 pro forma net income was adjusted to include these costs, as they are directly attributable to the acquisition of Federated Media.

Note 3 — Intangible Assets

Goodwill totaled \$211 million and \$203.5 million at June 30, 2014 and December 31, 2013, respectively. The change in the carrying amount of goodwill during the six months ended June 30, 2014 was as follows (in thousands):

Table of Contents

	Goodwill
Broadcast:	
Balance as of December 31, 2013	\$ 185,237
Acquisitions	—
Balance as of June 30, 2014	\$ 185,237
Digital:	
Balance as of December 31, 2013	18,291
Acquisitions	7,440
Balance as of June 30, 2014	\$ 25,731
Total:	
Balance as of December 31, 2013	\$ 203,528
Acquisitions	7,440
Balance as of June 30, 2014	\$ 210,968

The following table summarizes the carrying amounts of intangible assets (in thousands):

	June 30, 2014		December 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Broadcast licenses	\$ 536,515	\$ —	\$ 536,515	\$ —
Intangible assets subject to amortization ⁽¹⁾	98,673	(50,193)	85,966	(38,917)
Total	\$ 635,188	\$(50,193)	\$ 622,481	\$(38,917)

Intangible assets subject to amortization are amortized on a straight line basis and primarily include network (1) affiliations, acquired customer and publisher relationships, completed technology, brand names, non-compete agreements, internal-use software, favorable operating leases, and retransmission consent agreements.

Note 4— Debt

LIN LLC guarantees all of LIN Television's debt. All of the consolidated 100% owned subsidiaries of LIN Television fully and unconditionally guarantee LIN Television's senior secured credit facility, the 8³/₈% Senior Notes due 2018 (the "8³/₈% Senior Notes"), and the 6³/₈% Senior Notes due 2021 (the "6³/₈% Senior Notes") on a joint-and-several basis.

Debt consisted of the following (in thousands):

	June 30, 2014	December 31, 2013
Senior Secured Credit Facility:		
Revolving credit loans	\$ —	\$ 5,000
\$112,500 and \$118,750 Term loans, net of discount of \$300 and \$345 as June 30, 2014 and December 31, 2013, respectively	112,200	118,405
\$312,600 and \$314,200 Incremental term loans, net of discount of \$1,515 and \$1,684 as of June 30, 2014 and December 31, 2013, respectively	311,085	312,516
8 ³ / ₈ % Senior Notes due 2018	200,000	200,000
6 ³ / ₈ % Senior Notes due 2021	290,000	290,000
Capital lease obligations	14,354	14,604
Other debt	3,585	4,167
Total debt	931,224	944,692
Less current portion	20,495	17,364

Total long-term debt	\$910,729	\$927,328
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16

Table of Contents

During the three and six months ended June 30, 2014, we paid \$3.9 million and \$7.9 million, respectively, of principal on the term loans and incremental term loans related to mandatory quarterly payments under our senior secured credit facility, respectively.

During the six months ended June 30, 2014, we drew \$45 million on our revolving credit facility to fund the acquisition of Federated Media as well as normal operating activities. We subsequently made payments against these borrowings, resulting in an outstanding balance on our revolving credit facility of zero as of June 30, 2014.

The fair values of our long-term debt are estimated based on quoted market prices for the same or similar issues (Level 2 inputs of the three-level fair value hierarchy). The carrying amounts and fair values of our long-term debt were as follows (in thousands):

	June 30, 2014	December 31, 2013
Carrying amount	\$916,871	\$930,088
Fair value	942,968	954,255

Note 5 — Segment Reporting

During the first quarter of 2014, we began operating under two operating segments, which also represent our reportable segments, “Broadcast” and “Digital” that are disclosed separately from our corporate activities. Our Broadcast segment includes 43 television stations and seven digital channels that are either owned, operated or serviced by us in 23 U.S. markets, all of which are engaged principally in the sale of television advertising and digital advertising primarily related to our television station companion websites, and our Digital segment includes the operating results of the following digital companies; LIN Digital, LIN Mobile, Nami Media, HYFN, Dedicated Media, and Federated Media. Unallocated corporate expenses primarily include our costs to operate as a public company and to operate our corporate locations.

We use earnings before interest, taxes, depreciation and amortization, excluding non-recurring charges, restructuring charges, share-based compensation, loss or gain on sales of assets, and adjusting amortization of program rights to deduct cash paid for programming (“Adjusted EBITDA”) as the primary financial measure reported to the chief executive officer (the chief operating decision maker) for use in assessing our operating segments’ operating performance. We believe that this measure is useful to investors because it eliminates significant non-cash expenses and non-recurring charges and as a result, allows investors to better understand our operating segments’ performance. All adjustments to Adjusted EBITDA presented below to arrive at consolidated income before income taxes except for depreciation and amortization and cash paid for programming relate primarily to corporate activities. Cash paid for programming pertains only to our Broadcast segment. As a result, we have disclosed depreciation and amortization by segment, as this is the only adjustment to operating income that the chief executive officer reviews on a segment basis. We have retrospectively recast prior period disclosures to reflect this change in our reportable segments.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)		(in thousands)	
Net revenues:				
Broadcast	\$155,581	\$143,509	\$297,296	\$275,460
Digital	33,184	20,837	57,710	29,878
Total net revenues	\$188,765	\$164,346	\$355,006	\$305,338

The following table is a reconciliation of Adjusted EBITDA to consolidated income before provision for income taxes:

17

Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)		(in thousands)	
Segment Adjusted EBITDA:				
Broadcast	\$58,780	\$51,164	\$106,250	\$91,759
Digital	555	1,796	(338)	1,960
Total segment Adjusted EBITDA	59,335	52,960	105,912	93,719
Unallocated corporate Adjusted EBITDA	(5,975)	(5,189)	(13,226)	(9,808)
Less:				
Depreciation	11,087	11,320	21,773	22,958
Amortization of intangible assets	5,706	5,723	11,277	11,152
Amortization of program rights	6,788	7,152	13,381	14,937
Share-based compensation	2,039	2,587	4,346	4,528
Non-recurring ⁽¹⁾ and acquisition-related charges	1,925	1,960	6,484	5,011
Restructuring charge	—	391	—	2,523
Loss on sale of assets	5	87	99	182
Add:				
Cash payments for programming	6,918	8,365	13,784	16,072
Operating income	32,728	26,916	49,110	38,692
Other expense:				
Interest expense, net	14,150	14,428	28,359	28,299
Share of loss in equity investments	25	25	100	25
Other (income) expense, net	(101)	84	(83)	60
Total other expense, net	14,074	14,537	28,376	28,384
Consolidated income before provision for income taxes	\$18,654	\$12,379	\$20,734	\$10,308

⁽¹⁾ Non-recurring charges for the three and six months ended June 30, 2014 primarily consist of expenses related to the Merger and non-recurring charges for the three and six months ended June 30, 2013 primarily consist of expenses related to the 2013 LIN LLC Merger.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)		(in thousands)	
Operating income:				
Broadcast	\$44,675	\$36,540	\$78,149	\$60,698
Digital	(1,422)	740	(4,100)	242
Unallocated corporate	(10,525)	(10,364)	(24,939)	(22,248)
Total operating income	\$32,728	\$26,916	\$49,110	\$38,692
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)		(in thousands)	
Depreciation and amortization:				
Broadcast	\$14,218	\$15,846	\$28,354	\$32,110
Digital	1,981	1,036	3,756	1,677
Unallocated corporate	594	161	940	323

Total depreciation and amortization	\$16,793	\$17,043	\$33,050	\$34,110
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Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)		(in thousands)	
Capital expenditures:				
Broadcast	\$4,368	\$5,640	\$8,305	\$11,369
Digital	1,247	884	2,386	1,683
Unallocated corporate	239	848	772	1,118
Total capital expenditures	\$5,854	\$7,372	\$11,463	\$14,170
			June 30,	December 31,
			2014	2013
			(in thousands)	
Assets:				
Broadcast			\$1,089,107	\$1,100,343
Digital			93,847	69,690
Unallocated corporate			62,622	46,817
Total assets			\$1,245,576	\$1,216,850

Note 6 — Retirement Plans

The following table shows the components of the net periodic pension cost and the contributions to our 401(k) Plan and the retirement plans (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net periodic pension (benefit) cost:				
Interest cost	\$1,521	\$1,314	\$3,019	\$2,628
Expected return on plan assets	(1,782)	(1,670)	(3,540)	(3,340)
Amortization of net loss	254	428	569	856
Net periodic (benefit) cost	\$(7)	\$72	\$48	\$144
Contributions:				
401(k) Plan	\$1,003	\$1,092	\$2,145	\$2,424
Defined contribution retirement plans	33	35	72	84
Defined benefit retirement plans	1,333	1,416	2,680	2,713
Total contributions	\$2,369	\$2,543	\$4,897	\$5,221

See Note 10 — “Retirement Plans” in Item 15 of our 10-K for a full description of our retirement plans.

Note 7 — Restructuring

As of December 31, 2013, we had a restructuring accrual of \$0.4 million related to severance and related costs as a result of the integration of the television stations acquired during 2012 as well as severance and related costs at some of our digital companies. During the six months ended June 30, 2014, we made cash payments of \$0.3 million related to these restructuring actions. We expect to make cash payments of approximately \$0.1 million during the remainder of the year with respect to such transactions.

The activity for these restructuring actions is as follows (in thousands):

Table of Contents

	Severance and Related
Balance as of December 31, 2013	\$ 423
Charges	—
Payments	283
Balance as of June 30, 2014	\$ 140

Note 8 — Income Taxes

We recorded a provision for income taxes of \$7.8 million and \$8.8 million for the three and six months ended June 30, 2014, respectively, compared to a provision from income taxes of \$5.2 million and \$4.2 million for the three and six months ended June 30, 2013, respectively. The provision for income taxes for the three and six months ended June 30, 2014 was primarily a result of our \$18.7 million and \$20.7 million income from operations before taxes during the three and six months ended June 30, 2014, respectively. Our effective income tax rate was 42.5% and 40.4% for the six months ended June 30, 2014 and June 30, 2013, respectively. The increase in the effective income tax rate was primarily a result of an increase in state taxes, net of federal benefit, due to an increase in income from operations before taxes as compared to the same periods in the prior year. We expect our effective income tax rate to range between 40% and 42% during the remainder of 2014.

During the first quarter of 2013, approximately \$162.8 million of short term deferred tax liabilities were reclassified to income taxes payable upon the consummation of the JV Sale Transaction. As a result of the close of the 2013 LIN LLC Merger on July 30, 2013, \$131.5 million of this tax liability was extinguished, resulting in a remaining tax liability of approximately \$31.3 million associated with the JV Sale Transaction. We made state and federal tax payments to settle this liability during the fourth quarter of 2013. For further discussion regarding the income tax effects of the JV Sale Transaction and the 2013 LIN LLC Merger, see Note 1 — “Basis of Presentation and Summary of Significant Accounting Policies” and Note 13 — “Commitments and Contingencies” to our consolidated financial statements in our 10-K.

Note 9 — Commitments and Contingencies

Contingencies

GECC Guarantee and the 2013 LIN LLC Merger

As further described in Note 1 - "Basis of Presentation and Summary of Significant Accounting Policies," pursuant to the JV Sale Transaction, LIN Television made a \$100 million capital contribution to SVH and in turn, was released from the GECC Guarantee as well as any further obligations related to any shortfall funding agreements between LIN Television and SVH.

In February 2013, we entered into a \$60 million Incremental Facility and utilized \$40 million of cash on hand and borrowings under our revolving credit facility to fund the \$100 million payment.

As a result of the JV Sale Transaction, after utilizing all of our available Federal net operating loss (“NOL”) carryforwards, we had an approximate \$162.8 million income tax payable remaining, \$131.5 million of which was extinguished as a result of the 2013 LIN LLC Merger. We made state and federal tax payments to settle the remaining liability of \$31.3 million during the fourth quarter of 2013.

For further discussion of the GECC Guarantee and the 2013 LIN LLC Merger, refer to Note 13 - "Commitments and Contingencies" to our consolidated financial statements in our 10-K.

The Merger

During the next 12 months and through the completion of the Merger, we expect to incur approximately \$3 - \$4 million of legal and professional fees associated with the transaction and related financing. Contingent upon the consummation of the Merger and dependent upon the price of Media General's Class A common stock on the date of consummation, we will incur an advisory fee payable to J.P. Morgan Securities LLC, which we expect will be funded from the proceeds of Media General's transaction financing. Based on the price of Media General's Class A common stock as of August 6, 2014, this advisory fee is estimated to be approximately \$23 million, of which \$1.5 million has already been paid. This advisory fee is contingent upon the consummation of the Merger and is not earned by JP Morgan until the Merger occurs. As of the date of this report, none of the necessary approvals or consents have been obtained from the FCC or the shareholders of Media General or LIN and as a

Table of Contents

result, there is no assurance that the Merger and the corresponding advisory fee to be paid to JP Morgan will occur. As a result we do not deem the payment of the advisory fee to be probable and accordingly, did not record an obligation for this amount as of June 30, 2014.

Litigation

We are involved in various claims and lawsuits that are generally incidental to our business. We are vigorously contesting all of these matters. The outcome of any current or future litigation cannot be accurately predicted. We record accruals for such contingencies to the extent that we conclude it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. No estimate of the possible loss or range of loss can be made at this time because the inherently unpredictable nature of legal proceedings may be exacerbated by various factors, including: (i) the damages sought in the proceedings are unsubstantiated or indeterminate; (ii) discovery is not complete; (iii) the proceeding is in its early stages; (iv) the matters present legal uncertainties; (v) there are significant facts in dispute; or (vi) there is a wide range of potential outcomes. Although the outcome of these and other legal proceedings cannot be predicted, we believe that their ultimate resolution will not have a material adverse effect on us.

Following the announcement on March 21, 2014 of the execution of the Merger Agreement, three complaints were filed in the Delaware Court of Chancery challenging the proposed acquisition of LIN LLC: Sciabacucchi v. Lin Media LLC, et al. (C.A. No. 9530CB), International Union of Operating Engineers Local 132 Pension Fund v. Lin Media LLC, et al. (C.A. No.9538CB), and Pryor v. Lin Media LLC, et al. (C.A. No. 9577CB). The litigations are putative class actions filed on behalf of the public stockholders of LIN LLC and name as defendants LIN LLC, our directors, Media General, New Holdco, Merger Sub 1 and Merger Sub 2 and HM Capital Partners LLC and several of our alleged affiliates (Hicks, Muse, Tate & Furst Equity Fund III, L.P. HM3 Coinvestors, L.P. Hicks, Muse, Tate & Furst Equity Fund IV, L.P. Hicks, Muse, Tate & Furst Private Equity Fund IV, L.P. HM4EQ Coinvestors, L.P. Hicks, Muse & Co. Partners, L.P. Muse Family Enterprises, Ltd. and JRM Interim Investors, L.P. (together with HM Capital Partners LLC and individual director defendant John R. Muse, which we collectively refer to as “HMC”)).

On April 18, 2014, the plaintiff in Engineers Local 132 Pension Fund voluntarily dismissed that action without prejudice and, on April 21, 2014, the Court approved the dismissal.

The operative complaints generally allege that the individual defendants breached their fiduciary duties in connection with their consideration and approval of the Merger, that the entity defendants aided and abetted those breaches and that individual director defendant Royal W. Carson III and HMC breached their fiduciary duties as controlling shareholders of LIN LLC by causing LIN LLC to enter into the Merger, which plaintiffs allege will provide disparate consideration to HMC. The complaints seek, among other things, declaratory and injunctive relief enjoining the Merger. On April 25, 2014, the plaintiff in the Sciabacucchi action filed an amended complaint, and the plaintiffs in the Sciabacucchi and Pryor actions each filed a motion for an expedited hearing on the plaintiff’s (yet-to-be filed) motion for a permanent injunction to enjoin the Merger, requesting, among other things, that the Court set a permanent injunction hearing for September 2014. On April 30, 2014, the plaintiffs in the Sciabacucchi and Pryor actions filed a stipulation to consolidate the two actions, which was approved by the Court on May 1, 2014. On May 15, 2014, plaintiffs in the consolidated action sent a letter to the Court withdrawing the pending motion to expedite.

The outcome of the lawsuit is uncertain and cannot be predicted with any certainty. An adverse judgment for monetary damages could have a material adverse effect on our operations and liquidity. An adverse judgment granting permanent injunctive relief could indefinitely enjoin completion of the Merger.

Table of Contents

Note 10 — Subsequent Event

On August 11, 2014, we received notice from CBS Television Network, a division of CBS Inc. that it will not renew the network affiliation agreement for WISH-TV in Indianapolis, Indiana when that agreement expires on December 31, 2014. We are currently evaluating the impact of this event, including assessing the recoverability of the carrying value of the intangible assets associated with this television station.

Note 11 — Condensed Consolidating Financial Statements

LIN Television, a 100% owned subsidiary of LIN LLC, is the primary obligor of our senior secured credit facility, our $8\frac{3}{8}\%$ Senior Notes and our $6\frac{3}{8}\%$ Senior Notes, which are further described in Note 4 — “Debt”. LIN LLC fully and unconditionally guarantees all of LIN Television’s debt on a joint-and-several basis. Additionally, all of the consolidated 100% owned subsidiaries of LIN Television fully and unconditionally guarantee LIN Television’s senior secured credit facility, our $8\frac{3}{8}\%$ Senior Notes and our $6\frac{3}{8}\%$ Senior Notes on a joint-and-several basis, subject to customary release provisions. There are certain contractual restrictions on LIN Television’s ability to obtain funds in the form of dividends or loans from the non-guarantor subsidiaries.

The following condensed consolidating financial statements present the consolidated balance sheets, consolidated statements of operations, consolidated statements of comprehensive income and consolidated statements of cash flows of LIN LLC, LIN Television, as the issuer, the guarantor subsidiaries, and the non-guarantor subsidiaries of LIN Television and the elimination entries necessary to consolidate or combine the issuer with the guarantor and non-guarantor subsidiaries. These statements are presented in accordance with the disclosure requirements under SEC Regulation S-X Rule 3-10.

Table of Contents

Condensed Consolidating Balance Sheet

As of June 30, 2014

(in thousands)

	LIN Media LLC	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	LIN Media LLC Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$421	\$ 16,666	\$ 1,227	\$ 1,402	\$—	\$ 19,716
Marketable securities	980	—	—	—	—	980
Accounts receivable, net	—	86,727	46,348	21,040	—	154,115
Deferred income tax assets	—	5,711	1,628	71	—	7,410
Other current assets	—	18,629	2,236	1,577	—	22,442
Total current assets	1,401	127,733	51,439	24,090	—	204,663
Property and equipment, net	—	178,333	34,701	4,328	—	217,362
Deferred financing costs	—	14,782	—	79	—	14,861
Goodwill	—	169,492	25,958	15,518	—	210,968
Broadcast licenses	—	—	493,814	42,701	—	536,515
Other intangible assets, net	—	24,174	12,098	12,208	—	48,480
Advances to consolidated subsidiaries	2,284	11,652	960,653	—	(974,589)	—
Investment in consolidated subsidiaries	117,017	1,541,939	—	—	(1,658,956)	—
Other assets	—	52,939	2,845	1,386	(44,443)	12,727
Total assets	\$ 120,702	\$ 2,121,044	\$ 1,581,508	\$ 100,310	\$ (2,677,988)	\$ 1,245,576
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Current portion of long-term debt	\$—	\$ 19,248	\$—	\$ 1,247	\$—	\$ 20,495
Accounts payable	—	3,623	8,738	4,938	—	17,299
Income taxes payable	—	147	316	—	—	463
Accrued expenses	—	52,524	10,921	4,138	—	67,583
Program obligations	—	4,885	800	1,283	—	6,968
Total current liabilities	—	80,427	20,775	11,606	—	112,808
Long-term debt, excluding current portion	—	908,247	—	2,482	—	910,729
Deferred income tax liabilities	—	26,049	35,062	468	—	61,579
Program obligations	—	2,177	140	1,242	—	3,559
Intercompany liabilities	—	962,937	—	11,652	(974,589)	—
Other liabilities	—	24,190	148	44,522	(44,443)	24,417
Total liabilities	—	2,004,027	56,125	71,972	(1,019,032)	1,113,092

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Redeemable noncontrolling interest	—	—	9,905	—	9,905
					—
Total shareholders' equity (deficit)	120,702	117,017	1,525,383	16,556	(1,658,956) 120,702
Noncontrolling interest	—	—	—	1,877	— 1,877
Total equity (deficit)	120,702	117,017	1,525,383	18,433	(1,658,956) 122,579
Total liabilities, redeemable noncontrolling interest and shareholders' equity (deficit)	\$ 120,702	\$ 2,121,044	\$ 1,581,508	\$ 100,310	\$(2,677,988) \$ 1,245,576

Table of Contents

Condensed Consolidating Balance Sheet

As of December 31, 2013

(in thousands)

	LIN Media LLC	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	LIN Media LLC Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$—	\$ 10,313	\$3	\$ 2,209	\$—	\$ 12,525
Accounts receivable, net	—	88,905	39,416	16,988	—	145,309
Deferred income tax assets	—	5,818	1,080	—	—	6,898
Other current assets	—	12,264	1,049	1,888	—	15,201
Total current assets	—	117,300	41,548	21,085	—	179,933
Property and equipment, net	—	180,480	35,752	4,846	—	221,078
Deferred financing costs	—	16,357	—	91	—	16,448
Goodwill	—	169,492	18,518	15,518	—	203,528
Broadcast licenses	—	—	493,814	42,701	—	536,515
Other intangible assets, net	—	31,303	1,840	13,906	—	47,049
Advances to consolidated subsidiaries	1,900	7,764	968,728	—	(978,392)	—
Investment in consolidated subsidiaries	87,227	1,534,600	—	—	(1,621,827)	—
Other assets	—	52,778	2,688	1,276	(44,443)	12,299
Total assets	\$89,127	\$ 2,110,074	\$ 1,562,888	\$ 99,423	\$(2,644,662)	\$ 1,216,850
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Current portion of long-term debt	\$—	\$ 16,112	\$—	\$ 1,252	\$—	\$ 17,364
Accounts payable	—	4,185	5,339	4,478	—	14,002
Income taxes payable	—	749	671	—	—	1,420
Accrued expenses	—	42,570	6,254	2,872	—	51,696
Program obligations	—	4,711	1,013	1,303	—	7,027
Total current liabilities	—	68,327	13,277	9,905	—	91,509
Long-term debt, excluding current portion	—	924,223	—	3,105	—	927,328
Deferred income tax liabilities	—	30,013	33,824	849	—	64,686
Program obligations	—	2,505	217	1,424	—	4,146
Intercompany liabilities	—	970,628	—	7,764	(978,392)	—
Other liabilities	—	27,151	58	44,443	(44,443)	27,209
Total liabilities	—	2,022,847	47,376	67,490	(1,022,835)	1,114,878

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Redeemable noncontrolling interest	—	—	—	12,845	—	12,845
Total shareholders' equity (deficit)	89,127	87,227	1,515,512	19,088	(1,621,827)	89,127
Total liabilities, redeemable noncontrolling interest and shareholders' equity (deficit)	\$ 89,127	\$ 2,110,074	\$ 1,562,888	\$ 99,423	\$ (2,644,662)	\$ 1,216,850

24

Table of Contents

Condensed Consolidating Statement of Operations
 For the Three Months Ended June 30, 2014
 (in thousands)

	LIN Media LLC	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	LIN Media LLC Consolidated
Net revenues	\$—	\$ 116,976	\$ 61,410	\$ 18,075	\$ (7,696)	\$ 188,765
Operating expenses:						
Direct operating	—	39,936	27,800	11,044	(3,293)	75,487
Selling, general and administrative	—	29,521	13,670	5,497	(380)	48,308
Amortization of program rights	—	5,026	1,355	407	—	6,788
Corporate	352	8,253	51	—	—	8,656
Depreciation	—	9,103	1,661	323	—	11,087
Amortization of intangible assets	—	3,555	790	1,361	—	5,706
Loss (gain) from asset dispositions	—	18	(1)	(12)	—	5
Operating (loss) income	(352)	21,564	16,084	(545)	(4,023)	32,728
Other (income) expense:						
Interest expense, net	—	14,099	—	51	—	14,150
Share of loss in equity investments	—	25	—	—	—	25
Intercompany fees and expenses	(271)	7,586	(7,723)	158	250	—
Other, net	—	(108)	7	—	—	(101)
Total other (income) expense, net	(271)	21,602	(7,716)	209	250	14,074
(Loss) income before (benefit from) provision for income taxes	(81)	(38)	23,800	(754)	(4,273)	18,654
(Benefit from) provision for income taxes	—	(1,631)	9,520	(101)	—	7,788
Net (loss) income	(81)	1,593	14,280	(653)	(4,273)	10,866
Equity in income (loss) from operations of consolidated subsidiaries	11,408	10,065	—	—	(21,473)	—
Net income (loss)	11,327	11,658	14,280	(653)	(25,746)	10,866
Net loss attributable to noncontrolling interests	—	—	—	(461)	—	(461)
Net income (loss) attributable to LIN Media LLC	\$ 11,327	\$ 11,658	\$ 14,280	\$ (192)	\$ (25,746)	\$ 11,327

Table of Contents

Condensed Consolidating Statement of Comprehensive Income
 For the Three Months Ended June 30, 2014
 (in thousands)

	LIN Media LLC	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	LIN Media LLC Consolidated	
Net income (loss)	\$11,327	\$ 11,658	\$ 14,280	\$ (653	) \$ (25,746	) \$10,866
Amortization of pension net losses, net of tax of \$101	154	154	—	—	(154	) 154
Comprehensive income (loss)	11,481	11,812	14,280	(653	) (25,900	) 11,020
Comprehensive loss attributable to noncontrolling interest	—	—	—	(461) —	(461)
Comprehensive income (loss) attributable to LIN Media LLC	\$11,481	\$ 11,812	\$ 14,280	\$ (192	) \$ (25,900	) \$11,481

Table of Contents

Condensed Consolidating Statement of Operations
 For the Six Months Ended June 30, 2014
 (in thousands)

	LIN Media LLC	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	LIN Media LLC Consolidated
Net revenues	\$—	\$ 219,478	\$ 112,264	\$ 35,400	\$ (12,136)	\$ 355,006
Operating expenses:		0	0			
Direct operating	—	78,659	49,968	22,411	(6,117)	144,921
Selling, general and administrative	—	57,504	25,842	10,410	(508)	93,248
Amortization of program rights	—	9,725	2,804	852	—	13,381
Corporate	704	20,409	84	—	—	21,197
Depreciation	—	17,823	3,314	636	—	21,773
Amortization of intangible assets	—	7,129	1,478	2,670	—	11,277
(Gain) loss from asset dispositions	—	(24)	135	(12)	—	99
Operating (loss) income	(704)	28,253	28,639	(1,567)	(5,511)	49,110
Other (income) expense:						
Interest expense, net	—	28,268	—	91	—	28,359
Share of loss in equity investments	—	100	—	—	—	100
Intercompany fees and expenses	(541)	15,316	(15,549)	274	500	—
Other, net	—	(94)	11	—	—	(83)
Total other (income) expense, net	(541)	43,590	(15,538)	365	500	28,376
(Loss) income before (benefit from) provision for income taxes	(163)	(15,337)	44,177	(1,932)	(6,011)	20,734
(Benefit from) provision for income taxes	—	(8,410)	17,671	(452)	—	8,809
Net (loss) income	(163)	(6,927)	26,506	(1,480)	(6,011)	11,925
Equity in income (loss) from operations of consolidated subsidiaries	13,147	20,574	—	—	(33,721)	—
Net income (loss)	12,984	13,647	26,506	(1,480)	(39,732)	11,925
Net loss attributable to noncontrolling interests	—	—	—	(1,059)	—	(1,059)
Net income (loss) attributable to LIN Media LLC	\$ 12,984	\$ 13,647	\$ 26,506	\$ (421)	\$ (39,732)	\$ 12,984

Table of Contents

Condensed Consolidating Statement of Comprehensive Income
 For the Six Months Ended June 30, 2014
 (in thousands)

	LIN Media LLC	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	LIN Media LLC Consolidated
Net income (loss)	\$ 12,984	\$ 13,647	\$ 26,506	\$ (1,480)	) \$ (39,732)	) \$ 11,925
Amortization of pension net losses, net of tax of \$225	345	345	—	—	(345)	) 345
Comprehensive income (loss)	13,329	13,992	26,506	(1,480)	) (40,077)	) 12,270
Comprehensive loss attributable to noncontrolling interest	—	—	—	(1,059)	) —	) (1,059)
Comprehensive income (loss) attributable to LIN Media LLC	\$ 13,329	\$ 13,992	\$ 26,506	\$ (421)	) \$ (40,077)	) \$ 13,329

Table of Contents

Condensed Consolidating Statement of Operations
 For the Three Months Ended June 30, 2013
 (in thousands)

	LIN Media LLC	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	LIN Media LLC Consolidated
Net revenues	\$—	\$ 106,591	\$46,653	\$ 14,952	\$ (3,850)	\$164,346
Operating expenses:						
Direct operating	—	35,858	19,676	10,255	(2,166)	63,623
Selling, general and administrative	—	27,356	9,434	3,419	(169)	40,040
Amortization of program rights	—	5,532	1,409	211	—	7,152
Corporate	—	9,094	—	—	—	9,094
Depreciation	—	9,154	1,803	363	—	11,320
Amortization of intangible assets	—	4,443	234	1,046	—	5,723
Restructuring charge	—	391	—	—	—	391
Loss (gain) from asset dispositions	—	94	(7)	—	—	87
Operating income (loss)	—	14,669	14,104	(342)	(1,515)	26,916
Other expense (income):						
Interest expense, net	—	14,164	—	110	154	14,428
Share of loss in equity investments	—	25	—	—	—	25
Intercompany fees and expenses	—	8,225	(8,225)	—	—	—
Other, net	—	84	—	—	—	84
Total other expense (income), net	—	22,498	(8,225)	110	154	14,537
(Loss) income before (benefit from) provision for income taxes	—	(7,829)	22,329	(452)	(1,669)	12,379
(Benefit from) provision for income taxes	—	(3,473)	8,932	(249)	—	5,210
Net (loss) income	—	(4,356)	13,397	(203)	(1,669)	7,169
Equity in income (loss) from operations of consolidated subsidiaries	7,475	11,831	—	—	(19,306)	—
Net income (loss)	7,475	7,475	13,397	(203)	(20,975)	7,169
Net loss attributable to noncontrolling interests	—	—	—	(306)	—	(306)
Net income (loss) attributable to LIN Media LLC	\$7,475	\$ 7,475	\$13,397	\$ 103	\$ (20,975)	\$7,475

Table of Contents

Condensed Consolidating Statement of Comprehensive Loss
 For the Three Months Ended June 30, 2013
 (in thousands)

	LIN Media LLC	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	LIN Media LLC Consolidated	
Net income (loss)	\$7,475	\$ 7,475	\$ 13,397	\$ (203	) \$(20,975	) \$7,169
Amortization of pension net losses, net of tax of \$169	259	259	—	—	(259	) 259
Comprehensive income (loss)	7,734	7,734	13,397	(203	) (21,234	) 7,428
Comprehensive loss attributable to noncontrolling interest	—	—	—	(306) —	(306)
Comprehensive income (loss) attributable to LIN Media LLC	\$7,734	\$ 7,734	\$ 13,397	\$ 103	\$(21,234	) \$7,734

Table of Contents

Condensed Consolidating Statement of Operations
 For the Six Months Ended June 30, 2013
 (in thousands)

	LIN Media LLC	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	LIN Media LLC Consolidated
Net revenues	\$—	\$ 204,239	\$ 85,637	\$ 21,383	\$ (5,921)	\$ 305,338
Operating expenses:						
Direct operating	—	71,208	36,913	13,293	(3,223)	118,191
Selling, general and administrative	—	53,388	19,223	4,990	(263)	77,338
Amortization of program rights	—	11,014	2,899	1,024	—	14,937
Corporate	—	19,365	—	—	—	19,365
Depreciation	—	18,669	3,632	657	—	22,958
Amortization of intangible assets	—	8,904	467	1,781	—	11,152
Restructuring charge	—	2,523	—	—	—	2,523
Loss (gain) from asset dispositions	—	201	(19)	—	—	182
Operating income (loss)	—	18,967	22,522	(362)	(2,435)	38,692
Other expense (income):						
Interest expense, net	—	27,978	—	218	103	28,299
Share of loss in equity investments	—	25	—	—	—	25
Intercompany fees and expenses	—	16,600	(16,600)	—	—	—
Other, net	—	60	—	—	—	60
Total other expense (income), net	—	44,663	(16,600)	218	103	28,384
(Loss) income before (benefit from) provision for income taxes	—	(25,696)	39,122	(580)	(2,538)	10,308
(Benefit from) provision for income taxes	—	(10,936)	15,649	(554)	—	4,159
Net (loss) income	—	(14,760)	23,473	(26)	(2,538)	6,149
Equity in income (loss) from operations of consolidated subsidiaries	6,619	21,379	—	—	(27,998)	—
Net income (loss)	6,619	6,619	23,473	(26)	(30,536)	6,149
Net loss attributable to noncontrolling interests	—	—	—	(470)	—	(470)
Net income (loss) attributable to LIN Media LLC	\$ 6,619	\$ 6,619	\$ 23,473	\$ 444	\$ (30,536)	\$ 6,619

Table of Contents

Condensed Consolidating Statement of Comprehensive Loss
 For the Six Months Ended June 30, 2013
 (in thousands)

	LIN Media LLC	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	LIN Media LLC Consolidated	
Net income (loss)	\$6,619	\$ 6,619	\$23,473	\$ (26	) \$(30,536	) \$6,149
Amortization of pension net losses, net of tax of \$338	518	518	—	—	(518	) 518
Comprehensive income (loss)	7,137	7,137	23,473	(26	) (31,054	) 6,667
Comprehensive loss attributable to noncontrolling interest	—	—	—	(470) —	(470)
Comprehensive income (loss) attributable to LIN Media LLC	\$7,137	\$ 7,137	\$23,473	\$ 444	\$(31,054	) \$7,137

Table of Contents

Condensed Consolidating Statement of Cash Flows
 For the Six Months Ended June 30, 2014
 (in thousands)

	LIN Media LLC	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	LIN Media LLC Consolidated
OPERATING ACTIVITIES:						
Net cash (used in) provided by operating activities	\$(547)	\$43,139	\$18,997	\$261	\$(500)	\$61,350
INVESTING ACTIVITIES:						
Capital expenditures	—	(8,159)	(2,225)	(1,079)	—	(11,463)
Acquisition of broadcast towers	—	(7,257)	—	—	—	(7,257)
Payments for business combinations, net of cash acquired	—	(22,733)	—	—	—	(22,733)
Proceeds from the sale of assets	—	106	1	—	—	107
Contributions to equity investments	—	(100)	—	—	—	(100)
Marketable securities	(980)	—	—	—	—	(980)
Receipt of dividend	—	39,005	—	—	(39,005)	—
Advances on intercompany borrowings	—	(639)	—	—	639	—
Payments from intercompany borrowings	—	—	23,456	—	(23,456)	—
Net cash (used in) provided by investing activities	(980)	223	21,232	(1,079)	(61,822)	(42,426)
FINANCING ACTIVITIES:						
Net proceeds on exercises of employee and director share-based compensation	1,948	—	—	—	—	1,948
Proceeds from borrowings on long-term debt	—	45,000	—	—	—	45,000
Principal payments on long-term debt	—	(58,053)	—	(628)	—	(58,681)
Payment of dividend	—	(500)	(39,005)	—	39,505	—
Proceeds from intercompany borrowings	—	—	—	639	(639)	—
Payments on intercompany borrowings	—	(23,456)	—	—	23,456	—
Net cash provided by (used in) financing activities	1,948	(37,009)	(39,005)	11	62,322	(11,733)
	421	6,353	1,224	(807)	—	7,191

Net increase (decrease) in
cash and cash equivalents

Cash and cash equivalents at the beginning of the period	—	10,313	3	2,209	—	12,525
Cash and cash equivalents at the end of the period	\$421	\$16,666	\$1,227	\$1,402	\$—	\$19,716

33

Table of Contents

Condensed Consolidating Statement of Cash Flows
 For the Six Months Ended June 30, 2013
 (in thousands)

	LIN Media LLC	LIN Television Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	LIN Media LLC Consolidated
OPERATING ACTIVITIES:						
Net cash provided by (used in) operating activities	\$—	\$ 47,935	\$ 33,058	\$ 578	\$(39,006)	\$42,565
INVESTING ACTIVITIES:						
Capital expenditures	—	(11,372)	(1,569)	(1,229)	—	(14,170)
Payments for business combinations, net of cash acquired	—	(9,824)	—	—	—	(9,824)
Proceeds from the sale of assets	—	14	20	—	—	34
Capital contributions to joint venture with NBCUniversal	—	—	(100,000)	—	—	(100,000)
Advances on intercompany borrowings	—	(1,600)	—	—	1,600	—
Payments from intercompany borrowings	—	15,009	122,405	—	(137,414)	—
Net cash (used in) provided by investing activities	—	(7,773)	20,856	(1,229)	(135,814)	(123,960)
FINANCING ACTIVITIES:						
Net proceeds on exercises of employee and director share-based compensation	—	1,156	—	—	—	1,156
Proceeds from borrowings on long-term debt	—	96,000	—	—	—	96,000
Principal payments on long-term debt	—	(40,924)	—	(693)	—	(41,617)
Payment of long-term debt issue costs	—	(652)	—	—	—	(652)
Payment of dividend	—	—	(39,006)	—	39,006	—
Proceeds from intercompany borrowings	—	—	—	1,600	(1,600)	—
Payments on intercompany borrowings	—	(122,405)	(15,009)	—	137,414	—
Net cash (used in) provided by financing activities	—	(66,825)	(54,015)	907	174,820	54,887
Net (decrease) increase in cash and cash equivalents	—	(26,663)	(101)	256	—	(26,508)

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Cash and cash equivalents at the beginning of the period	—	44,625	573	1,109	—	46,307
Cash and cash equivalents at the end of the period	\$—	\$ 17,962	\$ 472	\$ 1,365	\$—	\$ 19,799

34

Table of Contents

LIN Media LLC

Management's Discussion and Analysis

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

Special Note about Forward-Looking Statements

This report contains certain forward-looking statements with respect to our financial condition, results of operations and business, including statements under this caption Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations". All of these forward-looking statements are based on estimates and assumptions made by our management, which, although we believe them to be reasonable, are inherently uncertain. Therefore, you should not place undue reliance upon such estimates and statements. We cannot assure you that any of such estimates or statements will be realized and actual results may differ materially from those contemplated by such forward-looking statements. Factors that may cause such differences include those discussed under the caption Item 1A. "Risk Factors" of this Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2013 (the "10-K"). Many of these factors are beyond our control.

Forward-looking statements contained herein speak only as of the date hereof. We undertake no obligation to publicly release the result of any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Executive Summary

We own, operate or service 43 television stations and seven digital channels in 23 U.S. markets, with multiple network affiliated channels in 18 markets. Our growing digital media portfolio helps agencies and brands effectively and efficiently reach their target audiences at scale by utilizing our comScore, Inc. rated Top 15 Video and Top 25 Display market share, and the latest in conversational marketing, video, display, mobile, social intelligence and monetization, as well as reporting across all screens. Our operating revenues are primarily derived from the sale of advertising time to local, national and political advertisers. Less significant revenues are generated from our television station websites, retransmission consent fees, digital revenues and other revenues.

On July 24, 2014, we filed a joint proxy statement/prospectus with the Securities and Exchange Commission which was mailed to the shareholders of LIN LLC in connection with a special meeting of the shareholders of LIN LLC to be held on August 20, 2014 for the purpose of voting on the proposal to adopt the Agreement and Plan of Merger, dated March 21, 2014, with Media General, Inc., a Virginia corporation ("Media General"), Mercury New Holdco, Inc., a Virginia corporation ("New Holdco"), Mercury Merger Sub 1, Inc., a Virginia corporation and a direct, wholly-owned subsidiary of New Holdco ("Merger Sub 1"), Mercury Merger Sub 2, LLC, a Delaware limited liability company and a direct, wholly owned subsidiary of New Holdco ("Merger Sub 2") (the "Merger Agreement"). If the transactions contemplated by the Merger Agreement (the "Merger") are completed, LIN LLC will become a wholly-owned subsidiary of New Holdco and Media General will become a wholly-owned subsidiary of LIN LLC ("New Media General"). The combined company will own and operate or service 74 stations across 46 markets, reaching approximately 26.5 million households or 23% of U.S. TV households (certain of these stations are expected to be swapped or otherwise divested in order to address regulatory considerations). The transaction is currently expected to close during the first quarter of 2015.

During the three and six months ended June 30, 2014, net revenues increased \$24.4 million and \$49.7 million compared to the same periods in 2013, primarily driven by an increase in our digital revenues. During the three and six months ended June 30, 2014, digital revenues increased \$12.3 million and \$27.8 million compared to the same periods in the prior year. In addition, local revenues, which include net local advertising sales, retransmission consent fees and television station website revenues, increased \$10.3 million and \$19 million, respectively, during the three

and six months ended June 30, 2014 compared to the same periods last year and political advertising sales increased \$3.1 million and \$3.9 million, respectively, during the three and six months ended June 30, 2014 compared to the same periods last year.

On February 3, 2014, LIN Digital Media LLC, a wholly owned subsidiary of LIN Television, acquired 100% of the capital stock of Federated Media Publishing, Inc., which we subsequently converted into a Delaware limited liability company ("Federated Media"). Federated Media is a digital content and conversational marketing company that leverages the relationships and content from its publishing network to deliver contextually relevant advertising and conversational and engagement tools that reach agencies' and brands' targeted audiences across digital and social media platforms. The purchase price totaled \$22.5 million, net of cash, including post-closing adjustments, and was funded from cash on hand and amounts drawn on our revolving credit facility. For further information see Note 2 — "Acquisitions" to our consolidated financial statements.

Table of Contents

As of January 1, 2014, we have two reportable segments, "Broadcast" and "Digital" that are disclosed separately from our corporate activities. Our Broadcast segment includes 43 television stations and seven digital channels that are either owned, operated or serviced by us in 23 U.S. markets, all of which are engaged principally in the sale of television advertising and digital advertising primarily related to our television station companion websites, and our Digital segment includes the operating results of the following digital companies: LIN Digital, LIN Mobile, Nami Media, HYFN, Dedicated Media, and Federated Media. Corporate and unallocated expenses primarily include our costs to operate as a public company and to operate our corporate locations. Corporate is not a reportable segment. We have retrospectively recast prior period disclosures to reflect this change in our reportable segments. See Note 5 — "Segment Reporting" to our consolidated financial statements for further discussion.

In an order released on March 31, 2014, the Federal Communications Commission ("FCC") adopted an order, which later became effective on June 19, 2014, that may require changes in our relationship with entities with whom we have joint sales agreements ("JSAs") and amended its rules governing "good faith" retransmission consent negotiations. We cannot predict what effect, if any, these new rules may have on future negotiations for retransmission consent agreements. For further discussion see Item 1A. Risk Factors.

Critical Accounting Policies and Estimates

Certain of our accounting policies, as well as estimates we make, are critical to the presentation of our financial condition and results of operations since they are particularly sensitive to our judgment. Some of these policies and estimates relate to matters that are inherently uncertain. The estimates and judgments we make affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent liabilities. On an on-going basis, we evaluate our estimates, including those used for allowance for doubtful accounts in receivables, valuation of goodwill and intangible assets, amortization and impairment of program rights and intangible assets, share-based compensation and other long-term incentive compensation arrangements, pension costs, barter transactions, income taxes, employee medical insurance claims, useful lives of property and equipment, contingencies, litigation and net assets of businesses acquired. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and it is possible that such differences could have a material impact on our consolidated financial statements.

Valuation of long-lived intangible assets

During the first half of 2014, Nami Media experienced declines in its actual and projected operating results. The lower revenues and earnings projection prompted us to perform an interim goodwill impairment test of this reporting unit as of June 30, 2014.

Below is a table showing the amount by which the fair value of the Nami Media reporting unit exceeded its carrying value as of June 30, 2014 (in thousands):

	Goodwill Balance as of June 30, 2014	Reporting Unit Fair Value	Reporting Unit Carrying Value	Percent Above Carrying Value
Nami Media	\$4,503	\$6,172	\$2,350	163 %

Nami Media passed the first step of the impairment test by a 163% margin, or \$3.8 million. While we believe our assumptions regarding estimated future cash flows of our reporting units are reasonable, actual results may differ from our projections. If actual or projected results and cash flows are lower than expected, we may write down all or a portion of this goodwill or the intangible assets attributable to Nami Media.

There were no events at any of our other reporting units during the six months ended June 30, 2014 and June 30, 2013 that warranted an interim impairment test of our indefinite-lived intangible assets, including goodwill.

Table of Contents

Consolidated Results of Operations

Set forth below are key components that contributed to our consolidated operating results (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,				
	2014	2013	\$ Change	% Change	2014	2013	\$ Change	% Change	
Broadcast revenues:									
Local revenues	\$ 117,343	\$ 107,058	\$ 10,285	10 %	\$ 225,452	\$ 206,476	\$ 18,976	9 %	
National advertising sales	31,007	32,572	(1,565)	(5)%	60,958	62,068	(1,110)	(2)%	
Political advertising sales	4,641	1,508	3,133	208 %	5,955	2,017	3,938	195 %	
Other revenues	2,590	2,371	219	9 %	4,931	4,899	32	1 %	
Total Broadcast revenues	155,581	143,509	12,072	8 %	297,296	275,460	21,836	8 %	
Digital revenues	33,184	20,837	12,347	59 %	57,710	29,878	27,832	93 %	
Consolidated net revenues	188,765	164,346	24,419	15 %	355,006	305,338	49,668	16 %	
Direct operating	75,487	63,623	11,864	19 %	144,921	118,191	26,730	23 %	
Selling, general and administrative	48,308	40,040	8,268	21 %	93,248	77,338	15,910	21 %	
Amortization of program rights	6,788	7,152	(364)	(5)%	13,381	14,937	(1,556)	(10)%	
Corporate	8,656	9,094	(438)	(5)%	21,197	19,365	1,832	9 %	
Depreciation	11,087	11,320	(233)	(2)%	21,773	22,958	(1,185)	(5)%	
Amortization of intangible assets	5,706	5,723	(17)	— %	11,277	11,152	125	1 %	
Restructuring	—	391	(391)	(100)%	—	2,523	(2,523)	(100)%	
Loss from asset dispositions	5	87	(82)	(94)%	99	182	(83)	(46)%	
Total operating expenses	156,037	137,430	18,607	14 %	305,896	266,646	39,250	15 %	
Operating income	\$ 32,728	\$ 26,916	\$ 5,812	22 %	\$ 49,110	\$ 38,692	\$ 10,418	27 %	

Period Comparison

Revenues

Broadcast Revenues consist of local revenues (which include net local advertising sales, retransmission consent fees and television station website revenues), net national advertising sales, and political advertising sales as well as other revenues, which include barter revenues, production revenues, tower rental income and station copyright royalties.

During the three and six months ended June 30, 2014, broadcast revenues increased \$12.1 million and \$21.8 million, or 8% compared to the same periods in the prior year. The increase in both periods was primarily due to an increase in local revenues of \$10.3 million and \$19 million, or 10% and 9%, for the three and six months ended June 30, 2014, respectively, driven by an increase in our retransmission consent fee revenues as a result of contractual rate increases and renewals. Broadcast revenues also increased as a result of increases of \$3.1 million and \$3.9 million in political advertising sales for the three and six months ended June 30, 2014, respectively.

The automotive category represented 25% of local and national advertising sales during both the three and six months ended June 30, 2014, which was an increase of 3% and 4% as compared to the three and six months ended June 30, 2013, respectively, during which the automotive category represented 24% and 25% of local and national advertising sales for the three and six months ended June 30, 2013, respectively.

Digital Revenues consist of revenues generated by the following digital companies: LIN Digital, LIN Mobile, Nami Media, HYFN, Dedicated Media and Federated Media. During the three months ended June 30, 2014, digital revenues increased by \$12.3 million, or 59% compared to the same period in the prior year. Excluding the impact of Dedicated Media, HYFN and Federated Media, digital revenues increased \$3.1 million, or 25%, primarily due to growth in the volume of advertising delivered through our network.

Table of Contents

During the six months ended June 30, 2014, digital revenues increased by \$27.8 million, or 93% compared to the same period in the prior year, of which \$22.6 million relates to revenues generated by Dedicated Media, HYFN and Federated Media. Excluding the impact of Dedicated Media, HYFN and Federated Media, digital revenues increased \$5.2 million, or 24%, primarily due to growth in the volume of advertising delivered through our network.

Operating Expenses

Consolidated operating expenses increased \$18.6 million and \$39.3 million, or 14% and 15%, during the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year. Excluding the impact of our digital acquisitions during the last twelve months, operating expenses increased \$9.1 million and \$14.8 million, or 7% and 6%, during the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year. The total increase was primarily due to an increase in direct operating and selling general and administrative expenses, which are described in more detail below.

Broadcast Segment

The following table presents the operating expenses for our Broadcast segment for the three and six months ended June 30, 2014 and 2013:

	Three Months Ended June 30,				Six Months Ended June 30,					
	2014	2013	\$ Change	% Change	2014	2013	\$ Change	% Change		
Direct operating	\$52,191	\$47,971	\$4,220	9	%	\$103,750	\$95,316	\$8,434	9	%
Selling, general and administrative	37,690	36,011	1,679	5	%	73,511	72,314	1,197	2	%
Amortization of program rights	6,788	7,152	(364)	(5)	)%	13,381	14,937	(1,556)	(10))%
Depreciation	10,109	10,875	(766)	(7)	)%	20,112	22,151			