

LIN Media LLC  
Form 10-Q  
May 12, 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 March 31, 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 May 7, 2014: 34,498,900 shares.

LIN Media LLC Class B common shares, outstanding as of May 7, 2014: 20,901,726 shares.

LIN Media LLC Class C common shares, outstanding as of May 7, 2014: 2 shares.

LIN Television Corporation common stock, \$0.01 par value, outstanding as of May 7, 2014: 1,000 shares.

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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>30</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>38</u>
<u>Item 4. Controls and Procedures</u>	<u>38</u>

Part II. Other Information

<u>Item 1. Legal Proceedings</u>	<u>39</u>
<u>Item 1A. Risk Factors</u>	<u>40</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>45</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>45</u>
<u>Item 4. Mine Safety Disclosure</u>	<u>45</u>
<u>Item 5. Other Information</u>	<u>46</u>
<u>Item 6. Exhibits</u>	<u>47</u>
<u>Signature Page</u>	<u>49</u>

Table of Contents

Part I. Financial Information

Item 1. Unaudited Consolidated Financial Statements

3

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Table of Contents

LIN Media LLC  
Consolidated Balance Sheets  
(unaudited)

	March 31, 2014	December 31, 2013
	(in thousands, except share data)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$20,887	\$12,525
Accounts receivable, less allowance for doubtful accounts (2014 - \$3,615; 2013 - \$3,188)	138,517	145,309
Deferred income tax assets	8,229	6,898
Other current assets	13,781	15,201
Total current assets	181,414	179,933
Property and equipment, net	223,186	221,078
Deferred financing costs	15,647	16,448
Goodwill	210,627	203,528
Broadcast licenses	536,515	536,515
Other intangible assets, net	53,655	47,049
Other assets	16,191	12,299
Total assets (a)	\$1,237,235	\$1,216,850
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$18,925	\$17,364
Accounts payable	15,263	14,002
Income taxes payable	1,686	1,420
Accrued expenses	56,112	51,696
Program obligations	7,030	7,027
Total current liabilities	99,016	91,509
Long-term debt, excluding current portion	931,531	927,328
Deferred income tax liabilities	58,815	64,686
Program obligations	3,945	4,146
Other liabilities	29,452	27,209
Total liabilities (a)	1,122,759	1,114,878
Commitments and Contingencies (Note 9)		
Redeemable noncontrolling interest	9,820	12,845
LIN Media LLC shareholders' equity:		
Class A common shares, 100,000,000 shares authorized, Issued: 39,446,659 and 39,013,005 shares as of March 31, 2014 and December 31, 2013, respectively. Outstanding: 34,499,000 and 34,065,346 shares as of March 31, 2014 and December 31, 2013, respectively	635,810	624,564
Class B common shares, 50,000,000 shares authorized, 20,901,726 shares as of March 31, 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	518,395	518,395
Class C common shares, 50,000,000 shares authorized, 2 shares as of March 31, 2014 and December 31, 2013, issued and outstanding; convertible into an equal number of — shares of class A common shares		—

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Treasury shares, 4,947,659 shares of class A common shares as of March 31, 2014 and December 31, 2013, at cost	(21,984	)	(21,984	)
Accumulated deficit	(1,004,665	)	(1,006,322	)
Accumulated other comprehensive loss	(25,335	)	(25,526	)
Total LIN Media LLC shareholders' equity	102,221		89,127	
Noncontrolling interest	2,435		—	
Total equity	104,656		89,127	
Total liabilities, redeemable noncontrolling interest and shareholders' equity	\$ 1,237,235		\$ 1,216,850	

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Our consolidated assets as of March 31, 2014 and December 31, 2013 include total assets of: \$55,024 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: \$44,118 and \$44,677 and program rights of: \$2,254 and \$2,186 as of March 31, 2014 and December 31, 2013, respectively. Our consolidated liabilities as of March 31, (a) 2014 and December 31, 2013 include \$4,014 and \$4,126, respectively, of total liabilities of the VIEs for which the VIEs’ creditors have no recourse to the Company, including \$2,698 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 March 31,	
	2014	2013
	(in thousands, except per share data)	
Net revenues	\$ 166,241	\$ 140,992
Operating expenses:		
Direct operating	69,434	54,568
Selling, general and administrative	44,940	37,298
Amortization of program rights	6,593	7,785
Corporate	12,541	10,271
Depreciation	10,686	11,638
Amortization of intangible assets	5,571	5,429
Restructuring charge	—	2,132
Loss from asset dispositions	94	95
Operating income	16,382	11,776
Other expense:		
Interest expense, net	14,209	13,871
Share of loss in equity investments	75	—
Other expense (income), net	18	(24 )
Total other expense, net	14,302	13,847
Income (loss) before provision for (benefit from) income taxes	2,080	(2,071 )
Provision for (benefit from) income taxes	1,021	(1,051 )
Net income (loss)	1,059	(1,020 )
Net loss attributable to noncontrolling interests	(598 )	(164 )
Net income (loss) attributable to LIN Media LLC	\$ 1,657	\$ (856 )
Basic net income (loss) per common share:		
Net income (loss)	\$0.03	\$(0.02 )
Weighted-average number of common shares outstanding used in calculating basic income (loss) per common share	53,669	51,910
Diluted net income (loss) per common share:		
Net income (loss)	\$0.03	\$(0.02 )
Weighted-average number of common shares outstanding used in calculating diluted income per common share	56,593	51,910

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



Table of Contents

LIN Media LLC

Consolidated Statements of Comprehensive Income (Loss)  
(unaudited)

	Three Months Ended March 31,	
	2014	2013
	(in thousands)	
Net income (loss)	\$1,059	\$(1,020 )
Amortization of pension net losses, net of tax of \$124 and \$169 for the three months ended March, 31, 2014 and 2013, respectively, reclassified	191	259
Comprehensive income (loss)	1,250	(761 )
Comprehensive loss attributable to noncontrolling interest	(598 )	(164 )
Comprehensive income (loss) attributable to LIN Media LLC	\$1,848	\$(597 )

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		Accumulated	Accumulated		Total
	Class A	Class B	Class C	Shares		Other	Noncontrolling	
	Amount	Amount	Amount	(at cost)	Deficit	Comprehensive	Interest	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 \$124	—	—	—	—	—	191	—	191
Issuance of class A common shares	1,163	—	—	—	—	—	—	1,163
Tax benefit from exercise of share options and vesting of restricted share awards	7,784	—	—	—	—	—	—	7,784
Share-based compensation	2,299	—	—	—	—	—	—	2,299
Net income attributable to LIN Media LLC	—	—	—	—	1,657	—	—	1,657
Reclassification from redeemable noncontrolling interest	—	—	—	—	—	—	2,435	2,435
Balance as of March 31, 2014	\$635,810	\$518,395	\$—	\$(21,984)	\$(1,004,665)	\$ (25,335 )	\$ 2,435	\$ 104,656

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 \$169	—	—	—	—	—	—	259	259
Stock-based compensation	2	—	—	—	2,419	—	—	2,421
Net loss attributable to LIN Media LLC	—	—	—	—	—	(856 )	—	(856 )
Balance as of March 31, 2013	\$ 315	\$ 235	\$ —	\$(21,984)	\$ 1,132,110	\$(1,165,291)	\$ (35,125 )	\$ (89,740 )

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)

	Three Months Ended March 31,	
	2014	2013
	(in thousands)	
<b>OPERATING ACTIVITIES:</b>		
Net income (loss)	\$1,059	\$(1,020 )
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	10,686	11,638
Amortization of intangible assets	5,571	5,429
Amortization of financing costs and note discounts	907	896
Amortization of program rights	6,593	7,785
Cash payments for programming	(6,866 )	(7,707 )
Share of loss in equity investments	75	—
Share-based compensation	2,307	1,941
Deferred income taxes, net	456	(1,237 )
Loss from asset dispositions	94	95
Other, net	985	428
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	16,315	11,020
Other assets	(3,174 )	(710 )
Accounts payable	(2,931 )	(9,524 )
Accrued interest expense	(416 )	4,020 )
Other liabilities and accrued expenses	5,122	(1,222 )
Net cash provided by operating activities	36,783	21,832
<b>INVESTING ACTIVITIES:</b>		
Capital expenditures	(5,609 )	(6,798 )
Acquisition of broadcast towers	(7,257 )	—
Payments for business combinations, net of cash acquired	(22,346 )	—
Proceeds from the sale of assets	45	13
Contributions to equity investments	(75 )	—
Capital contribution to joint venture with NBCUniversal	—	(100,000 )
Net cash used in investing activities	(35,242 )	(106,785 )
<b>FINANCING ACTIVITIES:</b>		
Net proceeds on exercises of employee and director share-based compensation	1,163	501
Proceeds from borrowings on long-term debt	40,000	85,000
Principal payments on long-term debt	(34,342 )	(22,840 )
Payment of long-term debt issue costs	—	(515 )
Net cash provided by financing activities	6,821	62,146
Net increase (decrease) in cash and cash equivalents	8,362	(22,807 )
Cash and cash equivalents at the beginning of the period	12,525	46,307
Cash and cash equivalents at the end of the period	\$20,887	\$23,500

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 “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.

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.

During the first quarter of 2014, as a result of the continued growth in our digital business, we reevaluated our organization and the nature of our business activities and began assessing and internally reporting financial information for our broadcast business and our digital business separately. As a result, we now have two reportable

operating 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 our 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 restated prior period disclosures to reflect this change in our reportable operating segments. See Note 5 - "Segment Reporting" for further discussion.

On March 21, 2014, we filed a Current Report on Form 8-K for the purpose of announcing that LIN LLC entered into an Agreement and Plan of Merger 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

## Table of Contents

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”) pursuant to which Merger Sub 1 will, upon the terms and subject to the conditions thereof, merge with and into Media General (the “Media General Merger”), with Media General surviving the Media General Merger as a wholly owned subsidiary of New Holdco, and immediately following the consummation of the Media General Merger, Merger Sub 2 will merge with and into LIN LLC (the “LIN Merger” and together with the Media General Merger, the “Merger”), with LIN LLC surviving the LIN Merger as a wholly owned subsidiary of New Holdco.

As a result of the Merger, 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. For more information concerning the Merger, refer to the Current Report on Form 8-K filed with the SEC on March 21, 2014.

### 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” and Note 1 - “Basis of Presentation and Summary of Significant Accounting Policies,” 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, may 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 two years from the date on which the rules become effective 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 a waiver, we may be required to modify or terminate our existing JSAs to comply with FCC requirements.

Table of Contents

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 March 31, 2014 and December 31, 2013 are as follows (in thousands):

	March 31, 2014	December 31, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$303	\$278
Accounts receivable, net	5,922	6,345
Other assets	927	927
Total current assets	7,152	7,550
Property and equipment, net	2,330	2,469
Broadcast licenses and other intangible assets, net	44,118	44,677
Other assets	1,424	1,360
Total assets	\$55,024	\$56,056
<b>LIABILITIES</b>		
Current liabilities:		
Current portion of long-term debt	\$1,162	\$1,162
Accounts payable	57	63
Accrued expenses	1,259	1,336
Program obligations	1,241	1,303
Total current liabilities	3,719	3,864
Long-term debt, excluding current portion	2,715	3,005
Program obligations	1,457	1,424
Other liabilities	47,133	47,763
Total liabilities	\$55,024	\$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