UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) September 19, 2019

THE E.W. SCRIPPS COMPANY
(Exact name of registrant as specified in its charter)

Ohio	**0-16914**	**31-1223339**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification Number)**

312 Walnut Street	
Cincinnati, Ohio	**45202**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (513) 977-3000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Class A Common Stock, par value $0.01 per share	SSP	NASDAQ Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR § 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR § 240.12b-2).
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

THE E.W. SCRIPPS COMPANY

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Item 2.01 Completion of Acquisition or Disposition of Assets

On September 19, 2019, the E.W. Scripps Company ("Company") closed on the previously announced $580 million acquisition of eight television stations in seven markets from the Nexstar Media Group, Inc. transaction with Tribune Media. The Company issued a press release related to the close of the acquisition which is attached hereto as Exhibit 99.1.

In 2019, we acquired television stations from Raycom Media, Cordillera Communications, LLC and Nexstar Media Group/Tribune Media. Due to the effect that the 2019 television station acquisitions have on our Local Media segment, and to provide meaningful period over period comparisons, we are providing supplemental non-GAAP (Generally Accepted Accounting Principles) information to present certain financial results on an adjusted combined basis. Included in the press release is the Local Media segment financial information on an adjusted combined basis for the first and second quarters of 2019 and the quarterly periods of 2018. Refer to the "Adjusted Combined Supplemental Information" section that begins on page E-1 of Exhibit 99.1.

This Current Report on Form 8-K also includes the required Item 9.01(a) Financial Statements of Businesses Acquired and the required Item 9.01(b) Pro Forma Financial Information.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired

The audited financial statements of KASW (A Carve-out of Nexstar Media Group, Inc.) as of and for each of the years then ended December 31, 2018 and 2017, including the notes thereto, are filed herewith as Exhibit 99.2. Audited combined financial statements of Tribune Media Company Carve-out stations as of and for each of the years then ended December 31, 2018 and 2017, including the notes thereto, are filed herewith as Exhibit 99.3.

The unaudited financial statements of KASW (A Carve-out of Nexstar Media Group, Inc.) for the six months ended June 30, 2019 and 2018, including the notes thereto, are filed herewith as Exhibit 99.4. The unaudited combined financial statements of Tribune Media Company Carve-out stations as of June 30, 2019 and December 31, 2018 and for the six months ended June 30, 2019 and 2018, including the notes thereto, are filed herewith as Exhibit 99.5.

(b) Pro Forma Financial Information

The unaudited pro forma combined financial statements of Scripps and the acquired Cordillera and Nexstar-Tribune stations as of and for the six months ended June 30, 2019 and for the year ended December 31, 2018, are filed herewith as Exhibit 99.6.

(c) Exhibits

Exhibit Number	Description of Item
2.1	Asset Purchase Agreement by and among Nexstar Media Group, Inc., Scripps Media, Inc. and Scripps Broadcasting Holdings, LLC dated as of March 20, 2019 [(1)]
10.1	Third Amended and Restated Credit Agreement dated as of April 28, 2017 (as amended by the First Amendment, dated as of October 2, 2017, the Second Amendment, dated as of April 3, 2018, the Third Amendment, dated as of November 20, 2018 and the Fourth Amendment, dated as of May 1, 2019) [(2)]
10.2	Indenture dated as of July 26, 2019 [(3)]
23.1	Consent of Independent Auditors
23.2	Consent of Independent Auditors
99.1	Press release dated September 19, 2019
99.2	Audited financial statements of KASW (A Carve-out of Nexstar Media Group, Inc.) as of and for each of the years then ended December 31, 2018 and 2017, including the notes thereto
99.3	Audited combined financial statements of Tribune Media Company Carve-out stations as of and for each of the years then ended December 31, 2018 and 2017, including the notes thereto
99.4	Unaudited financial statements of KASW (A Carve-out of Nexstar Media Group, Inc.) for the six months ended June 30, 2019 and 2018, including the notes thereto
99.5	Unaudited combined financial statements of Tribune Media Company Carve-out stations as of June 30, 2019 and December 31, 2018 and for the six months ended June 30, 2019 and 2018, including the notes thereto
99.6	Unaudited pro forma combined balance sheet as of June 30, 2019 and unaudited pro forma combined results of operations for the year ended December 30, 2018 and the six months ended June 30, 2019

[(1)] Incorporated by reference to The E.W. Scripps Company Current Report on Form 8-K dated March 20, 2019.

[(2)] Incorporated by reference to The E.W. Scripps Company Current Report on Form 8-K dated May 1, 2019.

[(3)] Incorporated by reference to The E.W. Scripps Company Current Report on Form 8-K dated July 26, 2019.

SIGNATURES

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

THE E.W. SCRIPPS COMPANY

BY: /s/ Douglas F. Lyons
Douglas F. Lyons
Senior Vice President, Controller and Treasurer
(Principal Accounting Officer)

Dated: September 25, 2019

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-27621, 333-27623, 333-40767, 333-89824, 333-120185, 333-125302, 333-151963, 333-167089, 333-207857) of The E.W. Scripps Company of our report dated June 28, 2019 relating to the financial statements of KASW, which appears in this Current Report on Form 8-K.

/s/ PricewaterhouseCoopers LLP
Dallas, Texas
September 25, 2019

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-27621, 333-27623, 333-40767, 333-89824, 333-120185, 333-125302, 333-151963, 333-167089, 333-207857) of The E.W. Scripps Company of our report dated June 28, 2019 relating to the financial statements of Tribune Media Company Carve-Out Stations, which appears in this Current Report on Form 8-K.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
September 25, 2019

Exhibit 99.1

Give light and the people will find their own way
SCRIPPS

News Release

312 WALNUT ST., CINCINNATI, OHIO 45202 | P 513.977.3000

Scripps closes acquisition of eight TV stations from Nexstar-Tribune merger divestitures

September 19, 2019

CINCINNATI - The E.W. Scripps Company (NASDAQ: SSP) has closed its acquisition of eight television stations in seven markets divested from the Nexstar Media Group, Inc. (NASDAQ: NXST) transaction with Tribune Media (NYSE: TRCO).

The acquisition grows the Scripps local television station footprint to 60 stations in 42 markets, making it the nation's fourth-largest independent broadcaster with a reach of 31% of U.S. TV households.

Since Jan. 1, Scripps has added 27 television stations to its portfolio, and it now expects 2020 company free cash flow to be in the range of $225 million to $250 million.

The stations diversify Scripps' affiliate relationships, expand its political advertising footprint and bring durability and geographic reach to its television station portfolio.

The stations joining Scripps' television portfolio today are:

- WPIX, the CW affiliate in New York City. (Scripps has granted Nexstar the option to buy back WPIX in New York City. The option is exercisable from March 31, 2020, through the end of 2021.)
- KASW, the CW affiliate in Phoenix (which joins the Scripps ABC affiliate there)
- WSFL, the CW affiliate in Miami-Fort Lauderdale (adjacent to the Scripps NBC affiliate in West Palm Beach, Florida)
- KSTU, the Fox affiliate in Salt Lake City
- WTKR, the CBS affiliate, and WGNT, the CW affiliate, in Norfolk, Virginia
- WTVR, the CBS affiliate in Richmond, Virginia
- WXMI, the Fox affiliate in Grand Rapids, Michigan

The eight stations deepen Scripps' presence in Arizona, Florida, Michigan and New York. Scripps is adding its first stations in the No. 1 ranked DMA of New York City and the states of Virginia and Utah. It will now operate nine markets with more than one station, including in its second-largest market, Phoenix.

Forward-looking statements
This document contains certain forward-looking statements related to the company's businesses that are based on management's current expectations. Forward-looking statements are subject to certain risks, trends and uncertainties, including changes in advertising demand and other economic conditions that could cause actual results to differ materially from the expectations expressed in forward-looking statements. Such forward-looking statements are made as of the date of this document and should be evaluated with the understanding of their inherent uncertainty. A detailed discussion of principal risks and uncertainties that may cause actual results and events to differ materially from such forward-looking statements is included in the company's Form 10-K on file with the SEC in the section titled "Risk

Factors.” The company undertakes no obligation to publicly update any forward-looking statements to reflect events or circumstances after the date the statement is made.

About Scripps

The E.W. Scripps Company (NASDAQ: SSP) serves audiences and businesses through a growing portfolio of local and national media brands. With 60 television stations in 42 markets, Scripps is one of the nation’s largest independent TV station owners. Scripps runs a collection of national journalism and content businesses, including Newsy, the next-generation national news network; podcast industry leader Stitcher; the fast-growing national broadcast networks Bounce, Grit, Escape, Laff and Court TV; and Triton, the global leader in digital audio technology and measurement services. Scripps runs an award-winning investigative reporting newsroom in Washington, D.C., and is the longtime steward of the Scripps National Spelling Bee. Founded in 1878, Scripps has held for decades to the motto, “Give light and the people will find their own way.”

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ADJUSTED COMBINED SUPPLEMENTAL INFORMATION

Due to the effect that the 2019 television station acquisitions have on our Local Media segment, and to provide meaningful period over period comparisons, we are providing this supplemental non-GAAP (Generally Accepted Accounting Principles) information to present certain financial results on an adjusted combined basis. The adjusted combined financial results have been compiled by adding, as of the earliest period presented, the acquired Waco, Texas; Tallahassee, Florida; Cordillera; and Nexstar-Tribune television stations' historical revenue, employee compensation and benefits, programming and other expenses to Scripps' historical revenue, employee compensation and benefits, programming and other expenses captions historically reported within our Local Media segment. These historical results are adjusted for certain intercompany adjustments and other impacts that would result from the companies operating under the ownership of Scripps.

Management uses the adjusted combined non-GAAP supplemental information for purposes of evaluating the performance of the Local Media segment. The company therefore believes that the non-GAAP measure presented provides useful information to investors by allowing them to view the company's businesses through the eyes of management, facilitating comparison of Local Media results across historical periods and providing a focus on the underlying ongoing operating performance of the segment.

The company uses the adjusted combined non-GAAP supplemental information to supplement the financial information presented on a GAAP historical basis. This non-GAAP supplemental information is not to be considered in isolation from, or as a substitute for, the related GAAP measures, and should be read only in conjunction with financial information presented on a GAAP basis.

The adjusted combined financial results contained in the following supplemental information is for informational purposes only. These results do not necessarily reflect what the historical results of Scripps would have been if the acquisitions of the Waco, Tallahassee, Cordillera and Nexstar-Tribune broadcast operations had occurred on January 1, 2018. Nor is this information necessarily indicative of the future results of operations of the combined entities.

The adjusted combined financial information is not pro forma information prepared in accordance with Article 11 of SEC regulation S-X, and the preparation of information in accordance with Article 11 would result in a significantly different presentation.

Local Media segment Adjusted Combined segment profit

	2019		2018				
(in thousands)	Q1	Q2	Q1	Q2	Q3	Q4	Total
Segment operating revenues:							
Core advertising	$ 174,720	$ 192,570	$ 178,794	$ 193,660	$ 178,444	$ 189,602	$ 740,500
Political	1,188	2,452	3,380	22,038	56,694	114,323	196,435
Retransmission	113,700	112,374	100,322	103,525	107,990	107,808	419,645
Other revenue	5,641	5,278	4,907	5,885	5,267	5,222	21,281
Total operating revenues	295,249	312,674	287,403	325,108	348,395	416,955	1,377,861
Segment costs and expenses:							
Employee compensation and benefits	109,587	107,305	109,560	106,507	107,214	111,893	435,174
Programming	85,561	92,879	76,638	87,880	93,887	80,565	338,970
Impairment of programming assets	—	—	—	—	—	8,920	8,920
Other expenses	51,051	51,980	51,669	55,067	55,300	63,551	225,587
Total costs and expenses	246,199	252,164	237,867	249,454	256,401	264,929	1,008,651
Segment profit	$ 49,050	$ 60,510	$ 49,536	$ 75,654	$ 91,994	$ 152,026	$ 369,210

Non-GAAP reconciliation

Below is a reconciliation of Scripps historical reported revenue and segment profit for its Local Media segment to the adjusted combined revenue and adjusted combined segment profit for the Local Media segment with the 2019 television station acquisitions.

	2019		2018				
(in thousands)	Q1	Q2	Q1	Q2	Q3	Q4	Total
Local Media operating revenues, as reported	$ 203,387	$ 236,715	$ 192,059	$ 213,248	$ 230,734	$ 281,439	$ 917,480
Waco/Tallahassee TV stations acquisition	—	—	6,068	6,174	6,190	6,805	25,237
Cordillera TV stations acquisition	35,540	12,412	35,271	41,692	47,700	59,416	184,079
Nexstar-Tribune stations acquisition	64,679	71,349	58,296	68,297	68,079	73,607	268,279
Other revenue adjustments [1]	(8,357)	(7,802)	(4,291)	(4,303)	(4,308)	(4,312)	(17,214)
Local Media adjusted combined operating revenues	$ 295,249	$ 312,674	$ 287,403	$ 325,108	$ 348,395	$ 416,955	$ 1,377,861

	2019		2018				
(in thousands)	Q1	Q2	Q1	Q2	Q3	Q4	Total
Local Media segment profit, as reported	$ 34,173	$ 54,329	$ 31,619	$ 53,368	$ 67,416	$ 98,716	$ 251,119
Waco/Tallahassee TV stations acquisition	—	—	1,770	1,905	1,893	2,265	7,833
Cordillera TV stations acquisition	7,925	2,828	8,632	14,287	19,212	30,338	72,469
Nexstar-Tribune stations acquisition	15,309	11,155	11,806	10,397	7,781	25,019	55,003
Other revenue adjustments [1]	(8,357)	(7,802)	(4,291)	(4,303)	(4,308)	(4,312)	(17,214)
Local Media adjusted combined segment profit	$ 49,050	$ 60,510	$ 49,536	$ 75,654	$ 91,994	$ 152,026	$ 369,210

[1] *Primarily reflects reduced retransmission revenue from CW affiliates under Scripps retransmission agreements in effect during each period.*

Exhibit 99.2

KASW

(A Carve-out of Nexstar Media Group, Inc.)

Financial Statements as of

December 31, 2018 and 2017 and for each of the years then ended

KASW

(A Carve-out of Nexstar Media Group, Inc.)

INDEX TO FINANCIAL STATEMENTS

Report of Independent Auditors

To the Management and Board of Directors of Nexstar Media Group, Inc.

We have audited the accompanying financial statements of KASW, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations, invested equity and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KASW as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in 2018. Our opinion is not modified with respect to this matter.

/s/ PricewaterhouseCoopers LLP
Dallas, Texas June 28, 2019

KASW

(A Carve-out of Nexstar Media Group, Inc.)

BALANCE SHEETS

(in thousands)

	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Accounts receivable, net of allowance for doubtful accounts of $53 and $127, respectively	$ 3,819	$ 3,995
Current broadcast rights	1,744	2,134
Prepaid expenses	17	11
Total current assets	5,580	6,140
Property and equipment, net	2,807	1,656
Noncurrent broadcast rights	2,749	4,490
Goodwill	32,203	32,203
FCC license	35,566	35,566
Other intangible assets, net of accumulated amortization of $631 and $581, respectively	82	132
Total assets	$ 78,987	$ 80,187
LIABILITIES AND INVESTED EQUITY		
Current liabilities:		
Accounts payable	$ 336	$ 121
Current broadcast rights payable	1,775	2,587
Accrued expenses and other current liabilities	546	250
Total current liabilities	2,657	2,958
Noncurrent broadcast rights payable	2,853	4,586
Deferred tax liabilities	4,302	3,022
Other noncurrent liabilities	490	394
Total liabilities	10,302	10,960
Commitments and contingencies (Note 8)		
Invested equity	68,685	69,227
Total liabilities and invested equity	$ 78,987	$ 80,187

The accompanying Notes are an integral part of these Financial Statements

KASW
(A Carve-out of Nexstar Media Group, Inc.)

STATEMENTS OF OPERATIONS
(in thousands)

	Years Ended December 31,	
	2018	**2017**
Net revenue	$ 19,320	$ 20,565
Operating expenses (income):		
Direct operating expenses, excluding depreciation and amortization	2,253	2,204
Selling, general, and administrative expenses, excluding depreciation and amortization	4,522	4,250
Amortization of broadcast rights	2,375	4,809
Amortization of intangible assets	50	113
Depreciation	807	337
Reimbursement from the FCC related to station repack	(1,262)	—
Total operating expenses	8,745	11,713
Income from operations	10,575	8,852
Income tax expense	(2,641)	(1,771)
Net income	$ 7,934	$ 7,081

The accompanying Notes are an integral part of these Financial Statements.

KASW

(A Carve-out of Nexstar Media Group, Inc.)

STATEMENTS OF INVESTED EQUITY

(in thousands)

Balances as of December 31, 2016	$	68,361
Net fund transfers to Nexstar		(6,215)
Net income		7,081
Balances as of December 31, 2017		69,227
Net fund transfers to Nexstar		(8,476)
Net income		7,934
Balances as of December 31, 2018	$	68,685

The accompanying Notes are an integral part of these Financial Statements.

KASW

(A Carve-out of Nexstar Media Group, Inc.)

STATEMENTS OF CASH FLOW

(in thousands)

	Years Ended December 31, 2018	2017
Cash flows from operating activities:		
Net income	$ 7,934	$ 7,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	807	337
Amortization of intangible assets	50	113
Amortization of broadcast rights	2,375	2,633
Spectrum repack reimbursements	(1,262)	—
Deferred income taxes	1,280	(21)
Payments for broadcast rights	(2,789)	(3,434)
Changes in operating assets and liabilities		
Accounts receivable, net	176	(153)
Prepaid expenses	(6)	—
Accounts payable	215	(371)
Accrued expenses and other current liabilities	206	30
Other noncurrent liabilities	96	175
Net cash provided by operating activities	9,082	6,390
Cash flows from investing activities:		
Purchases of property and equipment	(1,868)	(175)
Spectrum repack reimbursements	1,262	—
Net cash used in investing activities	(606)	(175)
Cash flows from financing activities:		
Net fund transfers to Nexstar	(8,476)	(6,215)
Net cash used in financing activities	(8,476)	(6,215)
Net increase (decrease) in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	$ —	$ —
Supplemental disclosure about non-cash investing activities:		
Accrued purchases of property and equipment	$ 90	$ —

The accompanying Notes are an integral part of these Financial Statements.

1. Background and Business Operations

"KASW" refers to the business related to the full power television station affiliated with the CW, HSN, Grit and Escape television networks, serving the Phoenix, Arizona market; "Nexstar" refers to Nexstar Media Group, Inc. and its subsidiaries; and "Nexstar Broadcasting" refers to Nexstar Broadcasting, Inc., a wholly-owned direct subsidiary of Nexstar.

KASW was acquired by Nexstar Broadcasting on January 29, 2015 pursuant to an asset purchase agreement. The station provides free over-the-air programming to its television viewing audiences in the market it serves. The station's primary sources of revenue include the sale of commercial air time to local and national advertisers, the sale of advertising spots on KASW's website where it delivers community focused content, and revenues earned from retransmission consent agreements with traditional multichannel video programming distributors ("MVPDs"), such as cable and satellite providers, and over-the-top video distributors ("OTTDs"), companies that provide video content through internet streaming. As of December 31, 2018, KASW reached approximately 1.9 million, or 1.7%, of all U.S. television households.

On November 30, 2018, Nexstar entered into a definitive merger agreement with Tribune Media Company ("Tribune") to acquire Tribune's outstanding equity. The merger has been approved by the boards of directors of both companies and Tribune's stockholders and is projected to close in the third quarter of 2019, subject to (i) Federal Communications Commission's (the "FCC") approval, (ii) other regulatory approvals (including expiration of the applicable Hart-Scott-Rodino "HSR" waiting period) and (iii) satisfaction of other customary closing conditions. As of December 31, 2018, Nexstar owns, operates, programmed or provided sales and other services to 174 full power television stations in 100 markets, including KASW. Tribune is a diversified media and entertainment business, which owns or provides certain services to 44 local television stations (including two satellite television stations) and one AM radio station.

In connection with obtaining the HSR approval and the FCC approval, Nexstar agreed to divest television stations in certain markets, including KASW. On March 20, 2019, Nexstar entered into a definitive asset purchase agreement to sell KASW and six other stations owned by Tribune to The E.W. Scripps Company ("Scripps"). The consummation of the proposed sale of KASW and six other stations to Scripps is subject to the satisfaction or waiver of certain customary conditions, including, among others, (i) the closing of the Nexstar and Tribune merger, (ii) the receipt of approval from the FCC and other regulatory approvals (including expiration of the applicable HSR waiting period), and (iii) the absence of certain legal impediments to the consummation of such transaction.

The accompanying financial statements have been prepared to reflect the financial position, results of operations and cash flows of the television station KASW as if it were a separate entity as of and for the years ended December 31, 2018 and 2017.

Liquidity

KASW does not maintain nor legally own separate cash balances as it is subject to Nexstar's centralized approach for managing cash and financing operations. While KASW had historically generated positive cash flows from its operating activities, KASW's ability to meet its obligation as they fall due is dependent on KASW's continued generation of positive cash flows from operations and Nexstar maintaining its pledge, communicated by Nexstar to KASW in the letter of support issued and dated June 28, 2019, to support the station operations and satisfy those liabilities incurred in the normal course of station operations until the station's change in control.

2. Summary of Significant Accounting Policies

Basis of Presentation

Throughout the periods included in these financial statements, KASW operated as part of Nexstar. Separate stand-alone financial statements have not historically been prepared for the station.

The accompanying financial statements have been derived from the consolidated financial statements and accounting records of Nexstar and were prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

The financial statements include all assets, liabilities revenue and certain expenses that are specifically identifiable to KASW. In addition, shared service costs and certain corporate costs that are not specifically identifiable have been allocated from Nexstar to its television station markets and other business operations, including KASW. These expenses have been allocated based on either the net revenue or headcount, as deemed appropriate. Management considers these allocations to be a reasonable reflection of the utilization of services or the benefit received. However, the allocations may not be indicative of the actual expense that would have been incurred had KASW operated as an independent, stand-alone entity.

Use of Estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The more significant estimates made by management include those relating to the allocation of expenses, allowance for doubtful accounts, retransmission revenue recognized, trade transactions, income taxes, the recoverability of goodwill, FCC license and other long-lived assets, the recoverability of broadcast rights and the useful lives of property and equipment and intangible assets. Actual results may vary from such estimates recorded.

Allocated Expenses

Direct operating expenses (excluding depreciation and amortization) and selling, general, and administrative expenses (excluding depreciation and amortization) include costs that are specifically identifiable to KASW’s operations. They also include costs that have been allocated from Nexstar based on either the net revenue or headcount. The allocated costs include shared service activities and corporate functions related to executive management, accounting and finance, station operations, human resources and payroll, legal, consulting and professional services, information technology, insurance, building and facilities, employee benefit costs, communications, as well as procurement.

All operating costs or income of KASW related to amortization of broadcast rights, amortization of intangible assets, reimbursement from the FCC related to station repack are specifically identifiable to the station. The majority of depreciation expense is also specifically identifiable to the station with a small percentage that is being allocated from Nexstar.

See Note 6 – Related Party Transactions for additional information on allocated expenses.

Cash and Cash Equivalents

Nexstar uses a centralized approach for managing cash and financing operations with its subsidiaries, and as such there are no cash or debt balances legally owned by KASW. Through Nexstar’s shared service functions, the treasury activities of KASW include cash collections, cash payments and any other cash transfers. In these financial statements, all treasury activities relating to KASW are reflected as elements of Invested Equity either as (i) net fund transfers to Nexstar, for the station’s net cash collections, or net fund transfers from Nexstar, for the station’s net cash outlays. All transactions between the Company and the Parent are considered to be effectively settled for cash in the financial statements at the time the transaction is recorded. The total net effect of the settlement of these transactions between the Company and the Parent is reflected in the Statements of Cash Flows as a financing activity, and in the Balance Sheets and Statements of Invested Equity as “Net fund transfers to Nexstar”.

Accounts Receivable and Allowance for Doubtful Accounts

KASW’s accounts receivable consists primarily of billings to customers for advertising broadcast on the station or placed on its website and for retransmission consent from cable or satellite operators. Trade receivables normally have terms of 30 days and KASW has no interest provision for customer accounts that are past due. KASW maintains an allowance for estimated losses resulting from the inability of customers to make required payments. Management periodically evaluates the collectability of accounts receivable based on a combination of factors, including customer payment history, known customer circumstances, the overall aging of customer balances and trends. In circumstances where management is aware of a specific customer’s inability to meet its financial obligations, an allowance is recorded to reduce the receivable amount to an amount estimated to be collectable.

Concentration of Credit Risk

A significant portion of KASW's accounts receivable is due from local and national advertising agencies and MVPDs and OTTDs. The station does not require collateral from its customers but maintains reserves for potential credit losses. Management believes that the allowance for doubtful accounts is adequate, but if the financial condition of KASW's customers were to deteriorate, additional allowances may be required. KASW has not experienced significant losses related to receivables from individual customers.

Revenue Recognition

As discussed in Recent Accounting Pronouncements below, KASW adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) and all related amendments. Accounting Standards Codification (ASC) 606 establishes a comprehensive new revenue recognition model designed to depict the transfer of goods or services to a customer in an amount that reflects the consideration the entity expects to be entitled to receive in exchange for those goods or services and requires significantly enhanced revenue disclosures. The station adopted this standard effective January 1, 2018 using the modified retrospective method as applied to customer contracts that were not completed as of January 1, 2018. As a result, financial information for reporting periods beginning after January 1, 2018 is presented under ASC 606, while comparative financial information has not been adjusted and continues to be reported in accordance with KASW's historical accounting policy for revenue recognition prior to the adoption of ASC 606.

KASW's revenue is primarily derived from the sale of advertising and the compensation received from traditional MVPDs, such as cable and satellite providers, as well as OTTDs, companies that provide video content through internet streaming, in return for the KASW's consent to the retransmission of the signals of its television stations. Total revenue includes advertising revenue, retransmission compensation, digital revenue and other broadcast related revenues. The station's contracts with customers may include multiple performance obligations. For such arrangements, KASW allocates revenue to each performance obligation based on its relative standalone selling price, which is generally determined based on the price charged to customers. KASW also determines whether gross or net presentation is appropriate based on its relationship in the applicable transaction with its ultimate customer. Any amounts paid by customers but not earned as of the balance sheet date are recorded as a contract liability (deferred revenue). The lag between billing the customers and when the payment is due is not significant.

KASW's advertising contracts are short-term in nature and include a number of spots that are delivered over the term of the arrangement. For broadcast of commercials (local, national and political advertising), the performance obligation is identified at the contract level as it represents a station's promise to deliver an agreed number of spots, an agreed price per spot and other specifications. Each performance obligation is satisfied over time as the advertiser receives and consumes benefits when a station airs the advertiser's commercial. For digital advertising, the performance obligation is a station's promise to place an advertisement in its website and is satisfied either based on impressions or the placement of ads over an agreed period of time. Advertising revenue is recognized, for the amount the station is entitled to receive, when the advertisements are broadcast on its stations or delivered on the station's websites.

KASW's retransmission consent agreements with MVPDs and OTTDs generally have a three-year term and provide revenue based on a monthly amount the station is entitled to receive per subscriber. Under ASC 606, these revenues are considered arising from the licensing of functional intellectual property. As such, the station applies the exception for sales- or usage-based royalty for the accounting of variable consideration and recognizes revenue (retransmission compensation) at the point in time the broadcast signal is delivered to the distributors. The distributors report their subscriber numbers to the station on a 30- to 60-day lag, which coincides with their payment of the fees due to KASW. Prior to receiving the report, the KASW records revenue based on estimated number of subscribers and the monthly amount the station is entitled to receive per subscriber. The impact of the lag in the number of subscribers is not significant.

KASW trades certain advertising time for various goods and services. These transactions are short-term in nature and are recorded at the estimated fair value of the goods or services received. Revenue from trade transactions is recognized when the related advertisement spots are broadcast. The station recorded $0.2 million and $0.3 million of trade revenue during the years ended December 31, 2018 and 2017 respectively. Trade expense is recognized when services or merchandise received are used. The station recorded $0.2 million and $0.3 million of trade expense for the years ended December 31, 2018 and 2017, respectively, which were included in direct operating expenses in the accompanying Statements of Operations.

The above revenue recognition policies are consistent with KASW's historical accounting policies prior to the adoption of ASC 606.

Effective on January 1, 2018, KASW no longer recognizes barter revenue (and the related barter expense) resulting from the exchange of advertising time for certain program material. During the year ended December 31, 2017, barter revenue (and the related barter expense) were $2.2 million. Barter expense was included in amortization of broadcast rights in the accompanying Statement of Operations. As of December 31, 2017, the current barter assets (and the related current barter liabilities) were $0.8 million, and the noncurrent barter assets (and the related noncurrent barter liabilities) were $1.3 million. On January 1, 2018, KASW recorded an adjustment to remove the offsetting balances of barter assets and barter liabilities.

Under KASW's historical accounting policy prior to the adoption of ASC 606, barter revenue (and the related barter expense) would have been $2.2 million during the year ended December 31, 2018. In addition, the current barter assets (and the related current barter liabilities) would have been $0.7 million, and the noncurrent barter assets (and the related noncurrent barter liabilities) would have been $0.7 million as of December 31, 2018.

KASW elected to utilize the practical expedient around costs incurred to obtain contracts for television advertising and digital advertising due to their short-term nature. Additionally, the incremental benefit from efforts in acquiring these contracts is considered not significant. Thus, the station continued to expense sales commissions when incurred.

KASW did not disclose the value of unsatisfied performance obligations on its contracts with customers because they are either (i) contracts with an original expected term of one year or less, or (ii) contracts for which the sales- or usage-based royalty exception was applied.

KASW's contract liabilities, which are reflected in its financial statements as accrued expenses and current other liabilities, consist primarily of customer payments for products or services received before the transfer of control to the customer occurs (deferred revenue). The station had no significant performance obligations related to contract liabilities as of December 31, 2018 or 2017.

The following table presents the disaggregation of KASW's net revenue for the years ended December 31, 2018 and 2017 under ASC 606. Revenue amounts during 2017 are presented in accordance with the station's historical accounting standard prior to the adoption of ASC 606 (in thousands):

	Years Ended December 31,	
	2018	2017
Local	$ 5,881	$ 4,920
National	3,054	3,772
Political	383	17
Retransmission compensation	9,211	8,965
Digital	304	218
Other	269	226
Trade and barter revenue	218	2,447
Net revenue	$ 19,320	$ 20,565

Broadcast Rights and Broadcast Rights Payable

KASW records cash broadcast rights contracts as an asset and a liability when the following criteria are met: (1) the license period has begun, (2) the cost of each program is known or reasonably determinable, (3) the program material has been accepted in accordance with the license agreement, and (4) the program is produced and available for broadcast. Cash broadcast rights are initially recorded at the contract cost and are amortized on a straight-line basis over the period the programming airs. The current portion of cash broadcast rights represents those rights available for broadcast which will be amortized in the succeeding year. The station periodically evaluates the net realizable value, calculated using the average historical advertising rates for the programs or the time periods the programming will air, of cash broadcast rights and adjusts amortization for any deficiency calculated.

Effective on January 1, 2018, the station no longer recognizes barter broadcast rights and barter broadcast rights payable resulting from the exchange of advertising time for certain program material. See Revenue Recognition policy above for additional information.

Property and Equipment Net

Property and equipment is stated at cost or estimated fair value at the date of acquisition through a business combination. The cost and related accumulated depreciation applicable to assets sold or retired are removed from the accounts and the gain or loss on disposition is recognized. Major renewals and betterments are capitalized, and ordinary repairs and maintenance are charged to expense in the period incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets (see Note 3).

Intangible Assets, Net

Intangible assets consist primarily of goodwill, FCC license and an income agreement. These assets were initially recognized at fair value upon Nexstar Broadcasting's acquisition of KASW on January 29, 2015 using the acquisition method of accounting. The acquisition method requires that the purchase price is measured at acquisition date fair value. This purchase price is allocated to the assets acquired and liabilities assumed at estimated fair values at the date of acquisition using various valuation techniques, including discounted projected cash flows, the cost approach and the income approach. The fair value estimates are based on, but not limited to, expected future revenue and cash flows, expected future growth rates, and estimated discount rates. The excess of the purchase price over the fair value of net assets acquired is recorded as goodwill.

KASW's goodwill and FCC license are considered to be indefinite-lived intangible assets and are not amortized but are tested for impairment annually in the fourth quarter, or whenever events or changes in circumstances indicate that such assets might be impaired. The use of an indefinite life for the FCC license contemplates the station's historical ability to renew its license such that renewals generally may be obtained indefinitely and at little cost. Therefore, cash flows derived from the FCC license are expected to continue indefinitely.

KASW has one reporting unit and one station market with an indefinite-lived intangible asset (FCC license). The station first assesses the qualitative factors to determine the likelihood of the goodwill and FCC license being impaired. The qualitative analysis includes, but is not limited to, assessing the changes in macroeconomic conditions, regulatory environment, industry and market conditions, and the financial performance versus budget of the reporting units, as well as any other events or circumstances specific to the goodwill or the FCC license. If it is more likely than not that the fair value of the goodwill or the FCC license is greater than its carrying amount, no further testing will be required. Otherwise, the station will apply the quantitative impairment test method.

The quantitative impairment test for goodwill is performed by comparing its fair value with its carrying amount. If its fair value exceeds its carrying value, goodwill is not impaired, and no further testing is required. If the fair value is less than the carrying value, an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value; however, the loss recognized should not exceed the total amount of goodwill. The quantitative impairment test for FCC license consists of a market comparison of the carrying amount of the FCC license with its fair value, using a discounted cash flow analysis. An impairment is recorded when the carrying value of an FCC license exceeds its fair value.

Determining the fair value of goodwill and the FCC license requires management to make a number of judgments about assumptions and estimates that are highly subjective and that are based on unobservable inputs. The actual results may differ from these assumptions and estimates, and it is possible that such differences could have a material impact on the station's financial statements.

KASW tests finite-lived intangible assets and other long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows. The impairment test for finite-lived intangible assets consists of an asset (asset group) comparison of the carrying amount with its estimated undiscounted cash flow. An impairment in the carrying amount of a finite-lived intangible asset is recognized when the expected discounted future operating cash flow derived from the operation to which the asset relates is less than its carrying value.

Invested Equity

Management considers an allocation of historical invested capital, retained earnings and shareholder distributions to be impracticable. Accordingly, the invested equity balance as of December 31, 2016 was determined based on the excess of assets over liabilities attributable to KASW as of such date.

Comprehensive Income

Comprehensive income includes net income and certain items that are excluded from net income and recorded as a separate component of Invested Equity. During the years ended December 31, 2018 and 2017, KASW had no items of other comprehensive income and, therefore, comprehensive income does not differ from reported net income.

Advertising Expense

The cost of advertising is expensed as incurred. The station incurred advertising costs in the amount of $0.3 million and $0.4 million for the years ended December 31, 2018 and 2017, respectively.

Financial Instruments

KASW's financial instruments include accounts receivable and accounts payable and accrued expenses. The carrying value of such financial instruments approximates their fair value due to their short-term nature.

Income Taxes

The income tax expense during the years ended December 31, 2018 and 2017 includes current and deferred taxes and are recognized in the Statements of Operations. The provision for income taxes is calculated as if KASW filed separate federal and state tax returns and was operating as a stand-alone business apart from Nexstar for each period presented. Current taxes are assumed to be settled with Nexstar, in the year the related taxes are recorded.

KASW recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The determination is based on the technical merits of the position and presumes that each uncertain tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. KASW has not recorded any unrecognized tax benefits in these stand- alone financial statements.

Recent Accounting Pronouncements New Accounting Standards Adopted

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). KASW early adopted this standard and all related amendments effective January 1, 2018 using the modified retrospective method as applied to customer contracts that were not completed as of January 1, 2018. Upon adoption of this standard, the cumulative adjustment to the Invested Equity as of January 1, 2018 for the cumulative effect of initially applying the new standard wss not material. See Revenue Recognition above for KASW's updated accounting policy and for expanded disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force) ("ASU 2016-15"). The amendments in ASU 2016-15 address eight specific cash flow issues and apply to all entities that are required to present a statement of cash flows under FASB Accounting Standards Codification 230, Statement of Cash Flows. The amendments in ASU 2016-15 are effective for fiscal years, beginning after December 15, 2018. KASW elected to early adopt the amendment and has applied the change in accounting as of January 1, 2018 on a retrospective basis. The adoption of this ASU did not impact the station's Financial Statements for the year ended December 31, 2018.

New Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). Under this guidance, lessees are required to recognize on the balance sheet a right-of-use asset and a lease liability arising from operating leases except for short-term contracts with original terms of twelve months or less. The new guidance also requires enhanced qualitative and quantitative disclosures in the notes to the financial statements and is expected to provide transparency of information and comparability among organizations. ASU 2016-02 and related amendments is effective fiscal years beginning after December 15, 2019, with early adoption permitted. KASW will adopt ASU 2016–02 as of January 1, 2020 using the optional transition method. As such, the station's reporting for the comparative periods will continue to be in accordance with ASC Topic 840, Leases. The station will apply certain practical expedients offered in the new lease guidance, such as no reassessment of whether expired or existing contracts contain leases, no re- evaluation of the classification of expired or existing leases and no reassessment of initial direct costs for existing leases. Upon adoption, the station expects to record an increase in total assets and total liabilities of less than 3%. Management does not expect the standard to have a material impact on the station's cash flows or results of operations.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) ("ASU 2016-13"). The standard requires entities to estimate loss of financial assets measured at amortized cost, including trade receivables, debt securities and loans, using an expected credit loss model. The expected credit loss model differs from the previous incurred losses model primarily in that the loss recognition threshold of "probable" has been eliminated and that expected loss should consider reasonable and supportable forecasts in addition to the previously considered past events and current conditions. Additionally, the guidance requires additional disclosures related to the further disaggregation of information related to the credit quality of financial assets by year of the asset's origination for as many as five years. In November 2018, the FASB issued ASU No. 2018-19 to clarify the scope of the guidance in the amendments in ASU 2016-13. Entities must apply the standard provision as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The standard is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. KASW is currently evaluating the impact of adopting ASU 2016-13 on its financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820) ("ASU 2018-13"), which modifies the disclosure requirements on fair value measurements. The amendments in this update are effective for all entities for fiscal years, beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. KASW is currently evaluating the impact of adopting ASU 2018-13 on its financial statements.

3. Property and Equipment, Net

Property and equipment consisted of the following, as of December 31 (dollars in thousands):

	Estimated useful life, in years	**December 31, 2018**	**December 31, 2017**
Building and leasehold improvements	term of lease	$ 446	$ 443
Studio and transmission equipment	5-15	1,017	1,531
Computer equipment	3-5	92	92
Furnitures & fixtures	7	97	97
Vehicles	5	97	73
Construction in progress	N/A	1,824	37
		3,573	2,273
Less: accumulated depreciation		(766)	(617)
		$ 2,807	$ 1,656

The increase in property and equipment primarily relates to the spectrum repack project (see Note 7).

4. Intangible Assets, Net and Goodwill

There were no changes to the carrying amounts of goodwill ($32.2 million) or FCC license ($35.6 million) during the years ended December 31, 2018 and 2017.

In the fourth quarters of 2018 and 2017, KASW performed its annual impairment tests on goodwill and FCC license using the qualitative analysis approach and concluded that it was more likely than not that their fair values would sufficiently exceed the respective carrying amounts.

As of December 31, 2018 and 2017, intangible assets subject to amortization had carrying amounts of $82 thousand and $132 thousand, respectively. The following table presents KASW's estimate of amortization expense for each of the five succeeding fiscal years and thereafter for finite-lived intangibles assets as of December 31, 2018 (in thousands):

2019	$	49
2020		33
	$	82

No events or circumstances were noted leading management to conclude that impairment testing should be performed on intangible assets subject to amortization during 2018 or 2017.

5. Income Taxes

KASW has historically been included in Nexstar's federal income and state tax returns. For purposes of these financial statements, income taxes related to KASW have been presented as if it were a separate taxpayer. Under this approach, the station determines its current tax liability, deferred tax assets and liabilities and related tax expense as if it were filing separate tax returns in each tax jurisdiction. Tax attributes have been recognized by Nexstar and KASW. Because the station is part of the same legal entity that generated many of these tax attributes, Management estimated the amounts of certain attributes attributable KASW. These attributes, although disclosed herein, may not be transferred in certain transactions.

The income tax expense consisted of the following components (in thousands):

	Years Ended December 31,	
	2018	2017
Current tax expense:		
Federal	$ 1,093	$ 1,562
State	268	230
	1,361	1,792
Deferred tax expense (benefit):		
Federal	1,081	(237)
State	199	216
	1,280	(21)
Income tax expense	$ 2,641	$ 1,771

The income tax expense differs from the amount computed by applying the statutory federal income tax rate of 21% and 35% for the years ended December 31, 2018 and 2017, respectively, to income from operations before income taxes. The sources and tax effects of the differences are as follows (in thousands):

	Years Ended December 31,	
	2018	2017
Income tax expense at statutory federal rate	$ 2,221	$ 3,098
State and local taxes, net of federal benefit	411	283
Impact of federal tax reduction on deferred taxes	—	(1,618)
Other	9	8
Income tax expense	$ 2,641	$ 1,771

In 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was signed into law which reduced the federal corporate income tax rate from 35% to 21%. During the year ended December 31, 2017, KASW reported a provisional effect of the Tax Act to its financial statements for that period. During the year ended December 31, 2018, the station completed its accounting for the Tax Act. There were no material changes to the provisional amounts included in the financial statements for the year ended December 31, 2018.

The components of the net deferred tax (liability) assets are as follows (in thousands):

	Years Ended December 31,	
	2018	2017
Deferred tax assets:		
Deferred rent	$ 139	$ 98
Other intangible assets	111	110
Property and equipment	97	—
Other	66	66
Total deferred tax assets	413	274
Deferred tax liabilities:		
Goodwill	(2,091)	(1,557)
FCC licenses	(2,310)	(1,720)
Deferred revenue	(314)	—
Other	—	(19)
Total deferred tax liabilities	(4,715)	(3,296)
Net deferred tax liabilities	$ (4,302)	$ (3,022)

As of December 31, 2018 and 2017, there were no uncertain tax positions recorded by KASW. As of these dates, the station also had no net operating losses.

6. Related Party Transactions

The Invested Equity had balances of $68.7 million and $69.2 million as of December 31, 2018 and 2017, respectively, in the accompanying Balance Sheets and Statements of Invested Equity. These represent Nexstar's historical investment in KASW and the net effect of fund transfers to Nexstar, expense allocations from Nexstar and assumed settlement of current taxes with Nexstar. The Statements of Invested Equity and the Statements of Cash Flows include the change in these balances year over year, representing net fund transfers to or from Nexstar.

The Statements of Operations include direct operating expenses (excluding depreciation and amortization) and selling, general, and administrative expenses (excluding depreciation and amortization). These captions consist of costs that are specifically identifiable to KASW's operations and costs that have been allocated to the station based on either the net revenue or headcount.
These costs include shared service activities and corporate functions related to executive management, accounting and finance, station operations, human resources and payroll, legal, consulting and professional services, information technology, insurance, building and facilities, employee benefit costs, communications, as well as procurement. The table below summarizes the expenses allocated from Nexstar to KASW and the line items in the accompanying Statements of Operations such costs were included:

	Years Ended December 31,	
	2018	2017
Direct operating expenses (excluding depreciation and amortization)	$ 138	$ 169
Selling, general, and administrative expenses (excluding depreciation and amortization)	1,033	981
Depreciation	112	80

Management considers these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, KASW. These allocations may not, however, reflect the expense KASW would have incurred as a stand-alone company for the periods presented. Actual costs that may have been incurred if KASW had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure.

The current tax expense of KASW amounting to $1.4 million and $1.8 million during the years ended December 31, 2018 and 2017, respectively, were assumed to be settled with Nexstar through Invested Equity.

7. FCC Regulatory Matters

Television broadcasting is subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communications Act"). The Communications Act prohibits the operation of television broadcasting stations except under a license issued by the FCC, and empowers the FCC, among other things, to issue, revoke, and modify broadcasting licenses, determine the location of television stations, regulate the equipment used by television stations, adopt regulations to carry out the provisions of the Communications Act and impose penalties for the violation of such regulations. The FCC's ongoing rule making proceedings could have a significant future impact on the television industry and on the operation of KASW. In addition, the U.S. Congress may act to amend the Communications Act or adopt other legislation in a manner that could impact the station and the television broadcast industry in general.

The FCC has adopted rules with respect to the final conversion of existing low power and television translator stations to digital operations, which must be completed by July 2021.

Media Ownership

The FCC is required to review its media ownership rules every four years and to eliminate those rules it finds no longer serve the "public interest, convenience and necessity."

In August 2016, the FCC adopted a Second Report and Order (the "2016 Ownership Order") concluding the agency's 2010 and 2014 quadrennial reviews. The 2016 Ownership Order (1) retained the then-existing local television ownership rule and radio/television cross-ownership rule with minor technical modifications, (2) extended the ban on common ownership of two top-four television stations in a market to network affiliation swaps, (3) retained the then-existing ban on newspaper/broadcast cross-ownership in local markets while considering waivers and providing an exception for failed or failing entities, (4) retained the dual network rule, (5) made JSA relationships attributable interests and (6) defined a category of sharing agreements designated as SSAs between stations and required public disclosure of those SSAs (while not considering them attributable).

The 2016 Ownership Order reinstated a rule that attributed another in-market station toward the local television ownership limits when one station owner sells more than 15% of the second station's weekly advertising inventory under a JSA (this rule had been previously adopted in 2014 but was vacated by the U.S. Court of Appeals for the Third Circuit (the "Third Circuit")). Parties to JSAs entered into prior to March 31, 2014 were permitted to continue to operate under those JSAs until September 30, 2025.

Nexstar and other parties filed petitions seeking reconsideration of various aspects of the 2016 Ownership Order. On November 16, 2017, the FCC adopted an order (the "Reconsideration Order") addressing the petitions for reconsideration. The Reconsideration Order (1) eliminated the rules prohibiting newspaper/broadcast cross-ownership and limiting television/radio cross-ownership, (2) eliminated the requirement that eight or more independently-owned television stations remain in a local market for common ownership of two television stations in that market to be permissible, (3) retained the general prohibition on common ownership of two "top four" stations in a local market but provided for case-by-case review, (4) eliminated the television JSA attribution rule, and (5) retained the SSA definition and disclosure requirement for television stations. These rule modifications took effect on February 7, 2018, when the Third Circuit denied a mandamus petition which had sought to stay their effectiveness. The Reconsideration Order remains subject to appeals before the Third Circuit.

In December 2018, the FCC initiated its 2018 quadrennial review with the issuance of a Notice of Proposed Rulemaking. Among other things, the FCC seeks comment on all aspects of the local television ownership rule's implementation and whether the current version of the rule remains necessary in the public interest. Comments and reply comments in the 2018 quadrennial review are due in the first and second quarters of 2019.

The FCC's media ownership rules limit the percentage of U.S. television households which a party may reach through its attributable interests in television stations to 39% on a nationwide basis. Historically, the FCC has counted the ownership of an ultra- high frequency ("UHF") station as reaching only 50% of a market's percentage of total national audience. On August 24, 2016, the FCC adopted a Report and Order abolishing this "UHF discount" for the purposes of a licensee's determination of compliance with the 39% national cap, and that rule change became effective in October 2016. On April 20, 2017, the FCC adopted an order on reconsideration that reinstated the UHF discount. That order stated that the FCC would launch a comprehensive rulemaking later in 2017 to evaluate the UHF discount together with the national ownership limit. The FCC initiated that proceeding in December 2017, and comments and reply comments were filed in the first and second quarters of 2018. The FCC's April 2017 reinstatement of the UHF discount became effective on June 15, 2017. A petition for review of the FCC's order reinstating the UHF discount was filed in a federal appeals court, and Nexstar intervened in the litigation in support of the FCC. On July 25, 2018, the federal court dismissed the appeal for lack of standing. Nexstar is in compliance with the 39% national cap limitation without the UHF discount and, therefore, with the UHF discount as well.

Spectrum

The FCC is in the process of repurposing a portion of the broadcast television spectrum for wireless broadband use. Pursuant to federal legislation enacted in 2012, the FCC conducted an incentive auction for the purpose of making additional spectrum available to meet future wireless broadband needs. Under the auction statute and rules, certain television broadcasters accepted bids from the FCC to voluntarily relinquish all or part of their spectrum in exchange for consideration, and certain wireless broadband providers and other entities submitted successful bids to acquire the relinquished television spectrum. Over the next several years, television stations that are not relinquishing their spectrum are being "repacked" into the frequency band still remaining for television broadcast use.

The incentive auction commenced on March 29, 2016 and officially concluded on April 13, 2017. KASW did not accept bids to relinquish its television channel. KASW has been assigned a new channel in the reduced post-auction television band. The “repacked” station is required to construct and license the necessary technical modifications to operate on its newly assigned channel and must cease operating on its former channel by deadlines which the FCC has established and which are no later than July 13, 2020. Congress has allocated up to an industry-wide total of $2.75 billion to reimburse television broadcasters, MVPDs and other parties for costs reasonably incurred due to the repack. This allocation includes $1 billion added to the TV Broadcaster Relocation Fund as part of the Consolidated Appropriations Act, 2018. Broadcasters and MVPDs have submitted estimates to the FCC of their reimbursable costs. As of February 6, 2019, these costs were approximately $1.9 billion, and the FCC has indicated that it expects those costs to rise. During the year ended December 31, 2018, KASW spent a total of $1.6 million in capital expenditures related to station repack which were recorded as assets under the property and equipment caption in the accompanying Balance Sheets. In 2018, the station received $1.3 million in reimbursements from the FCC related to these expenditures which were recorded as operating income in the accompanying Statements of Operations. KASW cannot determine if the FCC will be able to fully reimburse its repacking costs as this is dependent on certain factors, including the station’s ability to incur repacking costs that are equal to or less than the FCC’s allocation of funds to the station and whether the FCC will have available funds to reimburse KASW for additional repacking costs that it previously may not have anticipated. Whether the FCC will have available funds for additional reimbursements will also depend on the repacking costs that will be incurred by other broadcasters, MVPDs and other parties that are also seeking reimbursements.

The reallocation of television spectrum to broadband use may be to the detriment of the station’s investment in digital facilities, could require substantial additional investment to continue current operations, and may require viewers to invest in additional equipment or subscription services to continue receiving broadcast television signals. KASW cannot predict the impact of the incentive auction and subsequent repacking on its business.

Exclusivity/Retransmission Consent

On March 3, 2011, the FCC initiated a Notice of Proposed Rulemaking which among other things asked for comment on eliminating the network non-duplication and syndicated exclusivity protection rules, which may permit MVPDs to import out-of- market television stations in certain circumstances.

In March 2014, the FCC adopted a further notice of proposed rulemaking which sought additional comment on the elimination or modification of the network non-duplication and syndicated exclusivity rules. The FCC’s possible elimination or modification of the network non-duplication and syndicated exclusivity protection rules may affect KASW’s ability to sustain its current level of retransmission consent revenues or grow such revenues in the future and could have an adverse effect on the station’s business, financial condition and results of operations. KASW cannot predict the resolution of the FCC’s network non-duplication and syndicated exclusivity proposals, or the impact of these proposals.

On December 5, 2014, federal legislation directed the FCC to commence a rulemaking to “review its totality of the circumstances test for good faith [retransmission consent] negotiations.” The FCC commenced this proceeding in September 2015 and comments and reply comments were submitted. In July 2016, the then-Chairman of the FCC publicly announced that the agency would not adopt additional rules in this proceeding. However, the proceeding remains open.

Further, certain online video distributors and other OTTDs have begun streaming broadcast programming over the Internet. In June 2014, the U.S. Supreme Court held that an OTTD’s retransmissions of broadcast television signals without the consent of the broadcast station violate copyright holders’ exclusive right to perform their works publicly as provided under the Copyright Act. In December 2014, the FCC issued a Notice of Proposed Rulemaking proposing to interpret the term “MVPD” to encompass OTTDs that make available for purchase multiple streams of video programming distributed at a prescheduled time and seeking comment on the effects of applying MVPD rules to such OTTDs. Comments and reply comments were filed in 2015. Although the FCC has not classified OTTDs as MVPDs to date, several OTTDs have signed agreements for retransmission of local stations within their markets and others are actively seeking to negotiate such agreements.

8. Commitments and Contingencies

Broadcast Rights Commitments

Broadcast rights acquired for cash under license agreements are recorded as an asset and a corresponding liability at the inception of the license period. Future minimum payments for license agreements for which the license period has not commenced and no asset or liability has been recorded are $16 thousand in 2019 and $10 thousand in 2020.

Operating Leases

KASW leases office space, a tower and an antenna site under noncancelable operating lease arrangements expiring through June 2032. During each of the years ended December 31, 2018 and 2017, rent expense recorded in the station's Statements of Operations for such leases was $0.2 million. As of December 31, 2018, future minimum lease payments under the operating lease are as follows (in thousands):

2019	$ 307
2020	314
2021	320
2022	328
2023	313
Thereafter	954
	$ 2,536

Litigation

From time to time, KASW is involved with claims that arise out of the normal course of its business. In the opinion of management, any resulting liability with respect to these claims would not have a material adverse effect on the station's financial position or results of operations.

9. Subsequent Events

Subsequent events have been evaluated through June 28, 2019, the date these financial statements were available to be issued. There were no transactions that required recognition or additional disclosures in these financial statements as of the evaluation date.

TRIBUNE MEDIA COMPANY CARVE-OUT STATIONS

Combined Financial Statements as of December 31, 2018 and 2017 and for each of the years then ended

TRIBUNE MEDIA COMPANY CARVE-OUT STATIONS
INDEX TO FINANCIAL STATEMENTS

Report of Independent Auditors

To the Management of Tribune Media Company

We have audited the accompanying combined financial statements of Tribune Media Company Carve-Out Stations, which comprise the combined balance sheets as of December 31, 2018 and 2017, and the related combined statements of comprehensive income, net parent investment, and cash flows for the years then ended.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Tribune Media Company Carve-Out Stations as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the combined financial statements, the Company changed the manner in which it accounts for revenue from contracts with customers in 2018. Our opinion is not modified with respect to this matter.

/s/ PricewaterhouseCoopers LLP Chicago, Illinois

June 28, 2019

TRIBUNE MEDIA COMPANY CARVE-OUT STATIONS
COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of dollars)

	Year Ended	
	December 31, 2018	**December 31, 2017**
Operating Revenues		
Advertising	$ 168,863	$ 168,284
Retransmission revenue	72,075	61,077
Other	8,653	11,972
Total operating revenues	249,591	241,333
Operating Expenses		
Programming	82,422	81,507
Direct operating expenses	60,471	60,653
Selling, general and administrative	73,824	77,491
Depreciation	8,499	8,924
Amortization	19,927	19,927
Total operating expenses	245,143	248,502
Income (Loss) Before Income Taxes	4,448	(7,169)
Income tax expense (benefit)	1,471	(10,392)
Net Income	$ 2,977	$ 3,223
Comprehensive Income	$ 2,977	$ 3,223

See Notes to Combined Financial Statements

TRIBUNE MEDIA COMPANY CARVE-OUT STATIONS
COMBINED BALANCE SHEETS
(In thousands of dollars)

	December 31, 2018	December 31, 2017
Assets		
Current Assets		
Cash	$ 174	$ 201
Accounts receivable (net of allowances of $623 and $686)	53,527	51,644
Broadcast rights	11,018	15,417
Prepaid expenses and other	787	765
Total current assets	65,506	68,027
Properties		
Machinery, equipment and furniture	44,991	41,665
Buildings and leasehold improvements	32,162	31,700
	77,153	73,365
Accumulated depreciation	(48,096)	(40,256)
	29,057	33,109
Land	5,076	5,076
Construction in progress	3,325	1,487
Net properties	37,458	39,672
Other Assets		
Broadcast rights	12,460	21,480
Other intangible assets, net	298,191	319,135
Other	16,354	13,029
Total other assets	327,005	353,644
Total Assets (a)	$ 429,969	$ 461,343
Liabilities and Net Parent Investment		
Current Liabilities		
Accounts payable	$ 3,101	$ 2,838
Employee compensation and benefits	5,139	4,213
Contracts payable for broadcast rights	24,633	26,919
Deferred revenue	1,552	1,423
Other	617	571
Total current liabilities	35,042	35,964
Non-Current Liabilities		
Deferred income taxes	18,369	16,898
Contracts payable for broadcast rights	22,729	37,626
Other obligations	860	845
Total non-current liabilities	41,958	55,369
Total Liabilities (a)	77,000	91,333
Commitments and Contingent Liabilities (Note 5)		
Net Parent Investment	352,969	370,010
Total Liabilities and Net Parent Investment	$ 429,969	$ 461,343

(a) The Company's consolidated total assets as of December 31, 2018 and December 31, 2017 include total assets of variable interest entities ("VIEs") of $38.9 million and $43.5 million, respectively, which can only be used to settle the obligations of the VIEs. The Company's consolidated total liabilities as of December 31, 2018 and December 31, 2017 include total liabilities of the VIEs of $2.5 million and $2.3 million, respectively, for which the creditors of the VIEs have no recourse to the Company (see Note 1).

See Notes to Combined Financial Statements

TRIBUNE MEDIA COMPANY CARVE-OUT STATIONS
COMBINED STATEMENTS OF NET PARENT INVESTMENT
(In thousands of dollars)

Balance at December 31, 2016	$	374,522
Transactions with Tribune Media Company and Tribune Media Company Affiliates, net		(7,735)
Comprehensive income:		
Net Income		3,223
Balance at December 31, 2017	$	370,010
Transactions with Tribune Media Company and Tribune Media Company Affiliates, net		(20,018)
Comprehensive income:		
Net Income		2,977
Balance at December 31, 2018	$	352,969

See Notes to Combined Financial Statements

TRIBUNE MEDIA COMPANY CARVE-OUT STATIONS
COMBINED STATEMENT OF CASH FLOWS
(In thousands of dollars)

	Year Ended	
	December 31, 2018	**December 31, 2017**
Operating Activities		
Net income	$ 2,977	$ 3,223
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	999	984
Depreciation	8,499	8,924
Amortization of other intangible assets	19,927	19,927
Spectrum repack reimbursements	(1,018)	—
Changes in working capital items:		
Accounts receivable, net	(1,883)	(223)
Prepaid expenses and other current assets	(22)	439
Accounts payable	561	(323)
Employee compensation and benefits and other current liabilities	995	(1,815)
Deferred revenue	129	108
Change in broadcast rights, net of liabilities	(3,628)	(6,008)
Deferred income taxes	1,471	(10,392)
Other, net	(2,802)	(2,104)
Net cash provided by operating activities	26,205	12,740
Investing Activities		
Capital expenditures	(7,270)	(5,000)
Spectrum repack reimbursements	1,018	—
Other	38	40
Net cash used in investing activities	(6,214)	(4,960)
Financing Activities		
Transactions with Tribune Media Company and Tribune Media Company Affiliates, net	(20,018)	(7,735)
Net cash used in financing activities	(20,018)	(7,735)
Net (Decrease) Increase in Cash	(27)	45
Cash, beginning of year	201	156
Cash, end of year	$ 174	$ 201

See Notes to Combined Financial Statements

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Background and Business Operations—The accompanying audited combined financial statements include the accounts of Tribune Media Company (“Tribune Media”) owned local television stations WPIX, New York, NY; WSFL-TV, Miami, FL; KSTU, Salt Lake City, UT; WXMI, Grand Rapids, MI; WTVR-TV, Richmond, VA and certain station facilities, as well as two local television stations to which Tribune Media provides certain services (WTKR-TV, Norfolk, VA and WGNT-TV, Portsmouth, VA, collectively, the “Dreamcatcher Stations”) and, together with the Tribune Media-owned stations, the “Tribune Media Company Carve-Out Stations” or the “Company.”

The Company provides audiences with news, entertainment and sports programming on local television stations and via related websites and other digital assets. The television stations, including the Dreamcatcher Stations, which are owned by Dreamcatcher Broadcasting LLC (“Dreamcatcher,” a fully-consolidated variable interest entity (“VIE”) of Tribune Media), are comprised of three CW television affiliates, two FOX television affiliates and two CBS television affiliates.

Nexstar Merger Agreement—On November 30, 2018, Tribune Media entered into an Agreement and Plan of Merger (the “Nexstar Merger Agreement”) with Nexstar Media Group, Inc. (“Nexstar”) and Titan Merger Sub, Inc. (the “Nexstar Merger Sub”) providing for the acquisition by Nexstar of all of the outstanding shares of Tribune Media’s Class A common stock (“Class A Common Stock”) and Class B common stock, by means of a merger of Nexstar Merger Sub with and into Tribune Media, with Tribune Media surviving the merger as a wholly-owned subsidiary of Nexstar (the “Nexstar Merger”).

The consummation of the Nexstar Merger is subject to the satisfaction or waiver of certain customary conditions, including, among others: (i) the receipt of approval from the Federal Communications Commission (the “FCC”) (the “FCC Approval”) and the expiration or termination of the waiting period applicable to the Nexstar Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”) (the “HSR Approval”) and (ii) the absence of any order or law of any governmental authority that prohibits or makes illegal the consummation of the Nexstar Merger. Tribune Media’s and Nexstar’s respective obligations to consummate the Nexstar Merger are also subject to certain additional customary conditions, including (i) the accuracy of the representations and warranties of the other party (generally subject to a “material adverse effect” standard), (ii) performance by the other party of its covenants in the Nexstar Merger Agreement in all material respects and (iii) with respect to Nexstar’s obligation to consummate the Nexstar Merger, since the date of the Nexstar Merger Agreement, no material adverse effect with respect to Tribune Media having occurred.

On March 20, 2019, in connection with its obligations under the Nexstar Merger Agreement, Nexstar entered into a definitive asset purchase agreement with The E.W. Scripps Company (“Scripps”) to sell a total of eight stations (including the Tribune Media Company Carve-Out Stations) in seven markets to Scripps following the completion of the Nexstar Merger (the “Nexstar Transactions”). The consummation of the Nexstar Transactions are subject to the satisfaction or waiver of certain customary conditions, including, among others, (i) the closing of the transactions contemplated by the Nexstar Merger Agreement, (ii) the receipt of approval from the FCC and the United States Department of Justice and the expiration or termination of any waiting period applicable to such transaction under the HSR Act and (iii) the absence of certain legal impediments to the consummation of such transaction. On April 15, 2019, the Federal Trade Commission issued an early termination notice with respect to the waiting period applicable under the HSR Act in connection with the Nexstar Transaction.

Basis of Presentation—The Company’s operations are conducted through wholly-owned subsidiaries of Tribune Media and Dreamcatcher.

Historically, separate financial statements have not been prepared for the Company. The accompanying combined financial statements are derived from the historical accounting records of Tribune Media and present the Company’s combined financial position, results of operations and cash flows as if the Company was a separate stand-alone entity as of and for the years ended December 31, 2018 and 2017.

These combined financial statements and significant accounting policies, as summarized below, conform and are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and reflect practices appropriate to the business.

The Company’s carve-out financial statements include certain assets, liabilities, revenues and expenses that are specifically identifiable to the Company. Certain assets and liabilities of Tribune Media that are not owned or specifically identifiable to the Company but which are necessary to present these combined financial statements on a stand-alone basis have also been included in these combined financial statements.

In addition, certain Tribune Media corporate costs as well as shared service and technology costs provided on a centralized basis by Tribune Media and certain non-Company subsidiaries (“Tribune Media Affiliates”) have been allocated to the Company on the basis of direct usage when identifiable, whereas the costs that are not specifically identifiable have been allocated from Tribune Media to the Company primarily based on the Company’s share of Tribune Media operating revenues. Management believes that the assumptions and methodologies underlying the allocation of general corporate expenses are reasonable. However, such expenses may not be indicative of the actual level of expenses that would have been incurred had the Company operated as a separate stand-alone entity, and accordingly, may not necessarily reflect the Company’s combined financial position, results of operations and cash flows had the Company operated as a stand-alone entity during the periods presented. All such expenses are assumed to be settled with Tribune Media through the net parent investment in the period in which the costs were incurred. See Note 2 for further discussion of these costs.

All intercompany accounts within the Company have been eliminated in consolidation. All significant intercompany transactions between the Company and Tribune Media have been included within the combined financial statements and are considered to be effectively settled through capital contributions or distributions. None of the intercompany accounts have historically been settled in cash. The accumulated net effect of intercompany transactions between the Company and Tribune Media is included in the net parent investment. These intercompany transactions are further described in Note 2. The total net effect of these intercompany transactions is reflected in the Combined Statements of Cash Flows as financing activities.

Change in Accounting Principles—In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers” (“Topic 606”). The amendments in ASU 2014-09 created Topic 606 and superseded the revenue recognition requirements in Topic 605, “Revenue Recognition.” The Company adopted the new revenue guidance in the first quarter of 2018 using the modified retrospective transition method applied to those contracts which were not completed as of December 31, 2017. Results for reporting periods prior to adoption continue to be presented in accordance with the Company’s historic accounting under Topic 605.

The only identified impact to the Company financial statements relates to barter revenue and expense as well as barter-related broadcast rights and contracts payable for broadcast rights, which are no longer recognized. On January 1, 2018, the Company recorded an adjustment to remove the offsetting barter-related broadcast rights and contracts payable for broadcast rights. If accounted for under Topic 605, barter revenue and expense would have been $5.3 million for the year ended December 31, 2018 and barter-related broadcast rights and contracts payable for broadcast rights would have been $7.9 million as of December 31, 2018. For the year ended December 31, 2017, barter revenue and expense was $5.5 million. Barter-related broadcast rights and contracts payable for broadcast rights were each $7.8 million as of December 31, 2017. Other than the impact to the accounting for barter arrangements described above, the adoption of Topic 606 did not impact the timing and amount of revenue recognized. See the Revenue Recognition accounting policy below for additional information.

In March 2018, the FASB issued ASU No. 2018-05, “Income Taxes (Topic 740)” which was effective in the first quarter of 2018. The standard provides guidance for situations where the accounting under Accounting Standards Codification (“ASC”) Topic 740 is incomplete for certain income tax effects of the Tax Cuts and Jobs Act (“Tax Reform”) upon issuance of an entity’s financial statements for the reporting period in which Tax Reform was enacted. Any provisional amounts or adjustments to provisional amounts as a result of obtaining, preparing or analyzing additional information about facts and circumstances related to the provisional amounts should be included in income (loss) from continuing operations as an adjustment to income tax expense in the reporting period the amounts are determined.

Dreamcatcher—Tribune Media holds a variable interest in Dreamcatcher and is considered the primary beneficiary. Dreamcatcher is considered a VIE as a result of (1) shared service agreements between Tribune Media and the Dreamcatcher stations, (2) Tribune Media having power over significant activities affecting Dreamcatcher's economic performance, and (3) a purchase option granted by Dreamcatcher which permits Tribune Media to acquire the assets and assume the liabilities of each Dreamcatcher station at any time, subject to FCC's consent and certain other conditions. The purchase option was freely exercisable or assignable by Tribune Media without consent or approval by Dreamcatcher or its members. On April 2, 2019, Tribune Media exercised an option with Dreamcatcher to repurchase the Dreamcatcher stations, to be consummated substantially concurrent with the closing of the Nexstar Merger (the "Dreamcatcher Repurchase"). In the event Tribune Media is unable to consummate the Nexstar Merger, Tribune Media may rescind its option to repurchase the Dreamcatcher stations.

The assets of the consolidated VIE can only be used to settle the obligations of the VIE. Net revenues of the Dreamcatcher Stations included in the Company's Combined Statements of Comprehensive Income for the years ended December 31, 2018 and December 31, 2017 were $40.4 million and $37.3 million, respectively, and operating profit was $3.4 million and $0.1 million, respectively. The Company's Combined Balance Sheets as of December 31, 2018 and December 31, 2017 include the following assets and liabilities of the Dreamcatcher Stations (in thousands):

	December 31, 2018		December 31, 2017	
Broadcast rights	$	1,548	$	1,388
Other intangible assets, net		36,246		41,986
Other assets		1,106		92
Total Assets	$	38,900	$	43,466
Contracts payable for broadcast rights		2,476		2,342
Total Liabilities	$	2,476	$	2,342

Revenue Recognition—The Company recognizes revenues when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The following table represents the Company's revenues disaggregated by revenue source (in thousands):

	2018		2017(1)	
Advertising	$	168,863	$	168,284
Retransmission revenues		72,075		61,077
Barter/trade (2)		2,004		7,111
Other		6,649		4,861
Total operating revenues	$	249,591	$	241,333

(1) Prior period amounts have not been adjusted under the modified retrospective method.
(2) For the year ended December 31, 2017, barter revenue totaled $5.5 million.

Advertising Revenues—The Company generates revenue by delivering advertising on the Company's broadcast television and digital platforms. Certain of the Company's advertising contracts have guarantees whereby the customer is guaranteed a certain level of audience viewership referred to as impressions. Contracts are typically fixed price, short term in nature and revenue is recognized over time as the advertisements are aired or the impressions are delivered. If the guaranteed impressions are not achieved through the airing of the initially agreed upon advertisements, the Company will continue to air advertisements for the customer until the guaranteed impressions are achieved. For these advertising contracts with guaranteed impressions, the Company recognizes revenue based on the proportion of the cumulative impressions achieved for the advertisements delivered in relation to the total guaranteed impressions. Under the advertising contracts, the Company is entitled to payment as advertisements are aired, and the time between invoice and payment is not significant. The Company also trades advertising for products or services. Revenue recognized under trade arrangements is valued at the estimated fair value of the products or services received and recognized as the related advertisements are aired. The Company utilizes the practical expedients provided in the guidance and does not disclose the value of unsatisfied performance obligations for advertising contracts with an original expected duration of one year or less and for contracts for which the Company recognizes revenue at the amounts to which Company has the right to invoice for services performed.

Retransmission Revenues—The Company is a party to agreements with multichannel video programming distributors ("MVPDs") which allow the MVPDs to retransmit the Company's television stations' broadcast programming. Typically, the agreements are multi-year and generally consist of a fixed price per subscriber as well as contractually agreed annual increases. The agreements are considered functional licenses of intellectual property resulting in the Company recognizing revenue at the point-in-time the broadcast signal is delivered to the MVPDs. The typical time between the Company's performance and customer payment is not significant. As the agreements with MVPDs are considered licenses of intellectual property, the Company applies the sales/usage based royalty exception in Topic 606 and does not disclose the value of unsatisfied performance obligations for the agreements.

Deferred Revenues—The Company records deferred revenue when cash payments are received or due in advance of the Company's performance. For advertising, the performance primarily involves the delivery of advertisements and/or impressions to the Company's customers.

Contract Costs—In accordance with Topic 606, incremental costs to obtain a contract are capitalized and amortized over the contract term if the cost are expected to be recoverable. The Company does not capitalize incremental costs to obtain a contract where the contract duration is expected to be one year or less. As of December 31, 2018, the Company does not have any costs capitalized.

Arrangements with Multiple Performance Obligations—The Company's contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenues to each performance obligation based on its relative standalone selling price, which is generally determined based on the price charged to customers.

Use of Estimates—The preparation of these combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Cash—Cash is stated at cost, which approximates market value. Tribune Media utilizes a centralized approach to cash management and the financing of its operations. Cash in the Combined Balance Sheets represents either cash not yet swept to Tribune Media's centrally controlled bank accounts or cash held locally by the Company. The total net effect of the settlement of these transactions between the Company and the Parent is reflected in the Combined Statement of Cash Flows as a financing activity, and in the Combined Balance Sheet and Combined Statements of Net Parent Investment as net parent investment. See Note 2 for further discussion.

Accounts Receivable and Allowance for Doubtful Accounts—The Company's accounts receivable are primarily due from advertisers and MVPDs. Credit is extended based on an evaluation of each customer's financial condition, and generally collateral is not required. The Company maintains an allowance for uncollectible accounts and sales allowances. This allowance is determined based on historical write-off experience, sales adjustments and any known specific collectability exposures.

A summary of the activity with respect to the accounts receivable allowances is as follows (in thousands):

Accounts receivable allowance balance at December 31, 2016	$	926
2017 additions charged to revenues, costs and expenses		445
2017 deductions		(685)
Accounts receivable allowance balance at December 31, 2017	$	686
2018 additions charged to revenues, costs and expenses		721
2018 deductions		(784)
Accounts receivable allowance balance at December 31, 2018	$	623

Fair Value Measurements—The Company measures and records in its combined financial statements certain assets and liabilities at fair value. ASC Topic 820 establishes a fair value hierarchy for instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's own assumptions (unobservable inputs). This hierarchy consists of the following three levels:

- Level 1 – Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market.
- Level 2 – Assets and liabilities whose values are based on inputs other than those included in Level 1, including quoted market prices in markets that are not active; quoted prices of assets or liabilities with similar attributes in active markets; or valuation models whose inputs are observable or unobservable but corroborated by market data.
- Level 3 – Assets and liabilities whose values are based on valuation models or pricing techniques that utilize unobservable inputs that are significant to the overall fair value measurement.

Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The carrying values of cash, trade accounts receivable and trade accounts payable approximate fair value due to their short term to maturity.

Broadcast Rights—The Company acquires rights to broadcast syndicated programs, original licensed series and feature films. Pursuant to ASC Topic 920, "Entertainment-Broadcasters," these rights and the related liabilities are recorded as an asset and a liability when the license period has begun, the cost of the program is determinable and the program is accepted and available for airing. The current portion of programming inventory includes those rights available for broadcast that are expected to be amortized in the succeeding year.

The Company amortizes its broadcast rights costs over the period in which an economic benefit is expected to be derived based on the timing of the usage and benefit from such programming. Newer licensed/acquired programming and original produced programming are generally amortized on an accelerated basis as the episodes are aired. For certain categories of licensed programming and feature films that have been exploited through previous cycles, amortization expense is recorded on a straight-line basis. Program amortization for certain categories of programming is calculated on either an accelerated or straight-line basis. The Company also has commitments for network and sports programming that are expensed on a straight-line basis as the programs are available to air. Management's judgment is required in determining the timing of the expensing of these costs, and includes analyses of historical and estimated future revenue and ratings patterns for similar programming. The Company regularly reviews, and revises when necessary, its revenue estimates, which may result in a change in the rate of amortization. Amortization of broadcast rights are expensed to programming in these Combined Statements of Comprehensive Income.

The Company carries its broadcast rights at the lower of unamortized cost or estimated net realizable value. The Company evaluates the net realizable value of broadcast rights on a daypart. Changes in management's intended usage of a specific daypart, series, or program would result in a reassessment of the net realizable value, which could result in an impairment. The Company determines the net realizable value and estimated fair value, as appropriate, based on a projection of the estimated advertising revenues and retransmission revenues, less certain direct costs of delivery, expected to be generated by the program material, all of which are classified in Level 3 of the fair value hierarchy. If the Company's estimates of future revenues decline, amortization expense could be accelerated or impairment adjustments may be required. The Company assesses future seasons of syndicated programs that the Company is committed to acquire for impairment as they become available to the Company for airing. Any impairments of programming rights are expensed to programming in these Combined Statements of Comprehensive Income. There were no impairments of programming rights in 2018 or 2017.

Advertising Costs—The Company expenses advertising costs as they are incurred. Advertising expense was $3.3 million and $3.7 million in 2018 and 2017, respectively. Advertising costs are expensed to selling, general, and administrative ("SG&A") in these Combined Statements of Comprehensive Income.

Properties—The estimated useful lives of property, plant and equipment in service currently ranges between 3 years and 44 years for buildings and between 3 years and 25 years for all other equipment.

Indefinite-Lived Intangible Assets—Indefinite-lived intangible assets are summarized in Note 3 and are reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that an asset may be impaired, in accordance with ASC Topic 350, "Intangibles—Goodwill and Other." Under ASC Topic 350, the impairment review of intangible assets not subject to amortization must be based on estimated fair values.

The Company's annual impairment review measurement date is in the fourth quarter of each year. The estimated fair values of FCC licenses are generally calculated based on projected future discounted cash flow analyses. The development of estimated fair values requires the use of assumptions, including assumptions regarding revenue and market growth as well as specific economic factors in the broadcasting industry. These assumptions reflect the Company's best estimates, but these items involve inherent uncertainties based on market conditions generally outside of the Company's control.

Adverse changes in expected operating results and/or unfavorable changes in other economic factors used to estimate fair values could result in additional non-cash impairment charges in the future under ASC Topic 350.

Impairment Review of Long-Lived Assets—In accordance with ASC Topic 360, "Property, Plant and Equipment," the Company evaluates the carrying value of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset or asset group may be impaired.
The carrying value of a long-lived asset or asset group is considered impaired when the projected future undiscounted cash flows to be generated from the asset or asset group over its remaining depreciable life are less than its current carrying value. The Company measures impairment based on the amount by which the carrying value exceeds the estimated fair value of the long-lived asset or asset group. The fair value is determined primarily by using the projected future cash flows discounted at a rate commensurate with the risk involved as well as market valuations. Losses on long-lived assets to be disposed of are determined in a similar manner, except that the fair values are reduced for an estimate of the cost to dispose or abandon.

Adverse changes in expected operating results and/or unfavorable changes in other economic factors used to estimate future undiscounted cash flows could result in additional non-cash impairment charges in the future under ASC Topic 360.

Multiemployer Pension Plans—The Company contributes to several multiemployer pension plans under the terms of collective-bargaining agreements that cover certain of its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in that assets contributed are pooled and may be used to provide benefits to employees of other participating employers. If a participating employer withdraws from or otherwise ceases to contribute to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Alternatively, if the Company chooses to stop participating in one of its multiemployer plans, it may incur a withdrawal liability based on the unfunded status of the plan. The Company's contributions to multiemployer pension plans were $0.7 million for each of 2018 and 2017. Based on contributions reported in the most recent Form 5500 for the largest multiemployer pension plan, the Company's contributions represented less than 5% of the plan's total contributions. The Pension Protection Act of 2006 ("PPA") zone status as of December 31, 2018 for the AFTRA Retirement Plan, which represented 88% of the Company's contributions in 2018, was green based on the plan's year-end at November 2017. Pursuant to PPA, a plan in the green zone is at least 80% funded. The Company's participation in other plans was immaterial in 2018.

Stock-Based Compensation—Certain employees of the Company are participants in Tribune Media- sponsored equity compensation plans. In accordance with ASC Topic 718, "Compensation—Stock Compensation," the Company recognizes stock-based compensation cost measured at the grant date for equity-classified awards.
ASC Topic 718 requires stock-based compensation expense to be recognized over the period from the date of grant to the date when the award is no longer contingent on the employee providing additional service (the "substantive vesting period"). The Company records stock-based compensation cost in direct operating expenses or SG&A, as appropriate. Additional information pertaining to the Company's stock-based compensation is provided in Note 7.

Income Taxes—The Company's operations are included in Tribune Media's federal and state income tax returns. For the purposes of these combined financial statements, the provision for income taxes is calculated as if the Company filed separate federal and state tax returns and was operating as a stand-alone business apart from Tribune Media for each period presented.

Provisions for federal and state income taxes are calculated on reported pretax earnings based on current tax laws and also include, in the current period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Taxable income reported to the taxing jurisdictions in which the Company operates often differs from pretax earnings because some items of income and expense are recognized in different time periods for income tax purposes. The Company provides deferred taxes on these temporary differences in accordance with ASC Topic 740, "Income Taxes." Taxable income also may differ from pretax earnings due to statutory provisions under which specific revenues are exempt from taxation and specific expenses are not allowable as deductions. The combined tax provision and related accruals include estimates of the potential taxes and related interest as deemed appropriate. These estimates are reevaluated and adjusted, if appropriate, on a quarterly basis. Although management believes its estimates and judgments are reasonable, the resolutions of the Company's tax issues are unpredictable and could result in tax liabilities that are significantly higher or lower than that which has been provided by the Company.

ASC Topic 740, "Income Taxes," addresses the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under ASC Topic 740, a company may recognize the tax benefit of an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. ASC Topic 740 requires the tax benefit recognized in the financial statements to be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC Topic 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. See Note 6 for further discussion.

New Accounting Standards—In March 2019, the FASB issued ASU 2019-02, "Entertainment-Films-Other Assets-Film Costs (Subtopic 926-20) and Entertainment-Broadcasters-Intangibles-Goodwill and Other (Subtopic 920-350)." The standard requires production costs of episodic television series to be capitalized as incurred, which aligns the guidance with the accounting for production costs of films. In addition, once ASU 2019-02 is effective, capitalized costs associated with films and license agreements will be tested for impairment based on the lower of unamortized cost or fair value, as opposed to the existing guidance where the impairment test is based on estimated net realizable value. The guidance also includes additional disclosure requirements. The standard is effective for fiscal years beginning after December 15, 2019, and the interim periods within those fiscal years. Early adoption is permitted. The amendments in ASU 2019-02 should be applied prospectively. The Company is currently evaluating the impact of adopting ASU 2019-02 on its combined financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)." The standard requires entities to estimate losses on financial assets measured at amortized cost, including trade receivables, debt securities and loans, using an expected credit loss model. The expected credit loss differs from the previous incurred losses model primarily in that the loss recognition threshold of "probable" has been eliminated and that expected loss should consider reasonable and supportable forecasts in addition to the previously considered past events and current conditions. Additionally, the guidance requires additional disclosures related to the further disaggregation of information related to the credit quality of financial assets by year of the asset's origination for as many as five years. In May 2019, the FASB issued ASU No. 2019-05, "Financial Instruments - Credit Losses (Topic 326) - Targeted Transition Relief," which provides transition relief that is intended to increase comparability of financial statement information for entities that otherwise would have measured similar financial instruments using different measurement methodologies. Entities must apply the standard provision as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The standard is effective for the Company for fiscal years beginning after December 15, 2020, including interim periods. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting ASU 2016-13 on its combined financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Subtopic 842)." The new guidance requires lessees to recognize assets and liabilities arising from leases as well as extensive quantitative and qualitative disclosures. A lessee will need to recognize on its balance sheet a right-of-use asset and a lease liability for the majority of its leases (other than leases with a term of less than twelve months). The lease liabilities will be equal to the present value of lease payments. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee's initial direct costs. In January 2018, the FASB issued ASU No. 2018-01, "Leases (Topic 842) - Land Easement Practical Expedient for Transition to Topic 842," which provides an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840. In July 2018, the FASB issued ASU No. 2018-10, "Codification Improvements to Topic 842, Leases," and ASU No.2018-11, "Leases (Topic 842), Targeted Improvements," which affect certain aspects of the previously issued guidance including an additional transition method as well as a new practical expedient for lessors. In December 2018, the FASB issued ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses" and ASU No. 2018-20, "Leases (Topic 842), Narrow-Scope Improvements for Lessors," which provide additional guidance for lessor accounting as well as a new practical expedient for lessors. These related standards are effective for the Company for fiscal years beginning after December 15, 2019, and interim periods within the year ending December 31, 2020. Early adoption is permitted. The Company will adopt Topic 842 in the first quarter of 2020 utilizing the optional transition method provided in ASU No. 2018-11, which allows for a prospective adoption with a cumulative-effect adjustment to the opening balance sheet as of the adoption date without restatement of prior years. The Company is planning to elect certain practical expedients as permitted by the transition guidance such as those allowing the Company to carry forward the historical assessment of whether contracts contain or are leases, classification of leases and the remaining lease terms and to exclude leases with an initial term of twelve months or less from recognition on the combined balance sheet. The Company is currently evaluating the impact of adopting Topic 842 on its combined financial statements.

NOTE 2: RELATED PARTY TRANSACTIONS

The Company participates in a number of corporate-wide programs administered by Tribune Media and Tribune Media Affiliates. These include participation in Tribune Media’s centralized treasury and certain shared services functions, insurance programs, employee benefit programs, workers’ compensation programs, and other corporate functions. The following is a discussion of the relationship with Tribune Media, the services provided and how transactions with Tribune Media and Tribune Media Affiliates have been accounted for in the combined financial statements.

Net Parent Investment—Net parent investment in the Combined Balance Sheets includes the accumulated balances of transactions between the Company, Tribune Media, and Tribune Media Affiliates. The Company’s paid- in-capital and Tribune Media’s interest in the Company’s cumulative retained earnings are presented within net parent investment in the Combined Balance Sheets. The amounts comprising the accumulated balance of transactions between the Company and Tribune Media and Tribune Media Affiliates include (i) the cumulative net assets allocated to the Company by Tribune Media and Tribune Media Affiliates, (ii) the cumulative advances to Tribune Media representing cumulative funds swept (net of funding provided by Tribune Media and Tribune Media Affiliates) to the Company as part of the centralized cash management program described further below and (iii) the cumulative costs (net of credits) allocated by Tribune Media and Tribune Media Affiliates to the Company or certain support services received by the Company as described further below.

Centralized Cash Management—Tribune Media utilizes a centralized approach to cash management and the financing of its operations. Under this centralized cash management program, Tribune Media and the Company advance funds to each other. Accordingly, none of Tribune Media’s cash has been assigned to the Company in the combined financial statements. Cash in the Combined Balance Sheets represents either cash not yet swept to Tribune Media or cash held locally by the Company. These transactions are recorded in net parent investment when advanced.

Support Services Provided and Other Amounts with Tribune Media and Tribune Media Affiliates—The Company received allocated costs from Tribune Media and Tribune Media Affiliates for certain corporate and station operations support services, which are recorded within direct operating expenses or SG&A expense, as appropriate, in the Company’s Combined Statements of Comprehensive Income. Direct operating expenses and SG&A expenses include both costs that are specifically identifiable to the Company’s operations and costs that have been allocated from Tribune Media. The allocated costs include shared service activities and corporate functions related to executive management, accounting and finance, station operations, human resources, payroll, legal, consulting and professional services, information technology, insurance, building and facilities, employee benefit costs (including stock-based compensation expense), procurement and others. Management believes that the bases used for the allocations are reasonable and reflect the portion of such costs attributed to the Company’s operations; however, the amounts may not be representative of the costs necessary for the Company to operate as a separate stand-alone company. These allocated costs are summarized in the following table (in thousands):

	2018	2017
Corporate management fee	$ 6,452	$ 7,646
Broadcasting corporate management fee	6,706	6,585
Station operations support management fee	3,481	3,831
Technology service center support costs	3,942	4,869
Shared service center support costs	464	565
Total	$ 21,045	$ 23,496

The above summary of allocated costs includes depreciation expense allocated by Tribune Media and Tribune Media Affiliates for certain assets that support Tribune Media's local television stations, including the Company. These assets are utilized by the Company to operate the business, but such assets have not been included in the Company's Combined Balance Sheets. Allocated depreciation expense totaled $1.4 million and $1.7 million for 2018 and 2017, respectively, and were allocated based on the Company's revenue as a percentage of the total Tribune Media revenues.

The corporate management fee relates to support the Company received from Tribune Media and Tribune Media Affiliates for certain corporate activities including: (i) executive management, (ii) corporate development, (iii) corporate relations, (iv) legal, (v) human resources, (vi) internal audit, (vii) financial reporting, (viii) tax, (ix) treasury and (x) other Tribune Media corporate and infrastructure costs. For these services, the Company was charged a management fee based on the Company's revenues as a percentage of total Tribune Media revenues in each fiscal year.

The broadcasting corporate management fee relates to various expenses incurred by Tribune Media's Television and Entertainment segment corporate management office that oversees day-to-day operations of all Tribune Media's local television stations, primarily consisting of compensation and outside services costs. For these services, the Company was charged a fee based on the Company's revenues as a percentage of Television and Entertainment revenues in each fiscal year.

Station operations support services fee relates to expenses incurred by Tribune Media's centralized departments that exclusively support the operations of the local television stations including: (i) administration of retransmission consent agreements, (ii) centralized support for digital and website operations and (iii) certain broadcast transmission support and primarily consists of compensation, outside services and broadcasting infrastructure costs. For these services, the Company was charged a fee based on the departments' revenue-related support functions such as retransmission revenue, digital revenue or advertising revenue.

Technology service center support costs relate to Tribune Media's centrally managed information technology function that provides certain technology-related services to the Company including: (i) networks, (ii) email, (iii) infrastructure, (iv) support and (v) other technology services. Technology service center costs have been allocated based on a percentage of the Company's revenues of the total consolidated revenues of Tribune Media.

Shared service center support costs relate to support the Company received from Tribune Media's service center, which centrally manages and processes (for all Tribune Media business units) certain financial transactions, including payroll and accounts payable. Service center support costs have been allocated based on the Company's revenues as a percentage of total Tribune Media revenues in each fiscal year.

General Insurance Costs—The Company participates in Tribune Media-sponsored risk management plans for (i) general liability, (ii) auto liability and (iii) other insurance such as property and media. Such costs were allocated, depending upon insurance type, based on actuarially determined historical loss experience, vehicle count, headcount or proportional insured values for real and personal property replacement costs and business interruption. Total general insurance costs allocated to the Company amounted to $0.5 million in each of 2018 and 2017 and are recorded in SG&A in the Combined Statements of Comprehensive Income.

Medical and Workers' Compensation Benefit Plans—The Company participates in Tribune Media-sponsored employee benefit plans, including medical and workers' compensation. Allocations of benefit plan costs varied by plan type and were based on actuarial valuations of costs and/or liability, premium amounts and payroll. Total benefit plan costs allocated to the Company amounted to $4.8 million and $4.7 million in 2018 and 2017, respectively, and are recorded in direct operating expenses and SG&A, as appropriate, in the Combined Statements of Comprehensive Income.

Defined Contribution Plans—The Company's employees have historically participated in various Tribune Media qualified 401(k) savings plans, which permit eligible employees to make voluntary contributions on a pretax basis. The plans allowed participants to invest their savings in various investments. Tribune Media's current qualified 401(k) savings plans provide for a matching contribution paid by Tribune Media of 100% on the first 2%

of eligible pay contributed by eligible employees and 50% on the next 4% of eligible pay contributed. The Company recorded compensation expense related to the defined contributions plans of $1.7 million in each of 2018 and 2017. These expenses are included in SG&A in the Combined Statements of Comprehensive Income.

NOTE 3: INTANGIBLE ASSETS

Intangible assets consisted of the following (in thousands):

	December 31, 2018			December 31, 2017		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Intangible assets subject to amortization						
Network affiliation agreements (useful life 16 years)	$ 25,300	$ (8,332)	$ 16,968	$ 36,300	$ (15,556)	$ 20,744
Retransmission consent agreements (useful life of 7 to 11 years)	159,900	(83,174)	76,726	159,900	(67,023)	92,877
Other (useful life of 8 years)	7,185	(5,288)	1,897	7,320	(4,406)	2,914
Total	$ 192,385	$ (96,794)	95,591	$ 203,520	$ (86,985)	116,535
Intangible assets not subject to amortization						
FCC licenses			202,600			202,600
Total intangible assets, net			$ 298,191			$ 319,135

The changes in the carrying amounts of intangible assets during the years ended December 31, 2018 and December 31, 2017 were as follows (in thousands):

Intangible assets subject to amortization	
Balance as of December 31, 2016	$ 137,167
Amortization (1)	(20,808)
Balance sheet reclassifications (2)	176
Balance as of December 31, 2017	$ 116,535
Amortization (1)	(20,808)
Balance sheet reclassifications (2)	(136)
Balance as of December 31, 2018	$ 95,591

(1) Amortization of intangible assets includes $0.9 million for both fiscal year 2018 and 2017 related to lease contract intangible assets and is recorded in SG&A expense in the Combined Statements of Comprehensive Income.
(2) Represents net reclassifications which are reflected as a decrease (increase) to broadcast rights assets in the Combined Balance Sheets at December 31, 2017 and December 31, 2018, respectively.

The Company amortizes its intangible assets subject to amortization on a straight-line basis over their respective useful lives. The remaining intangible assets subject to amortization as of December 31, 2018, excluding lease contract intangible assets, have a weighted-average remaining useful life of approximately six years.
Amortization expense relating to these amortizable intangible assets is expected to be approximately $17.7 million in 2019, $17.4 million in 2020, $15.5 million in 2021, $15.4 million in 2022 and $10.1 million in 2023.

Impairment of Indefinite-lived Intangible Assets—As disclosed in Note 1, indefinite-lived intangible assets are reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that an asset may be impaired, in accordance with ASC Topic 350.

There were no impairment charges related to the FCC licenses in 2018 or 2017. The estimated fair value of each of the FCC licenses was based on discounted future cash flows for a hypothetical start-up television station in the respective market that achieves and maintains an average revenue share for four years and has an average cost structure. For the FCC licenses, significant assumptions also include start-up operating costs for an independent station, initial capital investments and market revenue forecasts. A discount rate of 9.0% and terminal growth rate of 2.0% was utilized to estimate the fair values of FCC licenses in the fourth quarter of 2018. Fair value estimates for each of the indefinite-lived intangible assets are inherently sensitive to changes in these estimates, particularly with respect to the FCC licenses.

The FCC licenses constitute nonfinancial assets measured at fair value on a nonrecurring basis in the Combined Balance Sheets. These nonfinancial assets are classified as Level 3 assets in the fair value hierarchy established under ASC Topic 820. See Note 1 for a description of the hierarchy’s three levels. The determination of estimated fair values of indefinite-lived intangible assets requires many judgments, assumptions and estimates of several critical factors, including projected revenues and related growth rates, projected operating margins and cash flows, estimated income tax rates, capital expenditures and discount rates, as well as specific economic factors such as market share for broadcasting. Adverse changes in expected operating results and/or unfavorable changes in other economic factors could result in additional non-cash impairment charges in the future under ASC Topic 350.

NOTE 4: CONTRACTS PAYABLE FOR BROADCAST RIGHTS

Contracts payable for broadcast rights totaled $47.4 million and $64.5 million at December 31, 2018 and December 31, 2017, respectively. Scheduled future obligations under contractual agreements for broadcast rights at December 31, 2018 are as follows (in thousands):

2019	$	24,633
2020		12,263
2021		8,967
2022		1,499
2023		—
Total	$	47,362

NOTE 5: COMMITMENTS AND CONTINGENCIES

Broadcast Rights—The Company has entered into certain contractual commitments for broadcast rights that are not currently available for broadcast, including programs not yet produced. In accordance with ASC Topic 920, such commitments are not included in the Company’s combined financial statements until the cost of each program is reasonably determinable and the program is available for its first showing or telecast. If programs are not produced, the Company’s commitments would expire without obligation. Payments for broadcast rights generally commence when the programs become available for broadcast. At December 31, 2018 and December 31, 2017, these contractual commitments totaled $194.3 million and $241.0 million, respectively.

Operating Leases—The Company leases certain equipment and office and production space under various operating leases. Net lease expense was $7.6 million and $7.7 million in 2018 and 2017, respectively.

The Company future minimum lease payments under non-cancelable operating leases at December 31, 2018 were as follows (in thousands):

2019	$	7,575
2020		6,537
2021		2,272
2022		2,110
2023		2,104
Thereafter		16,903
Total	$	37,501

Other Commitments—At December 31, 2018, the Company has commitments under purchasing obligations related to capital projects, news and market data services, and talent contracts totaling $18.9 million.

FCC Regulation—Various aspects of the Company's operations are subject to regulation by governmental authorities in the United States. The Company's television broadcasting operations are subject to FCC jurisdiction under the Communications Act of 1934, as amended. FCC rules, among other things, govern the term, renewal and transfer of radio and television broadcasting licenses, and limit the number of media interests in a local market that a single entity can own. Federal law also regulates the rates charged for political advertising and the quantity of advertising within children's programs.

Television broadcast station licenses are granted for terms of up to eight years and are subject to renewal by the FCC in the ordinary course, at which time they may be subject to petitions to deny the license renewal applications.

Under the FCC's "Local Television Multiple Ownership Rule" (the "Duopoly Rule"), a company may own up to two television stations within the same Nielsen Media Research Designated Market Area ("DMA") (i) provided certain specified signal contours of the stations do not overlap, (ii) where certain specified signal contours of the stations overlap but, at the time the station combination was created, no more than one of the stations was a top- four-rated station or (iii) where certain waiver criteria are met. In a report and order issued in August 2016 and effective December 1, 2016 (the "2014 Quadrennial Review Order"), the FCC, among other things, adopted a rule applying the "top-four" ownership limitation to "affiliations swaps" within a market, thereby prohibiting transactions between networks and their local station affiliates pursuant to which affiliations are reassigned in a way that results in common ownership or control of two of the top-four rated stations in the DMA. The prohibition is prospective only and does not apply to multiple top-four network multicast streams broadcast by a single station. On November 16, 2017 the FCC adopted an order on reconsideration (the "2014 Quadrennial Review Reconsideration Order") providing for a case-by-case review of the presumption against television combinations involving two top- four ranked stations in a market. The 2014 Quadrennial Review Order and the 2014 Quadrennial Review Reconsideration Order both are subject to pending petitions for judicial review by the Third Circuit. On January 25, 2018, the petitioners in that case filed an "Emergency Petition" asking the court to stay the effectiveness of all the FCC rule changes embodied in the 2014 Quadrennial Review Reconsideration Order. In an order issued on February 7, 2018, the court denied the "Emergency Petition" and stayed the petitioners' underlying appeal of the 2014 Quadrennial Review Reconsideration Order for six months. On December 13, 2018, the FCC issued a Notice of Proposed Rulemaking initiating the 2018 Quadrennial Review (the "2018 Quadrennial Review"), which, among other things, seeks comment on all aspects of the Duopoly Rule's application and implementation, including whether it remains necessary to serve the public interest in the current television marketplace. The Company cannot predict the outcomes of these proceedings, or the effect on its business.

The FCC's "National Television Multiple Ownership Rule" prohibits the Company from owning television stations that, in the aggregate, reach more than 39% of total U.S. television households, subject to a 50% discount of the number of television households attributable to UHF stations (the "UHF Discount"). In a Report and Order issued on September 7, 2016 (the "UHF Discount Repeal Order"), the FCC repealed the UHF Discount but grandfathered existing station combinations that exceeded the 39% national reach cap as a result of the elimination of the UHF Discount, subject to compliance in the event of a future change of control or assignment of license. The FCC reinstated the UHF Discount in an Order on Reconsideration adopted on April 20, 2017 (the “UHF Discount Reconsideration Order”). A petition for judicial review of the UHF Discount Reconsideration Order by the U.S. Court of Appeals for the District of Columbia Circuit was dismissed on jurisdictional grounds on July 25, 2018. A petition for review of the UHF Discount Repeal Order by the U.S. Court of Appeals for the District of Columbia Circuit was dismissed as moot on December 19, 2018. On December 18, 2017, the FCC released a Notice of Proposed Rulemaking seeking comment generally, on the continuing propriety of a national cap and the Commission’s jurisdiction with respect to the cap. The Company cannot predict the outcome of these proceedings, or their effect on its business.

Tribune Media provides certain operational support and other services to the Dreamcatcher Stations pursuant to shared services agreements (“SSAs”). In the 2014 Quadrennial Order, the FCC adopted reporting requirements for SSAs. This rule was retained in the 2014 Quadrennial Review Reconsideration Order.

In a Report and Order and Further Notice of Proposed Rulemaking issued on March 31, 2014, the FCC sought comment on whether to eliminate or modify its “network non-duplication” and “syndicated exclusivity” rules, pursuant to which local television stations may enforce their contractual exclusivity rights with respect to network and syndicated programming. That proceeding remains pending. Pursuant to the Satellite Television Extension and Localism Act of 2010 (“STELA”) Reauthorization Act, enacted in December 2014 (“STELAR”), the FCC has adopted regulations prohibiting a television station from coordinating retransmission consent negotiations or negotiating retransmission consent on a joint basis with a separately owned television station in the same market. The Company does not currently engage in retransmission consent negotiations jointly with any other stations in its markets. In response to Congress’s directive in STELAR, on September 2, 2015, the FCC issued a Notice of Proposed Rulemaking (“NPRM”) seeking comment on whether the FCC should make changes to its rules requiring that commercial broadcast television stations and MVPDs negotiate in “good faith” for the retransmission by MVPDs of local television signals. On July 14, 2016, then-Chairman Wheeler announced that the FCC will not adopt additional rules governing parties’ good faith negotiation obligations, however, the FCC has not yet formally terminated the proceeding.

Federal legislation enacted in February 2012 authorized the FCC to conduct a voluntary “incentive auction” in order to reallocate certain spectrum currently occupied by television broadcast stations to mobile wireless broadband services, to “repack” television stations into a smaller portion of the existing television spectrum band and to require television stations that do not participate in the auction to modify their transmission facilities, subject to reimbursement for reasonable relocation costs up to an industry-wide total of $1.750 billion, which amount was increased by $1 billion pursuant to the adoption of an amended version of the Repack Airwaves Yielding Better Access for Users of Modern Services (RAY BAUM’S) Act of 2018 by the U.S. Congress on March 23, 2018. On April 13, 2017, the FCC announced the conclusion of the incentive auction, the results of the reverse and forward auction and the repacking of the broadcast television spectrum. Although the Company did not participate in the spectrum auction, four of the Company’s stations are required to change frequencies or otherwise modify their operations as a result of the repacking. In doing so, the stations could incur substantial conversion costs, reduction or loss of over-the-air signal coverage or an inability to provide high definition programming and additional program streams.

Through December 31, 2018, the Company incurred $2.7 million in capital expenditures for the spectrum repack, all of which was incurred in 2018. The Company received FCC reimbursements of $1.0 million during the year ended December 31, 2018. The reimbursements are included as a reduction in SG&A and are presented as an investing inflow in the Combined Statement of Cash Flows. The Company expects that the reimbursements from the FCC’s special fund will cover the majority of the Company’s costs and expenses related to the repacking. However, the Company cannot currently predict the effect of the repacking, whether the special fund will be sufficient to reimburse all of the Company’s costs and expenses related to the repacking, the timing of reimbursements or any spectrum-related FCC regulatory action.

From time to time, the FCC revises existing regulations and policies in ways that could affect the Company’s broadcasting operations. In addition, Congress from time to time considers and adopts substantive amendments to the governing communications legislation. The Company cannot predict such actions or their resulting effect upon the Company's business and financial position.

Other Contingencies—The Company is a defendant from time to time in actions for matters arising out of its business operations. In addition, the Company is involved from time to time as a party in various regulatory, environmental and other proceedings with governmental authorities and administrative agencies. See Note 6 for a discussion of potential income tax liabilities.

The Company does not believe that any other matters or proceedings presently pending will have a material adverse effect, individually or in the aggregate, on the combined financial position, results of operations or liquidity.

NOTE 6: INCOME TAXES

The following is a reconciliation of income taxes computed at the U.S. federal statutory rate to income tax expense reported in the Combined Statements of Comprehensive Income (in thousands):

	2018	2017
Income (loss) before income taxes	$ 4,448	$ (7,169)
Federal income tax rate	21%	35%
Federal income taxes	934	(2,509)
State and local income taxes, net of federal tax benefit	355	(331)
Tax Reform	—	(7,895)
Non-deductible meals and entertainment	171	211
Other, net	11	132
Income tax expense (benefit)	$ 1,471	$ (10,392)
Effective tax rate	33.1%	145.0%

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Reform") was signed into law. Under ASC Topic 740, the effects of Tax Reform are recognized in the period of enactment and as such were recorded in the Company's fourth quarter of 2017. Consistent with the guidance under ASC Topic 740, and subject to Staff Accounting Bulletin ("SAB") 118, which provides for a measurement period to complete the accounting for certain elements of Tax Reform, the Company recorded the provisional impact from the enactment of Tax Reform in the fourth quarter of 2017. As a result of Tax Reform, the Company recorded a provisional discrete net tax benefit of $7.9 million, primarily due to a remeasurement of the net deferred tax liabilities resulting from the decrease in the U.S. federal corporate income tax rate from 35% to 21%. In 2018, the Company completed the accounting for the income tax effects of Tax Reform and no adjustments were made to the provisional discrete net tax benefit recorded in the fourth quarter of 2017. The Company has analyzed the effects of new taxes due on certain income and limitations on interest expense deductions (if certain conditions apply) that are effective starting in fiscal 2018. The Company has determined that these new provisions are not material or applicable to the Company.

Components of income tax expense (benefit) were as follows (in thousands):

	2018	2017
Deferred:		
U.S. federal	$ 1,021	$ (9,883)
State and local	450	(509)
Sub-total	1,471	(10,392)
Total income tax expense (benefit)	$ 1,471	$ (10,392)

Significant components of the Company’s net deferred tax assets and liabilities were as follows (in thousands):

	December 31, 2018	December 31, 2017
Deferred tax assets:		
Broadcast rights	$ 4,107	$ 5,215
Stock-based compensation and other employee benefits	358	343
Net properties	875	1,036
Other accrued liabilities	453	507
Net operating loss carryforwards	3,128	3,576
Accounts receivable	171	189
Total deferred tax assets	$ 9,092	$ 10,866
Deferred tax liabilities:		
Net intangible assets	$ 27,193	$ 27,426
Investments	129	129
Deferred gain on spectrum	139	209
Total deferred tax liabilities	27,461	27,764
Net deferred tax liabilities	$ 18,369	$ 16,898

Federal and State Operating Loss Carryforwards—At December 31, 2018 and December 31, 2017, the Company had approximately $11.4 million and $13.0 million, respectively, of federal and state operating loss carryforwards. The carryforwards will expire between 2027 and 2037. The Company has not recorded a valuation allowance as of December 31, 2018 and December 31, 2017 on the basis of management’s assessment that the net operating losses are more likely than not to be realized.

Accounting For Uncertain Tax Positions—The Company accounts for uncertain tax positions in accordance with ASC Topic 740, which addresses the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under ASC Topic 740, a company may recognize the tax benefit of an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. ASC Topic 740 requires the tax benefit recognized in the financial statements to be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC Topic 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. The Company has no uncertain tax positions at December 31, 2018 and December 31, 2017.

NOTE 7: STOCK-BASED COMPENSATION

The Company participates in Tribune Media-sponsored incentive compensation plans. The incentive compensation plans provide for the granting of various awards including non-qualified stock options ("NSOs") and restricted stock units ("RSUs"). Pursuant to ASC Topic 718, "Compensation-Stock Compensation," the Company measures stock-based compensation costs on the grant date based on the estimated fair value of the award and recognizes compensation costs on a straight-line basis over the requisite service period for the entire award. Tribune Media's equity plans allow employees to surrender to Tribune Media shares of vested Tribune Media Class A Common Stock upon vesting of their stock awards or at the time they exercise their NSOs in lieu of their payment of the required withholdings for employee taxes. The Company made a policy election to account for forfeitures of equity awards as they occur.

NSO and RSU awards generally vest 25% on each anniversary of the date of the grant. Tribune Media determines the fair value of RSU awards by reference to the quoted market price of Tribune Media's Class A Common Stock on the date of the grant. Under the Tribune Media-sponsored incentive compensation plans, the exercise price of an NSO award cannot be less than the market price of the Class A Common Stock at the time the NSO award is granted and has a maximum contractual term of 10 years.

Holders of RSUs receive dividend equivalent units ("DEUs") and the number of DEUs granted is calculated based on the value of the dividends per share paid on Tribune Media's common stock and the closing price of Tribune Media's common stock on the dividend payment date. The DEUs vest with the underlying RSU.

Tribune Media estimates the fair value of NSO awards using the Black-Scholes option-pricing model, which incorporates various assumptions including the expected term of the awards, volatility of the stock price, risk-free rates of return and dividend yield. The risk-free rate was based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility was based on the actual historical volatility of a select peer group of entities operating in similar industry sectors as Tribune Media. The expected dividend yield was based on Tribune Media's expectation of future dividend payments at the time of grant. Expected life was calculated using the simplified method as described under Staff Accounting Bulletin Topic 14, "Share-Based Payment," as the Equity Incentive Plan was not in existence for a sufficient period of time for the use of the Tribune Media-specific historical experience in the calculation.

The following table provides the weighted-average assumptions used to determine the fair value of NSO awards granted to the Company employees during 2017, there were no NSO grants in 2018:

	2017
Risk-free interest rate	2.17%
Expected dividend yield	3.13%
Expected stock price volatility	33.12%
Expected life (in years)	6.25

Stock-based compensation expense recorded by the Company for each of the years ended December 31, 2018 and December 31, 2017 totaled $1.0 million.

On January 2, 2017, the board of directors of Tribune Media authorized and declared a special cash dividend of $5.77 per share of Common Stock (the "2017 Special Cash Dividend"), which was paid on February 3, 2017 to holders of record of Common Stock and Warrants at the close of business on January 13, 2017. In connection with the 2017 Special Cash Dividend and pursuant to the terms of Tribune Media's equity plans, the number of the Company's employees' outstanding NSOs and RSUs was increased by 9,989 and 9,801 shares, respectively, and the exercise prices of the NSOs were adjusted to preserve the fair value of the awards immediately before and after the special cash dividend. Tribune Media's Class A Common Stock began trading ex-dividend (the "Ex-dividend Date") on January 11, 2017 for the 2017 special cash dividend. The conversion ratio used to adjust the awards was based on the ratio of (a) unaffected closing price of Class A Common Stock on the day before the Ex-dividend Date to (b) the opening price of Class A Common Stock on the Ex-dividend Date. As the above adjustments were made pursuant to existing anti-dilution provisions of the Tribune Media equity plans, Tribune Media did not record any incremental compensation expense related to the conversion of NSOs and RSUs. The equity awards continue to vest over the original vesting period, as described above. The tables below have been adjusted to show awards on a post-special cash dividend basis.

A summary of activity, weighted average exercise prices and weighted average fair values related to the NSOs is as follows (shares in thousands):

	Shares	Weighted Avg. Exercise Price	Weighted Avg. Fair Value	Weighted Avg. Remaining Contractual Term (in years)	Aggregate Intrinsic Value (In thousands)
Outstanding, December 31, 2016	63	$ 35.01	$ 13.80	7.9	$ 178
Granted	50	31.98	7.92		
Cancelled	(6)	45.37	22.28		
Forfeited	(9)	31.98	7.92		
Outstanding, December 31, 2017	98	$ 33.17	$ 10.88	5.4	$ 1,085
Exercised	(8)	27.22	6.80		
Cancelled	(5)	50.75	25.25		
Forfeited	(13)	30.09	8.02		
Outstanding, December 31, 2018	72	33.18	10.87	6.1	$ 973
Vested and exercisable, December 31, 2018	34	$ 36.69	$ 14.10	6.2	$ 389

A summary of activity and weighted average fair values related to the RSUs is as follows (shares in thousands):

	Shares	Weighted Avg. Fair Value	Weighted Avg. Remaining Contractual Term (in years)
Outstanding and nonvested, December 31, 2016	62	$ 33.18	1.4
Granted	34	31.98	
Dividend equivalent units granted	2	39.24	
Vested	(18)	36.35	
Dividend equivalent units vested	(1)	32.28	
Forfeited	(10)	33.85	
Outstanding and nonvested, December 31, 2017	69	$ 31.83	1.3
Granted	31	41.67	
Dividend equivalent units granted	2	39.26	
Vested	(22)	34.34	
Dividend equivalent units vested	(1)	35.98	
Forfeited	(11)	32.87	
Outstanding and nonvested, December 31, 2018	68	$ 35.47	1.2

As of December 31, 2018, the Company has not yet recognized compensation cost on nonvested awards as follows (in thousands):

	Unrecognized Compensation Cost	Weighted Avg. Remaining Recognition Period (in years)
Nonvested awards	$ 1,756	2.2

NOTE 8: SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 28, 2019, the date these carve-out financial statements were available to be issued. There were no transactions that required recognition or additional disclosures in these carve-out financial statements as of the evaluation date.

KASW

(A Carve-out of Nexstar Media Group, Inc.)

Financial Statements (Unaudited)

For the Six Months Ended

June 30, 2019 and 2018

KASW

(A Carve-out of Nexstar Media Group, Inc.)

INDEX TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

KASW
(A Carve-out of Nexstar Media Group, Inc.)

CONDENSED BALANCE SHEETS
(in thousands, unaudited)

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Accounts receivable, net of allowance for doubtful accounts of $50 and $53, respectively	$ 3,491	$ 3,819
Current broadcast rights	1,351	1,744
Prepaid expenses	105	17
Total current assets	4,947	5,580
Property and equipment, net	3,263	2,807
Noncurrent broadcast rights	1,963	2,749
Goodwill	32,203	32,203
FCC license	35,566	35,566
Other intangible assets, net of accumulated amortization of $655 and $631, respectively	57	82
Total assets	$ 77,999	$ 78,987
LIABILITIES AND INVESTED EQUITY		
Current liabilities:		
Accounts payable	$ 187	$ 336
Current broadcast rights payable	1,425	1,775
Accrued expenses and other current liabilities	414	546
Total current liabilities	2,026	2,657
Noncurrent broadcast rights payable	2,062	2,853
Deferred tax liabilities	4,925	4,302
Other noncurrent liabilities	454	490
Total liabilities	9,467	10,302
Commitments and contingencies (Note 7)		
Invested equity	68,532	68,685
Total liabilities and invested equity	$ 77,999	$ 78,987

The accompanying Notes are an integral part of these Unaudited Condensed Financial Statements.

KASW
(A Carve-out of Nexstar Media Group, Inc.)

CONDENSED STATEMENTS OF OPERATIONS
(in thousands, unaudited)

	Six Months Ended June 30,	
	2019	**2018**
Net revenue	$ 8,942	$ 9,568
Operating expenses (income):		
Direct operating expenses, excluding depreciation and amortization	1,122	1,145
Selling, general, and administrative expenses, excluding depreciation and amortization	2,092	2,331
Amortization of broadcast rights	1,031	1,433
Amortization of intangible assets	25	25
Depreciation	245	182
Reimbursement from the FCC related to station repack	(204)	(388)
Total operating expenses	4,311	4,728
Income from operations	4,631	4,840
Income tax expense	(1,142)	(1,209)
Net income	$ 3,489	$ 3,631

The accompanying Notes are an integral part of these Unaudited Condensed Financial Statements.

KASW
(A Carve-out of Nexstar Media Group, Inc.)
CONDENSED STATEMENTS OF INVESTED EQUITY
(in thousands, unaudited)

Balance as of December 31, 2018	$	68,685
Net fund transfers to Nexstar		(3,642)
Net income		3,489
Balance as of June 30, 2019	$	68,532
Balance as of December 31, 2017	$	69,227
Net fund transfers to Nexstar		(4,266)
Net income		3,631
Balance as of June 30, 2018	$	68,592

The accompanying Notes are an integral part of these Unaudited Condensed Financial Statements.

KASW

(A Carve-out of Nexstar Media Group, Inc.)

CONDENSED STATEMENTS OF CASH FLOW

(in thousands, unaudited)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net Income	$ 3,489	$ 3,631
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	245	182
Provision for bad debt	65	(36)
Amortization of intangible assets	25	25
Amortization of broadcast rights	1,031	1,433
Spectrum repack reimbursements	(204)	(388)
Deferred income taxes	623	654
Payments for broadcast rights	(1,038)	(1,651)
Changes in operating assets and liabilities		
Accounts receivable	263	(55)
Prepaid expenses	(88)	(16)
Broadcast rights	45	—
Accounts payable	(149)	223
Accrued expenses and other current liabilities	(56)	18
Other noncurrent liabilities	(36)	131
Net cash provided by operating activities	4,215	4,151
Cash flows from investing activities:		
Purchases of property and equipment	(777)	(273)
Spectrum repack reimbursements	204	388
Net cash (used in) provided by investing activities	(573)	115
Cash flows from financing activities:		
Net fund transfers to Nexstar	(3,642)	(4,266)
Net cash used in financing activities	(3,642)	(4,266)
Net increase (decrease) in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	$ —	$ —
Supplemental disclosure about non-cash investing activities:		
Accrued purchases of property and equipment	$ 14	$ 479

The accompanying Notes are an integral part of these Unaudited Condensed Financial Statements.

1. Background and Business Operations

"KASW" refers to the business related to full power television station (the "station") KASW, serving the Phoenix, Arizona market and affiliated with the CW, HSN, Grit and Escape television networks; "Nexstar" refers to Nexstar Media Group, Inc. and its subsidiaries; and "Nexstar Broadcasting" refers to Nexstar Broadcasting, Inc., a wholly-owned direct subsidiary of Nexstar.

KASW was acquired by Nexstar Broadcasting on January 29, 2015 pursuant to an asset purchase agreement. The station provides free over-the-air programming to its television viewing audiences in the market it serves. The station's primary sources of revenue include the sale of commercial air time to local and national advertisers, the sale of advertising spots on KASW's website where it delivers community focused content, and revenues earned from retransmission consent agreements with traditional multichannel video programming distributors ("MVPDs"), such as cable and satellite providers, and online video distributors ("OVDs"), companies that provide video content through internet streaming. As of June 30, 2019, KASW reached approximately 1.9 million, or 1.7%, of all U.S. television households.

On November 30, 2018, Nexstar entered into a definitive merger agreement with Tribune Media Company ("Tribune") to acquire Tribune's outstanding equity. The merger has been approved by the boards of directors of both companies and Tribune's stockholders and is projected to close in the third quarter of 2019, subject to (i) Federal Communications Commission ("FCC") approval, (ii) other regulatory approvals, and (iii) satisfaction of other customary closing conditions. As of June 30, 2019, Nexstar owned, operated, programmed or provided sales and other services to 174 full power television stations in 100 markets, including KASW. Tribune is a diversified media and entertainment business, which owns or provides certain services to 44 local television stations (including two satellite television stations) and one AM radio station.

In connection with obtaining termination of the applicable Hart-Scott-Rodino waiting period and the approval of the FCC, Nexstar agreed to divest television stations in certain markets, including KASW. On March 20, 2019, Nexstar entered into a definitive asset purchase agreement to sell KASW and six other stations owned by Tribune to The E.W. Scripps Company ("Scripps"). The consummation of the proposed sale of KASW and six other stations to Scripps is subject to the satisfaction or waiver of certain customary conditions, including, among others, (i) the closing of the Nexstar and Tribune merger, (ii) the receipt of approval from the FCC and other regulatory approvals, and (iii) the absence of certain legal impediments to the consummation of such transaction. On July 31, 2019, the Department of Justice ("DOJ") provided its conditional approval of the proposed Nexstar and Tribune merger. On September 16, 2019, the FCC approved the Nexstar and Tribune merger and the related station divestitures, including the sale of KASW. On September 19, 2019, Nexstar and Tribune completed the close of the merger transaction. Nexstar also completed the required station divestitures as of this date, including the sale of KASW to Scripps.

The accompanying unaudited condensed financial statements have been prepared to reflect the financial position, results of operations and cash flows of the television station KASW as if it were a separate entity as of June 30, 2019 and December 31, 2018, and for the six months ended June 30, 2019 and 2018.

2. Summary of Significant Accounting Policies

Basis of Presentation

Throughout the periods included in these unaudited condensed financial statements, KASW operated as part of Nexstar. Separate stand-alone financial statements have not historically been prepared for the station.

The accompanying unaudited condensed financial statements have been derived from the consolidated financial statements and accounting records of Nexstar and were prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) for interim financial reporting. The preparation of the unaudited condensed financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. The condensed balance sheet as of December 31, 2018 has been derived from the audited financial statements of KASW but does not include all disclosures required under U.S. GAAP for complete financial statements. These unaudited condensed financial statements should be read in conjunction with KASW’s audited financial statements and the related notes for the year ended December 31, 2018.

In the opinion of management, the unaudited condensed financial statements contain all adjustments necessary to state fairly the financial position of KASW as of June 30, 2019 and December 31, 2018 and the results of operations and cash flows for the six months ended June 30, 2019 and 2018. All adjustments reflected in the accompanying unaudited condensed financial statements, which management believes necessary to state fairly the financial position, results of operations and cash flows, have been reflected and are of a normal recurring nature.

The unaudited condensed financial statements include all assets, liabilities revenue and certain expenses that are specifically identifiable to KASW. In addition, shared service costs and certain corporate costs that are not specifically identifiable have been allocated from Nexstar to its television station markets and other business operations, including KASW. These expenses have been allocated based on either the net revenue or headcount, as deemed appropriate. Management considers these allocations to be a reasonable reflection of the utilization of services or the benefits provided to KASW. However, the allocations may not be indicative of the actual expense that would have been incurred had KASW operated as an independent, stand-alone entity.

Nexstar uses a centralized approach for managing cash and financing operations with its subsidiaries, and as such there are no cash or debt balances legally owned by KASW. Through Nexstar’s shared service functions, the treasury activities of KASW include cash collections, cash payments and any other cash transfers. In these unaudited condensed financial statements, all treasury activities relating to KASW are reflected as elements of Invested Equity either as (i) net fund transfers to Nexstar, for the station’s net cash collections, or (ii) net fund transfers from Nexstar, for the station’s net cash outlays. All transactions between the station and Nexstar are considered to be effectively settled for cash in the unaudited condensed financial statements at the time the transaction is recorded. The total net effect of the settlement of these transactions between the station and Nexstar is reflected in the unaudited condensed Statements of Cash Flows as a financing activity, and in the unaudited condensed Balance Sheets and unaudited condensed Statements of Invested Equity as “Net fund transfers to (from) Nexstar”.

Liquidity

KASW does not maintain or legally own separate cash balances as it is subject to Nexstar’s centralized approach for managing cash and financing operations. While KASW had historically generated positive cash flows from its operating activities, KASW’s ability to meet its obligations as they fall due is dependent on KASW’s continued generation of positive cash flows from operations and Nexstar maintaining its pledge, communicated by Nexstar to KASW in the letter of support issued and dated June 28, 2019, to support the station operations and satisfy those liabilities incurred in the normal course of station operations until the station’s change in control.

Recent Accounting Pronouncements

New Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). Under this guidance, lessees are required to recognize on the balance sheet a right-of-use asset and a lease liability arising from operating leases except for short-term contracts with original terms of twelve months or less. The new guidance also requires enhanced qualitative and quantitative disclosures in the notes to the financial statements and is expected to provide transparency of information and comparability among organizations. ASU 2016-02 and related amendments are effective for fiscal years beginning after December 15, 2019, with early adoption permitted. KASW will adopt ASU 2016-02 as of January 1, 2020 using the optional transition method. As such, the station's reporting for the comparative periods will continue to be in accordance with ASC Topic 840, Leases. The station will apply certain practical expedients offered in the new lease guidance, such as no reassessment of whether expired or existing contracts contain leases, no re-evaluation of the classification of expired or existing leases and no reassessment of initial direct costs for existing leases. Upon adoption, the station expects to record an increase in total assets and total liabilities of less than 3%. Management does not expect the standard to have a material impact on the station's cash flows or results of operations.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) ("ASU 2016-13"). The standard requires entities to estimate loss of financial assets measured at amortized cost, including trade receivables, debt securities and loans, using an expected credit loss model. The expected credit loss model differs from the previous incurred losses model primarily in that the loss recognition threshold of "probable" has been eliminated and that expected loss should consider reasonable and supportable forecasts in addition to the previously considered past events and current conditions. Additionally, the guidance requires additional disclosures related to the further disaggregation of information related to the credit quality of financial assets by year of the asset's origination for as many as five years. In November 2018, the FASB issued ASU No. 2018-19 to clarify the scope of the guidance in the amendments in ASU 2016-13. Entities must apply the standard provision as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The standard is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. KASW is currently evaluating the impact of adopting ASU 2016-13 on its unaudited condensed financial Statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820) ("ASU 2018-13"), which modifies the disclosure requirements on fair value measurements. The amendments in this update are effective for all entities for fiscal years, beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. KASW is currently evaluating the impact of adopting ASU 2018-13 on its unaudited condensed financial statements.

3. Intangible Assets and Goodwill

There were no changes to the carrying amounts of goodwill ($32.2 million) and FCC license ($35.6 million) as of June 30, 2019. As of June 30, 2019 and December 31, 2018, intangible assets subject to amortization had carrying amounts of $57 thousand and $82 thousand, respectively. The following table presents KASW's estimate of amortization expense for the remainder of 2019 and each of the five succeeding fiscal years and thereafter for finite-lived intangibles assets as of June 30, 2019 (in thousands):

Remainder of 2019	$	24
2020		33
	$	57

No events or circumstances were noted leading management to conclude that impairment testing should be performed on intangible assets subject to amortization during the six months ended June 30, 2019.

4. Income Taxes

KASW has historically been included in Nexstar's federal income and state tax returns. For purposes of these unaudited condensed financial statements, income taxes related to KASW have been presented as if it were a separate taxpayer. Under this approach, the station determines its current tax liability, deferred tax assets and liabilities and related tax expense as if it were filing separate tax returns in each tax jurisdiction.

For the six months ended June 30, 2019 and 2018, KASW recorded total income tax expense of $1.1 million (which includes current tax expense of $0.52 million) and $1.2 million (which includes current tax expense of $0.56 million), respectively. The effective tax rate on pretax income for both periods was approximately 25%. The rate differs from the U.S. federal statutory rate of 21% due mainly to state income taxes (net of federal benefit).

5. Related Party Transactions

The Invested Equity had balances of $68.5 million and $68.7 million as of June 30, 2019 and December 31, 2018, respectively, in the accompanying unaudited condensed Balance Sheets and Statements of Invested Equity. These include Nexstar's historical investment in KASW and the net effect of fund transfers to Nexstar, expense allocations from Nexstar and assumed settlement of current taxes with Nexstar. The unaudited condensed Statements of Invested Equity and Statements of Cash Flows include the change in these balances during each respective period, representing net fund transfers to or from Nexstar.

The unaudited condensed Statements of Operations include direct operating expenses (excluding depreciation and amortization) and selling, general, and administrative expenses (excluding depreciation and amortization). These captions consist of costs that are specifically identifiable to KASW's operations and costs that have been allocated to the station based on either the net revenue or headcount. These costs include shared service activities and corporate functions related to executive management, accounting and finance, station operations, human resources and payroll, legal, consulting and professional services, information technology, insurance, building and facilities, employee benefit costs, communications, and procurement. The table below summarizes the expenses allocated from Nexstar to KASW and the line items in the accompanying unaudited condensed Statements of Operations such costs were included:

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Direct operating expenses (excluding depreciation and amortization)	$ 78	$ 68
Selling, general, and administrative expenses (excluding depreciation and amortization)	413	577
Depreciation	40	46

Management considers these allocations to be a reasonable reflection of the utilization of services or the benefits provided to KASW. These allocations may not, however, reflect the expense KASW would have incurred as a stand-alone company for the periods presented. Actual costs that may have been incurred if KASW had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure.

The current tax expense of KASW amounting to $0.52 million and $0.56 million during the six months ended June 30, 2019 and 2018, respectively, were assumed to be settled with Nexstar through Invested Equity.

6. FCC Regulatory Matters

Television broadcasting is subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communications Act"). The Communications Act prohibits the operation of television broadcasting stations except under a license issued by the FCC, and empowers the FCC, among other things, to issue, revoke, and modify broadcasting licenses, determine the location of television stations, regulate the equipment used by television stations, adopt regulations to carry out the provisions of the Communications Act and impose penalties for the violation of such regulations. The FCC's ongoing rule making proceedings could have a significant future impact on the television industry and on the operation of KASW. In addition, the U.S. Congress may act to amend the Communications Act or adopt other legislation in a manner that could impact the station and the television broadcast industry in general.

The FCC has adopted rules with respect to the final conversion of existing low power and television translator stations to digital operations, which must be completed by July 2021.

Media Ownership

The FCC is required to review its media ownership rules every four years and to eliminate those rules it finds no longer serve the "public interest, convenience and necessity."

In August 2016, the FCC adopted a Second Report and Order (the "2016 Ownership Order") concluding the agency's 2010 and 2014 quadrennial reviews. The 2016 Ownership Order (1) retained the then-existing local television ownership rule and radio/television cross-ownership rule with minor technical modifications, (2) extended the ban on common ownership of two top-four television stations in a market to network affiliation swaps, (3) retained the then-existing ban on newspaper/broadcast cross-ownership in local markets while considering waivers and providing an exception for failed or failing entities, (4) retained the dual network rule, (5) made JSA relationships attributable interests and (6) defined a category of sharing agreements designated as SSAs between stations and required public disclosure of those SSAs (while not considering them attributable).

Nexstar and other parties filed petitions seeking reconsideration of various aspects of the 2016 Ownership Order. On November 16, 2017, the FCC adopted an order (the "Reconsideration Order") addressing the petitions for reconsideration. The Reconsideration Order (1) eliminated the rules prohibiting newspaper/broadcast cross-ownership and limiting television/radio cross-ownership, (2) eliminated the requirement that eight or more independently-owned television stations remain in a local market for common ownership of two television stations in that market to be permissible, (3) retained the general prohibition on common ownership of two "top four" stations in a local market but provided for case-by-case review, (4) eliminated the television JSA attribution rule, and (5) retained the SSA definition and disclosure requirement for television stations. These rule modifications took effect on February 7, 2018, when the Third Circuit denied a mandamus petition which had sought to stay their effectiveness. The Reconsideration Order remains subject to appeals before the Third Circuit.

In December 2018, the FCC initiated its 2018 quadrennial review with the issuance of a Notice of Proposed Rulemaking. Among other things, the FCC seeks comment on all aspects of the local television ownership rule's implementation and whether the current version of the rule remains necessary in the public interest. Comments and reply comments in the 2018 quadrennial review were filed in the second quarter of 2019.

The FCC's media ownership rules limit the percentage of U.S. television households which a party may reach through its attributable interests in television stations to 39% on a nationwide basis. Historically, the FCC has counted the ownership of an ultra-high frequency ("UHF") station as reaching only 50% of a market's percentage of total national audience. On August 24, 2016, the FCC adopted a Report and Order abolishing this "UHF discount" and that rule change became effective in October 2016. On April 20, 2017, the FCC adopted an order on reconsideration that reinstated the UHF discount, which became effective again on June 15, 2017. A federal court of appeals dismissed a petition for review of the discount's reinstatement in July 2018. In December 2017, the FCC initiated a comprehensive rulemaking to evaluate the UHF discount together with the national ownership limit. Comments and reply comments were filed in 2018, and the proceeding remains open. Nexstar is in compliance with the 39% national cap limitation.

Spectrum

The FCC is in the process of repurposing a portion of the broadcast television spectrum for wireless broadband use. Pursuant to federal legislation enacted in 2012, the FCC conducted an incentive auction for the purpose of making additional spectrum available to meet future wireless broadband needs. Under the auction statute and rules, certain television broadcasters accepted bids from the FCC to voluntarily relinquish all or part of their spectrum in exchange for consideration, and certain wireless broadband providers and other entities submitted successful bids to acquire the relinquished television spectrum. Over the next several years, television stations that are not relinquishing their spectrum are being "repacked" into the frequency band still remaining for television broadcast use.

The incentive auction commenced on March 29, 2016 and officially concluded on April 13, 2017. KASW did not accept a bid to relinquish its television channel. KASW was assigned a new channel in the reduced post-auction television band. The station completed the necessary technical modifications and transitioned to its post-auction channel on January 29, 2019. Congress has allocated up to an industry-wide total of $2.75 billion to reimburse television broadcasters, MVPDs and other parties for costs reasonably incurred due to the repack. This allocation includes $1 billion added to the TV Broadcaster Relocation Fund as part of the Consolidated Appropriations Act, 2018. Broadcasters and MVPDs have submitted estimates to the FCC of their reimbursable costs. As of February 6, 2019, these costs were approximately $1.9 billion, and the FCC has indicated that it expects those costs to rise. During the year six months ended June 30, 2019 and 2018, KASW spent a total of $703 thousand and $255 thousand, respectively, in capital expenditures related to station repack which were recorded as assets under the property and equipment caption in the accompanying unaudited condensed Balance Sheets. During the six months ended June 30, 2019 and 2018, KASW received $204 thousand and $388 thousand, respectively, in reimbursements from the FCC related to these expenditures which were recorded as operating income in the accompanying unaudited condensed Statements of Operations. KASW cannot determine if the FCC will be able to fully reimburse its repacking costs as this is dependent on certain factors, including the station's ability to incur repacking costs that are equal to or less than the FCC's allocation of funds to the station and whether the FCC will have available funds to reimburse KASW for additional repacking costs that it previously may not have anticipated. Whether the FCC will have available funds for additional reimbursements will also depend on the repacking costs that will be incurred by other broadcasters, MVPDs and other parties that are also seeking reimbursements.

The reallocation of television spectrum to broadband use may be to the detriment of the station's investment in digital facilities, could require substantial additional investment to continue current operations, and may require viewers to invest in additional equipment or subscription services to continue receiving KASW's television signals. KASW cannot predict the impact of the incentive auction and subsequent repacking on its business.

Exclusivity/Retransmission Consent

On March 3, 2011, the FCC initiated a Notice of Proposed Rulemaking which among other things asked for comment on eliminating the network non-duplication and syndicated exclusivity protection rules, which may permit MVPDs to import out-of-market television stations in certain circumstances.

In March 2014, the FCC adopted a further notice of proposed rulemaking which sought additional comment on the elimination or modification of the network non-duplication and syndicated exclusivity rules. The FCC's possible elimination or modification of the network non-duplication and syndicated exclusivity protection rules may affect KASW's ability to sustain its current level of retransmission consent revenues or grow such revenues in the future and could have an adverse effect on the station's business, financial condition and results of operations. KASW cannot predict the resolution of the FCC's network non-duplication and syndicated exclusivity proposals, or the impact of these proposals if they are adopted.

On December 5, 2014, federal legislation directed the FCC to commence a rulemaking to "review its totality of the circumstances test for good faith [retransmission consent] negotiations". The FCC commenced this proceeding in September 2015 and comments and reply comments were submitted. In July 2016, the then-Chairman of the FCC publicly announced that the agency would not adopt additional rules in this proceeding. However, the proceeding remains open.

Further, OVDs have begun streaming broadcast programming over the Internet. In June 2014, the U.S. Supreme Court held that an OVD's retransmissions of broadcast television signals without the consent of the broadcast station violate copyright holders' exclusive right to perform their works publicly as provided under the Copyright Act. In December 2014, the FCC issued a Notice of Proposed Rulemaking proposing to interpret the term "MVPD" to encompass OVDs that make available for purchase multiple streams of video programming distributed at a prescheduled time and seeking comment on the effects of applying MVPD rules to such OVDs. Comments and reply comments were filed in 2015. Although the FCC has not classified OVDs as MVPDs to date, several OVDs have signed agreements for retransmission of local stations within their markets and others are actively seeking to negotiate such agreements.

7. Contingencies

Litigation

From time to time, KASW is involved with claims that arise out of the normal course of its business. In the opinion of management, any resulting liability with respect to these claims would not have a material adverse effect on the station's financial position or results of operations.

8. Subsequent Events

On September 19, 2019, following the DOJ approval and the FCC approval, Nexstar and Tribune completed the close of the merger transaction. Nexstar also completed the required station divestitures as of this date, including the sale of KASW to Scripps.

Subsequent events have been evaluated through September 19, 2019, the date these unaudited condensed financial statements were available to be issued. There were no other significant transactions that required recognition or additional disclosures in these unaudited condensed financial statements as of the evaluation date other than completion of the sale of KASW as disclosed above and in Note 1 to the unaudited condensed financial statements.

Exhibit 99.5

TRIBUNE MEDIA COMPANY CARVE-OUT STATIONS

Combined Financial Statements as of
June 30, 2019 and December 31, 2018
and for the six months ended June 30,
2019 and June 30, 2018

TRIBUNE MEDIA COMPANY CARVE-OUT STATIONS
INDEX TO FINANCIAL STATEMENTS

TRIBUNE MEDIA COMPANY CARVE-OUT STATIONS
CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of dollars)
(Unaudited)

	Six Months Ended	
	June 30, 2019	**June 30, 2018**
Operating Revenues		
Advertising	$ 79,007	$ 76,831
Retransmission revenue	44,622	36,030
Other	3,575	4,468
Total operating revenues	127,204	117,329
Operating Expenses		
Programming	44,057	39,313
Direct operating expenses	30,263	29,851
Selling, general and administrative	37,071	35,745
Depreciation	4,171	4,187
Amortization	8,866	9,964
Total operating expenses	124,428	119,060
Income (Loss) Before Income Taxes	2,776	(1,731)
Income tax expense (benefit)	1,009	(645)
Net Income (Loss)	$ 1,767	$ (1,086)
Comprehensive Income (Loss)	$ 1,767	$ (1,086)

See Notes to Unaudited Condensed Combined Financial Statements

TRIBUNE MEDIA COMPANY CARVE-OUT STATIONS
CONDENSED COMBINED BALANCE SHEETS
(In thousands of dollars)
(Unaudited)

	June 30, 2019	December 31, 2018
Assets		
Current Assets:		
Cash	$ 497	$ 174
Accounts receivable (net of allowances of $404 and $623)	60,424	53,527
Broadcast rights	8,478	11,018
Prepaid expenses and other	2,947	787
Total current assets	72,346	65,506
Properties		
Property, plant and equipment	87,957	85,554
Accumulated depreciation	(51,784)	(48,096)
Net properties	36,173	37,458
Other Assets		
Broadcast rights	9,169	12,460
Intangible assets, net	288,885	298,191
Other	16,346	16,354
Total other assets	314,400	327,005
Total Assets (a)	$ 422,919	$ 429,969
Liabilities and Net Parent Investment		
Current Liabilities		
Accounts payable	2,309	3,101
Employee compensation and benefits	4,191	5,139
Contracts payable for broadcast rights	23,807	24,633
Deferred revenue	1,822	1,552
Other	507	617
Total current liabilities	$ 32,636	$ 35,042
Non-Current Liabilities		
Deferred income taxes	19,378	18,369
Contracts payable for broadcast rights	16,520	22,729
Other obligations	897	860
Total non-current liabilities	36,795	41,958
Total Liabilities (a)	69,431	77,000
Commitments and Contingent Liabilities (Note 4)		
Net Parent Investment	353,488	352,969
Total Liabilities and Net Parent Investment	$ 422,919	$ 429,969

(a) The Company’s consolidated total assets as of June 30, 2019 and December 31, 2018 include total assets of variable interest entities (“VIEs”) of $35.8 million and $38.9 million, respectively, which can only be used to settle the obligations of the VIEs. The Company’s consolidated total liabilities as of June 30, 2019 and December 31, 2018 include total liabilities of the VIEs of $1.8 million and $2.5 million, respectively, for which the creditors of the VIEs have no recourse to the Company (see Note 1).

See Notes to Unaudited Condensed Combined Financial Statements

TRIBUNE MEDIA COMPANY CARVE-OUT STATIONS
CONDENSED COMBINED STATEMENTS OF NET PARENT INVESTMENT
SIX MONTHS ENDED JUNE 30, 2019 AND JUNE 30, 2018
(In thousands of dollars)
(Unaudited)

Balance at December 31, 2018	$	352,969
Transactions with Tribune Media Company and Tribune Media Company Affiliates, net		(1,248)
Comprehensive income:		
Net Income		1,767
Balance at June 30, 2019	$	353,488
Balance at December 31, 2017	$	370,010
Transactions with Tribune Media Company and Tribune Media Company Affiliates, net		(5,535)
Comprehensive loss:		
Net Loss		(1,086)
Balance at June 30, 2018	$	363,389

See Notes to Unaudited Condensed Combined Financial Statements

TRIBUNE MEDIA COMPANY CARVE-OUT STATIONS
CONDENSED COMBINED STATEMENT OF CASH FLOWS
(In thousands of dollars)
(Unaudited)

	Six Months Ended	
	June 30, 2019	**June 30, 2018**
Operating Activities		
Net income (loss)	$ 1,767	$ (1,086)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock-based compensation	480	552
Depreciation	4,171	4,187
Amortization of other intangible assets	8,866	9,964
Spectrum repack reimbursements	(406)	(348)
Changes in working capital items:		
Accounts receivable, net	(6,897)	(4,049)
Prepaid expenses and other current assets	(2,160)	(1,793)
Accounts payable	(808)	(492)
Employee compensation and benefits and other current liabilities	(1,050)	(427)
Deferred revenue	270	72
Change in broadcast rights, net of liabilities	(1,204)	2,569
Deferred income taxes	1,009	(645)
Other, net	441	(1,109)
Net cash provided by operating activities	4,479	7,395
Investing Activities		
Capital expenditures	(3,314)	(2,279)
Spectrum repack reimbursements	406	348
Other	—	27
Net cash used in investing activities	(2,908)	(1,904)
Financing Activities		
Transactions with Tribune Media Company and Tribune Media Company Affiliates, net	(1,248)	(5,535)
Net cash used in financing activities	(1,248)	(5,535)
Net Increase (Decrease) in Cash	323	(44)
Cash, beginning of period	174	201
Cash, end of period	$ 497	$ 157

See Notes to Unaudited Condensed Combined Financial Statements

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Background and Business Operations—The accompanying unaudited condensed combined financial statements include the accounts of Tribune Media Company ("Tribune Media") owned local television stations WPIX, New York, NY; WSFL-TV, Miami, FL; KSTU, Salt Lake City, UT; WXMI, Grand Rapids, MI; WTVR-TV, Richmond, VA and certain station facilities, as well as two local television stations to which Tribune Media provides certain services (WTKR-TV, Norfolk, VA and WGNT-TV, Portsmouth, VA, collectively, the "Dreamcatcher Stations") and, together with the Tribune Media-owned stations, the "Tribune Media Company Carve-Out Stations" or the "Company."

The Company provides audiences with news, entertainment and sports programming on local television stations and via related websites and other digital assets. The television stations, including the Dreamcatcher Stations, which are owned by Dreamcatcher Broadcasting LLC ("Dreamcatcher," a fully-consolidated variable interest entity ("VIE") of Tribune Media), are comprised of three CW television affiliates, two FOX television affiliates and two CBS television affiliates.

Nexstar Merger Agreement—On November 30, 2018, Tribune Media entered into an Agreement and Plan of Merger (the "Nexstar Merger Agreement") with Nexstar Media Group, Inc. ("Nexstar") and Titan Merger Sub, Inc. (the "Nexstar Merger Sub") providing for the acquisition by Nexstar of all of the outstanding shares of Tribune Media's Class A common stock ("Class A Common Stock") and Class B common stock, by means of a merger of Nexstar Merger Sub with and into Tribune Media, with Tribune Media surviving the merger as a wholly-owned subsidiary of Nexstar (the "Nexstar Merger").

The consummation of the Nexstar Merger is subject to the satisfaction or waiver of certain customary conditions, including, among others: (i) the receipt of approval from the Federal Communications Commission (the "FCC") (the "FCC Approval") and the expiration or termination of the waiting period applicable to the Nexstar Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") (the "HSR Approval") and (ii) the absence of any order or law of any governmental authority that prohibits or makes illegal the consummation of the Nexstar Merger. Tribune Media's and Nexstar's respective obligations to consummate the Nexstar Merger are also subject to certain additional customary conditions, including (i) the accuracy of the representations and warranties of the other party (generally subject to a "material adverse effect" standard), (ii) performance by the other party of its covenants in the Nexstar Merger Agreement in all material respects and (iii) with respect to Nexstar's obligation to consummate the Nexstar Merger, since the date of the Nexstar Merger Agreement, no material adverse effect with respect to Tribune Media having occurred.

On March 20, 2019, in connection with its obligations under the Nexstar Merger Agreement, Nexstar entered into a definitive asset purchase agreement with The E.W. Scripps Company ("Scripps") to sell a total of eight stations (including the Tribune Media Company Carve-Out Stations) in seven markets to Scripps following the completion of the Nexstar Merger (the "Nexstar Transactions"). The consummation of the Nexstar Transactions are subject to the satisfaction or waiver of certain customary conditions, including, among others, (i) the closing of the transactions contemplated by the Nexstar Merger Agreement, (ii) the receipt of approval from the FCC and the United States Department of Justice (the "DOJ") and the expiration or termination of any waiting period applicable to such transaction under the HSR Act and (iii) the absence of certain legal impediments to the consummation of such transaction. On April 15, 2019, the Federal Trade Commission issued an early termination notice with respect to the waiting period applicable under the HSR Act in connection with the Nexstar Transaction.

On July 31, 2019, the DOJ and the States and Commonwealths of Illinois, Pennsylvania and Virginia filed a complaint and proposed settlement in the U.S. District of Columbia by requiring Nexstar and Tribune Media to divest broadcast television stations in 13 Designated Market Areas as a condition of closing the Nexstar Merger. On August 19, 2019 and August 20, 2019, respectively, the Court approved and entered the Hold Separate Stipulation and Order, and the DOJ granted early termination of the waiting period under the HSR Act, allowing the Nexstar Merger to proceed subject to the closing conditions contained in the Nexstar Merger Agreement, including approval by the FCC.

Basis of Presentation—The Company's operations are conducted through wholly-owned subsidiaries of Tribune Media and Dreamcatcher.

Historically, separate financial statements have not been prepared for the Company. The accompanying unaudited condensed combined financial statements are derived from the historical accounting records of Tribune Media and present the Company's combined financial position, results of operations and cash flows as if the Company was a separate stand-alone entity as of June 30, 2019 and December 31, 2018 as well as for the six months ended June 30, 2019 and June 30, 2018.

These unaudited condensed combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial reporting. These unaudited condensed combined financial statements should be read in conjunction with the Company's audited combined financial statements for the year ended December 31, 2018.

In the opinion of management, the financial statements contain all adjustments necessary to state fairly the financial position of the Company as of June 30, 2019 and the results of operations and cash flows for the six months ended June 30, 2019 and June 30, 2018. Results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

The Company's carve-out financial statements include certain assets, liabilities, revenues and expenses that are specifically identifiable to the Company. Certain assets and liabilities of Tribune Media that are not owned or specifically identifiable to the Company but which are necessary to present these unaudited condensed combined financial statements on a stand-alone basis have also been included in these unaudited condensed combined financial statements.

In addition, certain Tribune Media corporate costs as well as shared service and technology costs provided on a centralized basis by Tribune Media and certain non-Company subsidiaries ("Tribune Media Affiliates") have been allocated to the Company on the basis of direct usage when identifiable, whereas the costs that are not specifically identifiable have been allocated from Tribune Media to the Company primarily based on the Company's share of Tribune Media operating revenues. Management believes that the assumptions and methodologies underlying the allocation of general corporate expenses are reasonable. However, such expenses may not be indicative of the actual level of expenses that would have been incurred had the Company operated as a separate stand-alone entity, and accordingly, may not necessarily reflect the Company's combined financial position, results of operations and cash flows had the Company operated as a stand-alone entity during the periods presented. All such expenses are assumed to be settled with Tribune Media through the net parent investment in the period in which the costs were incurred. See Note 2 for further discussion of these costs.

All intercompany accounts within the Company have been eliminated in consolidation. All significant intercompany transactions between the Company and Tribune Media have been included within the unaudited condensed combined financial statements and are considered to be effectively settled through capital contributions or distributions. None of the intercompany accounts have historically been settled in cash. The accumulated net effect of intercompany transactions between the Company and Tribune Media is included in the net parent investment. These intercompany transactions are further described in Note 2. The total net effect of these intercompany transactions are reflected in the Condensed Combined Statements of Cash Flows as financing activities.

Dreamcatcher—Tribune Media holds a variable interest in Dreamcatcher and is considered the primary beneficiary. Dreamcatcher is considered a VIE as a result of (1) shared service agreements between Tribune Media and the Dreamcatcher stations, (2) Tribune Media having power over significant activities affecting Dreamcatcher's economic performance, and (3) a purchase option granted by Dreamcatcher which permits Tribune Media to acquire the assets and assume the liabilities of each Dreamcatcher station at any time, subject to FCC's consent and certain other conditions. The purchase option was freely exercisable or assignable by Tribune Media without consent or approval by Dreamcatcher or its members. On April 2, 2019, Tribune Media exercised an option with Dreamcatcher to repurchase the Dreamcatcher stations, to be consummated substantially concurrent with the closing of the Nexstar

Merger (the "Dreamcatcher Repurchase"). In the event Tribune Media is unable to consummate the Nexstar Merger, Tribune Media may rescind its option to repurchase the Dreamcatcher stations.

The assets of the consolidated VIE can only be used to settle the obligations of the VIE. Net revenues of the Dreamcatcher Stations included in the Company's unaudited Condensed Combined Statements of Comprehensive Income for the six months ended June 30, 2019 and June 30, 2018 were $20.7 million and $19.2 million, respectively. Operating profits of the Dreamcatcher stations included in the Company's unaudited Condensed Combined Statements of Comprehensive Income for the six months ended June 30, 2019 and June 30, 2018 were $1.9 million and $1.2 million, respectively.

The Company's unaudited Condensed Combined Balance Sheets as of June 30, 2019 and December 31, 2018 include the following assets and liabilities of the Dreamcatcher stations (in thousands):

	June 30, 2019	December 31, 2018
Broadcast rights	$ 841	$ 1,548
Other intangible assets, net	33,376	36,246
Other assets	1,632	1,106
Total Assets	$ 35,849	$ 38,900
Contracts payable for broadcast rights	1,819	2,476
Total Liabilities	$ 1,819	$ 2,476

Use of Estimates—The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed combined financial statements and accompanying notes. Actual results could differ from these estimates.

Revenue Recognition—The Company recognizes revenues when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The following table represents the Company's revenues disaggregated by revenue source (in thousands):

	Six Months Ended	
	June 30, 2019	June 30, 2018
Advertising	$ 79,007	$ 76,831
Retransmission revenues	44,622	36,030
Other	3,575	4,468
Total operating revenues	$ 127,204	$ 117,329

New Accounting Standards—In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Subtopic 842)." The new guidance requires lessees to recognize assets and liabilities arising from leases as well as extensive quantitative and qualitative disclosures. A lessee will need to recognize on its balance sheet a right-of-use asset and a lease liability for the majority of its leases (other than leases with a term of less than twelve months). The lease liabilities will be equal to the present value of lease payments. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee's initial direct costs. In January 2018, the FASB issued ASU No. 2018-01, "Leases (Topic 842) - Land Easement Practical Expedient for Transition to Topic 842," which provides an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840. In July 2018, the FASB issued ASU No. 2018-10, "Codification Improvements to Topic 842, Leases," and ASU No. 2018-11, "Leases (Topic 842), Targeted Improvements," which affect certain aspects of the previously issued guidance including an additional transition method as well as a new practical expedient for lessors. In December 2018, the FASB issued ASU No. 2018-19, “Codification Improvements to Topic 326, Financial Instruments - Credit Losses” and ASU No. 2018-20, “Leases (Topic 842), Narrow-Scope Improvements for Lessors,” which provide additional guidance for lessor accounting as well as a new practical expedient for lessors. These related standards are effective for the Company for fiscal years beginning after December 15, 2019, and interim periods within the year ending December 31, 2020. Early adoption is permitted. The Company will adopt Topic 842 in the first quarter of 2020 utilizing the optional transition method provided in ASU No. 2018-11, which allows for a prospective adoption with a cumulative-effect adjustment to the opening balance sheet as of the adoption date without restatement of prior years. The Company is planning to elect certain practical expedients as permitted by the transition guidance such as those allowing the Company to carry forward the historical assessment of whether contracts contain or are leases, classification of leases and the remaining lease terms and to exclude leases with an initial term of twelve months or less from recognition on the combined balance sheet. The Company is currently evaluating the impact of adopting Topic 842 on its unaudited condensed combined financial statements.

In March 2019, the FASB issued ASU 2019-02, “Entertainment-Films-Other Assets-Film Costs (Subtopic 926-20) and Entertainment-Broadcasters-Intangibles-Goodwill and Other (Subtopic 920-350).” The standard requires production costs of episodic television series to be capitalized as incurred, which aligns the guidance with the accounting for production costs of films. In addition, once ASU 2019-02 is effective, capitalized costs associated with films and license agreements will be tested for impairment based on the lower of unamortized cost or fair value, as opposed to the existing guidance where the impairment test is based on estimated net realizable value. The guidance also includes additional disclosure requirements. The standard is effective for fiscal years beginning after December 15, 2019, and the interim periods within those fiscal years. Early adoption is permitted. The amendments in ASU 2019-02 should be applied prospectively. The Company is currently evaluating the impact of adopting ASU 2019-02 on its unaudited condensed combined financial statements.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326).” The standard requires entities to estimate losses on financial assets measured at amortized cost, including trade receivables, debt securities and loans, using an expected credit loss model. The expected credit loss differs from the previous incurred losses model primarily in that the loss recognition threshold of “probable” has been eliminated and that expected loss should consider reasonable and supportable forecasts in addition to the previously considered past events and current conditions. Additionally, the guidance requires additional disclosures related to the further disaggregation of information related to the credit quality of financial assets by year of the asset’s origination for as many as five years. In May 2019, the FASB issued ASU No. 2019-05, “Financial Instruments - Credit Losses (Topic 326) - Targeted Transition Relief,” which provides transition relief that is intended to increase comparability of financial statement information for entities that otherwise would have measured similar financial instruments using different measurement methodologies. Entities must apply the standard provision as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The standard is effective for the Company for fiscal years beginning after December 15, 2020, including interim periods. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting ASU 2016-13 on its unaudited condensed combined financial statements.

NOTE 2: RELATED PARTY TRANSACTIONS

The Company participates in a number of corporate-wide programs administered by Tribune Media and Tribune Media Affiliates. These include participation in Tribune Media’s centralized treasury and certain shared services functions, insurance programs, employee benefit programs, workers’ compensation programs, and other corporate functions. The following is a discussion of the relationship with Tribune Media, the services provided and how transactions with Tribune Media and Tribune Media Affiliates have been accounted for in the unaudited condensed combined financial statements.

Net Parent Investment—Net parent investment in the Condensed Combined Balance Sheets includes the accumulated balances of transactions between the Company, Tribune Media, and Tribune Media Affiliates. The Company's paid-in-capital and Tribune Media's interest in the Company's cumulative retained earnings are presented within net parent investment in the Condensed Combined Balance Sheets. The amounts comprising the accumulated balance of transactions between the Company and Tribune Media and Tribune Media Affiliates include
(i) the cumulative net assets allocated to the Company by Tribune Media and Tribune Media Affiliates, (ii) the cumulative advances to Tribune Media representing cumulative funds swept (net of funding provided by Tribune Media and Tribune Media Affiliates) to the Company as part of the centralized cash management program described further below and (iii) the cumulative costs (net of credits) allocated by Tribune Media and Tribune Media Affiliates to the Company or certain support services received by the Company as described further below.

Centralized Cash Management—Tribune Media utilizes a centralized approach to cash management and the financing of its operations. Under this centralized cash management program, Tribune Media and the Company advance funds to each other. Accordingly, none of Tribune Media's cash has been assigned to the Company in the unaudited condensed combined financial statements. Cash in the Condensed Combined Balance Sheets represents either cash not yet swept to Tribune Media or cash held locally by the Company. These transactions are recorded in net parent investment when advanced.

Support Services Provided and Other Amounts with Tribune Media and Tribune Media Affiliates—The Company received allocated costs from Tribune Media and Tribune Media Affiliates for certain corporate and station operations support services, which are recorded within direct operating expenses or SG&A expense, as appropriate, in the Company's Condensed Combined Statements of Comprehensive Income. Direct operating expenses and SG&A expenses include both costs that are specifically identifiable to the Company's operations and costs that have been allocated from Tribune Media. The allocated costs include shared service activities and corporate functions related to executive management, accounting and finance, station operations, human resources, payroll, legal, consulting and professional services, information technology, insurance, building and facilities, employee benefit costs (including stock-based compensation expense), procurement and others. Management believes that the bases used for the allocations are reasonable and reflect the portion of such costs attributed to the Company's operations; however, the amounts may not be representative of the costs necessary for the Company to operate as a separate stand-alone company. These allocated costs are summarized in the following table (in thousands):

	Six Months Ended	
	June 30, 2019	**June 30, 2018**
Corporate management fee	$ 3,003	$ 2,780
Broadcasting corporate management fee	3,242	3,226
Station operations support management fee	1,969	1,725
Technology service center support costs	1,986	2,084
Shared service center support costs	209	219
Total	$ 10,409	$ 10,034

The above summary of allocated costs includes depreciation expense allocated by Tribune Media and Tribune Media Affiliates for certain assets that support Tribune Media's local television stations, including the Company. These assets are utilized by the Company to operate the business, but such assets have not been included in the Company's Condensed Combined Balance Sheets. Allocated depreciation expense totaled $0.6 million and $0.7 million for the six months ended June 30, 2019 and June 30, 2018, respectively, and were allocated based on the Company's revenue as a percentage of the total Tribune Media revenues.

The corporate management fee relates to support the Company received from Tribune Media and Tribune Media Affiliates for certain corporate activities including: (i) executive management, (ii) corporate development, (iii) corporate relations, (iv) legal, (v) human resources, (vi) internal audit, (vii) financial reporting, (viii) tax, (ix) treasury and (x) other Tribune Media corporate and infrastructure costs. For these services, the Company was charged a management fee based on the Company's revenues as a percentage of total Tribune Media revenues.

The broadcasting corporate management fee relates to various expenses incurred by Tribune Media's Television and Entertainment segment corporate management office that oversees day-to-day operations of all Tribune Media's local television stations, primarily consisting of compensation and outside services costs. For these services, the Company was charged a fee based on the Company's revenues as a percentage of Television and Entertainment revenues.

Station operations support services fee relates to expenses incurred by Tribune Media's centralized departments that exclusively support the operations of the local television stations including: (i) administration of retransmission consent agreements, (ii) centralized support for digital and website operations and (iii) certain broadcast transmission support and primarily consists of compensation, outside services and broadcasting infrastructure costs. For these services, the Company was charged a fee based on the departments' revenue-related support functions such as retransmission revenue, digital revenue or advertising revenue.

Technology service center support costs relate to Tribune Media's centrally managed information technology function that provides certain technology-related services to the Company including: (i) networks, (ii) email, (iii) infrastructure, (iv) support and (v) other technology services. Technology service center costs have been allocated based on a percentage of the Company's revenues of the total consolidated revenues of Tribune Media.

Shared service center support costs relate to support the Company received from Tribune Media's service center, which centrally manages and processes (for all Tribune Media business units) certain financial transactions, including payroll and accounts payable. Service center support costs have been allocated based on the Company's revenues as a percentage of total Tribune Media revenues.

General Insurance Costs—The Company participates in Tribune Media-sponsored risk management plans for (i) general liability, (ii) auto liability and (iii) other insurance such as property and media. Such costs were allocated, depending upon insurance type, based on actuarially determined historical loss experience, vehicle count, headcount or proportional insured values for real and personal property replacement costs and business interruption. Total general insurance costs allocated to the Company amounted to $0.2 million in each of the six months ended June 30, 2019 and June 30, 2018 and are recorded in SG&A in the Condensed Combined Statements of Comprehensive Income.

Medical and Workers' Compensation Benefit Plans—The Company participates in Tribune Media-sponsored employee benefit plans, including medical and workers' compensation. Allocations of benefit plan costs varied by plan type and were based on actuarial valuations of costs and/or liability, premium amounts and payroll. Total benefit plan costs allocated to the Company amounted to $2.2 million and $1.9 million in the six months ended June 30, 2019 and June 30, 2018, respectively, and are recorded in direct operating expenses and SG&A, as appropriate, in the Condensed Combined Statements of Comprehensive Income.

Defined Contribution Plans—The Company's employees have historically participated in various Tribune Media qualified 401(k) savings plans, which permit eligible employees to make voluntary contributions on a pretax basis. The plans allowed participants to invest their savings in various investments. Tribune Media's current qualified 401(k) savings plans provide for a matching contribution paid by Tribune Media of 100% on the first 2% of eligible pay contributed by eligible employees and 50% on the next 4% of eligible pay contributed. The Company recorded compensation expense related to the defined contributions plans of $0.9 million in each of the six months ended June 30, 2019 and June 30, 2018. These expenses are included in SG&A in the Condensed Combined Statements of Comprehensive Income.

NOTE 3: INTANGIBLE ASSETS

Intangible assets consisted of the following (in thousands):

	June 30, 2019			December 31, 2018		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Intangible assets subject to amortization						
Network affiliation agreements (useful life 16 years)	$ 25,300	$ (9,122)	$ 16,178	$ 25,300	$ (8,332)	$ 16,968
Retransmission consent agreements (useful life of 7 to 11 years)	159,900	(91,250)	68,650	159,900	(83,174)	76,726
Other (useful life of 8 years)	7,185	(5,728)	1,457	7,185	(5,288)	1,897
Total	$ 192,385	$ (106,100)	86,285	$ 192,385	$ (96,794)	95,591
Intangible assets not subject to amortization						
FCC licenses			202,600			202,600
Total intangible assets, net			$ 288,885			$ 298,191

The changes in the carrying amounts of intangible assets during the six months ended June 30, 2019 were as follows (in thousands):

Intangible assets subject to amortization	
Balance as of December 31, 2018	$ 95,591
Amortization (1)	(9,306)
Balance as of June 30, 2019	$ 86,285

(1) Amortization of intangible assets includes $0.4 million related to lease contract intangible assets and is recorded in SG&A expense in the Condensed Combined Statements of Comprehensive Income.

Amortization expense, excluding contract lease intangible assets, is expected to be approximately $8.9 million for the remainder of 2019, $17.4 million in 2020, $15.5 million in 2021, $15.4 million in 2022 and $10.1 million in 2023.

NOTE 4: COMMITMENTS AND CONTINGENCIES

FCC Regulation—Various aspects of the Company’s operations are subject to regulation by governmental authorities in the United States. The Company’s television broadcasting operations are subject to FCC jurisdiction under the Communications Act of 1934, as amended. FCC rules, among other things, govern the term, renewal and transfer of radio and television broadcasting licenses, and limit the number of media interests in a local market that a single entity can own. Federal law also regulates the rates charged for political advertising and the quantity of advertising within children’s programs.

The Company is subject to the FCC’s “Local Television Multiple Ownership Rule” and the “National Television Multiple Ownership Rule,” among others, as further described in Note 5 to the Company’s audited combined financial statements for the year ended December 31, 2018.

In general and subject to certain conditions, under the “Local Television Multiple Ownership Rule” (the “Duopoly Rule”) a company may hold attributable interests in up to two television stations in a single Nielsen Media Research Designated Market Area (“DMA”). In applying the Duopoly rule, the FCC applies a presumption against allowing combinations of two top-four ranked stations in a market, subject to a case-by-case waiver review process. This approach, adopted in the 2014 Quadrennial Review Reconsideration Order, is subject to a pending petition for judicial review by the Third Circuit. On December 13, 2018, the FCC issued a Notice of Proposed Rulemaking initiating the 2018 Quadrennial Review (the “2018 Quadrennial Review”), which, among other things, seeks comment on all aspects of the Duopoly Rule’s application and implementation, including whether the rule itself remains necessary to serve the public interest in the current television marketplace, and, if retained, whether the top-four prohibition should be retained, and if so, whether the FCC should adopt a waiver process or bright-line test to determine where waivers of the top-4 prohibition may be warranted. The Company cannot predict the outcome of these proceedings, or their effect on its business.

The FCC's "National Television Multiple Ownership Rule" prohibits the Company from owning television stations that, in the aggregate, reach more than 39% of total U.S. television households, subject to a 50% discount of the number of television households attributable to UHF stations (the "UHF Discount"). In a Report and Order issued on September 7, 2016 (the "UHF Discount Repeal Order"), the FCC repealed the UHF Discount but grandfathered existing station combinations that exceeded the 39% national reach cap as a result of the elimination of the UHF Discount, subject to compliance in the event of a future change of control or assignment of license. The FCC reinstated the UHF Discount in an Order on Reconsideration adopted on April 20, 2017 (the "UHF Discount Reconsideration Order"). A petition for judicial review of the UHF Discount Reconsideration Order by the U.S. Court of Appeals for the District of Columbia Circuit was dismissed on jurisdictional grounds on July 25, 2018. A petition for review of the UHF Discount Repeal Order by the U.S. Court of Appeals for the District of Columbia Circuit was dismissed as moot on December 19, 2018. On December 18, 2017, the FCC released a Notice of Proposed Rulemaking seeking comment generally, on the continuing propriety of a national cap and the Commission's jurisdiction with respect to the cap. The Company cannot predict the outcome of these proceedings, or their effect on its business.

Tribune Media provides certain operational support and other services to the Dreamcatcher Stations pursuant to shared services agreements ("SSAs"). In the 2014 Quadrennial Order, the FCC adopted reporting requirements for SSAs. This rule was retained in the 2014 Quadrennial Review Reconsideration Order.

Federal legislation enacted in February 2012 authorized the FCC to conduct a voluntary "incentive auction" in order to reallocate certain spectrum currently occupied by television broadcast stations to mobile wireless broadband services, to "repack" television stations into a smaller portion of the existing television spectrum band and to require television stations that do not participate in the auction to modify their transmission facilities, subject to reimbursement for reasonable relocation costs up to an industry-wide total of $1.750 billion, which amount was increased by $1 billion pursuant to the adoption of an amended version of the Repack Airwaves Yielding Better Access for Users of Modern Services (RAY BAUM'S) Act of 2018 by the U.S. Congress on March 23, 2018. On April 13, 2017, the FCC announced the conclusion of the incentive auction, the results of the reverse and forward auction and the repacking of the broadcast television spectrum. Although the Company did not participate in the spectrum auction, four of the Company's television stations are required to change frequencies or otherwise modify their operations as a result of the repacking. In doing so, the stations could incur substantial conversion costs, reduction or loss of over-the-air signal coverage or an inability to provide high definition programming and additional program streams.

Through June 30, 2019, the Company incurred an aggregate of $4.0 million in capital expenditures for the spectrum repack, of which $1.3 million and $2.7 million were incurred in 2019 and 2018, respectively. The Company expects that the reimbursements from the FCC's special fund will cover the majority of the Company's costs and expenses related to the repacking. However, the Company cannot currently predict the effect of the repacking, whether the special fund will be sufficient to reimburse all of the Company's costs and expenses related to the repacking, the timing of reimbursements or any spectrum-related FCC regulatory action.

Through June 30, 2019, the Company received FCC reimbursements of $1.4 million, of which $0.4 million was received during the six months ended June 30, 2019. In 2018, the Company received $1.0 million of FCC reimbursements, of which $0.3 million was received in the six months ended June 30, 2018. The reimbursements are included as a reduction in SG&A and are presented as an investing inflow in the Condensed Combined Statement of Cash Flows.

From time to time, the FCC revises existing regulations and policies in ways that could affect the Company's broadcasting operations. In addition, Congress from time to time considers and adopts substantive amendments to the governing communications legislation. The Company cannot predict such actions or their resulting effect upon the Company's business and financial position.

Other Contingencies—The Company is a defendant from time to time in actions for matters arising out of its business operations. In addition, the Company is involved from time to time as a party in various regulatory, environmental and other proceedings with governmental authorities and administrative agencies. See Note 5 for a discussion of potential income tax liabilities.

The Company does not believe that any other matters or proceedings presently pending will have a material adverse effect, individually or in the aggregate, on the combined financial position, results of operations or liquidity.

NOTE 5: INCOME TAXES

In the six months ended June 30, 2019, the Company recorded income tax expense of $1.0 million. The effective tax rate on pretax income was 36.3%. The rate differs from the U.S. federal statutory rate of 21% due to state income taxes (net of federal benefit), a benefit related to stock-based compensation and other expenses not fully deductible for tax purposes.

In the six months ended June 30, 2018, the Company recorded an income tax benefit of $0.65 million. The effective tax rate on pretax income was a 37.3% benefit. The rate differs from the U.S. federal statutory rate of 21% due to state income taxes (net of federal benefit), a benefit related to stock-based compensation and other expenses not fully deductible for tax purposes.

Other Contingencies—The Company accounts for uncertain tax positions in accordance with ASC Topic 740, which addresses the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company has no uncertain tax positions at June 30, 2019 and December 31, 2018.

NOTE 6: STOCK-BASED COMPENSATION

The Company participates in Tribune Media-sponsored incentive compensation plans. The incentive compensation plans provide for the granting of various awards including non-qualified stock options (“NSOs”) and restricted stock units (“RSUs”). Pursuant to ASC Topic 718, “Compensation-Stock Compensation,” the Company measures stock-based compensation costs on the grant date based on the estimated fair value of the award and recognizes compensation costs on a straight-line basis over the requisite service period for the entire award. Tribune Media’s equity plans allow employees to surrender to Tribune Media shares of vested Tribune Media Class A Common Stock upon vesting of their stock awards or at the time they exercise their NSOs in lieu of their payment of the required withholdings for employee taxes. The Company made a policy election to account for forfeitures of equity awards as they occur.

NSO and RSU awards generally vest 25% on each anniversary of the date of the grant. Tribune Media determines the fair value of RSU awards by reference to the quoted market price of Tribune Media’s Class A Common Stock on the date of the grant. Under the Tribune Media-sponsored incentive compensation plans, the exercise price of an NSO award cannot be less than the market price of the Class A Common Stock at the time the NSO award is granted and has a maximum contractual term of 10 years.

Holders of RSUs receive dividend equivalent units (“DEUs”) and the number of DEUs granted is calculated based on the value of the dividends per share paid on Tribune Media’s common stock and the closing price of Tribune Media’s common stock on the dividend payment date. The DEUs vest with the underlying RSU.

Tribune Media estimates the fair value of NSO awards using the Black-Scholes option-pricing model, which incorporates various assumptions including the expected term of the awards, volatility of the stock price, risk-free rates of return and dividend yield. The risk-free rate was based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility was based on the actual historical volatility of a select peer group of entities operating in similar industry sectors as Tribune Media. The expected dividend yield was based on Tribune Media’s expectation of future dividend payments at the time of grant. Expected life was calculated using the simplified method as described under Staff Accounting Bulletin Topic 14, “Share-Based Payment,” as the Equity Incentive Plan was not in existence for a sufficient period of time for the use of the Tribune Media-specific historical experience in the calculation. There were no NSO grants in the six months ended June 30, 2019.

Stock-based compensation expense recorded by the Company for each of the six months ended June 30, 2019 and June 30, 2018 totaled $0.5 million and $0.6 million, respectively.

A summary of activity and weighted average exercise prices related to the NSOs is as follows (shares in thousands):

	Six Months Ended June 30, 2019	
	Shares	**Weighted Avg. Exercise Price**
Outstanding, beginning of period	72	$ 33.18
Exercised	(5)	31.98
Forfeited	(5)	31.98
Outstanding, end of period	62	$ 33.38
Vested and exercisable, end of period	45	$ 35.00

A summary of activity and weighted average fair values related to the RSUs is as follows (shares in thousands):

	Six Months Ended June 30, 2019	
	Shares	**Weighted Avg. Fair Value**
Outstanding, beginning of period	68	$ 35.47
Granted	27	46.10
Vested	(23)	34.49
Dividend equivalent units vested	(1)	37.56
Forfeited	(8)	38.85
Outstanding and nonvested, end of period	63	$ 40.11

As of June 30, 2019, the Company had not yet recognized compensation cost on nonvested awards as follows (in thousands):

	Unrecognized Compensation Cost	**Weighted Avg. Remaining Recognition Period (in years)**
Nonvested awards	$ 2,198	2.6

NOTE 7: SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 30, 2019, the date these carve-out financial statements were available to be issued. There were no transactions that required recognition or additional disclosures in these carve-out financial statements as of the evaluation date.

Exhibit 99.6

THE E.W. SCRIPPS COMPANY

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On September 19, 2019, Scripps acquired 8 television stations for consideration of $580 million. Seven of the stations were previously operated by Tribune Media Company ("Tribune") and the remaining station was operated by Nexstar Media Group, Inc. ("Nexstar"). Nexstar was required to divest these stations in order to complete its acquisition of Tribune. Scripps previously closed on the acquisition of 15 television stations from Cordillera Communications, LLC ("Cordillera") on May 1, 2019. Cordillera was a wholly owned subsidiary of EPI Preferred, LLC ("EPI") and comprised substantially all of the key operating assets of EPI. In connection with this Cordillera transaction, the Company provided unaudited pro forma condensed combined financial information within a Current Report on Form 8-K/A dated July 17, 2019. The following unaudited pro forma condensed combined financial statements give pro forma effect to the Cordillera transaction for the periods prior to Scripps' May 1, 2019 ownership of those television stations.

The following unaudited pro forma condensed combined financial statements for the six months ended June 30, 2019 and the year ended December 31, 2018 are based on the historical consolidated financial statements of each of Scripps and EPI, the historical financial statements of KASW (a carve-out of Nexstar Media Group, Inc.) (the "Nexstar Assets"), and the historical combined financial statements of the Tribune carve-out stations (the "Tribune Assets") giving pro forma effect to the respected acquisitions as if they had all been consummated on January 1, 2018. We have derived the following unaudited pro forma condensed combined balance sheet from the historical condensed consolidated balance sheets of Scripps, the historical condensed balance sheets of the Nexstar Assets, and the historical condensed combined balance sheets of the Tribune Assets, each as of June 30, 2019, giving pro forma effect to the acquisition as if it had been consummated on June 30, 2019. As Scripps acquired the television stations from EPI on May 1, 2019, those assets were included in the historical condensed consolidated balance sheets of Scripps as of June 30, 2019. The historical financial information has been adjusted to give effect to matters that are (i) directly attributable to the aforesaid transactions, (ii) factually supportable and (iii) with respect to the statement of operations, expected to have a continuing impact on the operating results of the combined company.

Scripps and EPI have different fiscal years. Scripps’ fiscal year ends on December 31, whereas EPI’s fiscal year ends on September 30. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2018 combines Scripps’ year ended December 31, 2018 with EPI’s year ended September 30, 2018. The unaudited pro forma condensed combined statement of operations for the year end December 31, 2018 has been prepared utilizing period ends that differ by less than 93 days, as permitted by Rule 11-02 Regulation S-X.

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting in accordance with Financial Accounting Standards Board Accounting Standards Codification (“ASC”) Topic 805, Business Combinations, with Scripps considered as the accounting acquirer. Accordingly, consideration paid by Scripps to complete the acquisitions has been allocated to identifiable assets and liabilities of the acquired Cordillera and Nexstar-Tribune stations based on estimated fair values as of the closing date of the respective acquisition. Management made preliminary allocations of the considerations transferred to the assets acquired and liabilities assumed based on the information available and management’s preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed. The finalization of the purchase accounting assessments may result in changes to the valuations of assets acquired and liabilities assumed, which could be material. Accordingly, the pro forma adjustments related to the allocation of considerations transferred are preliminary and have been presented solely for the purpose of providing unaudited pro forma condensed combined financial information in the Current Report on Form 8-K. Management expects to finalize the accounting for the business combinations as soon as practicable within the measurement periods in accordance with ASC 805, but in no event later than one year from May 1, 2019 for the Cordillera acquisition and no event later than one year from September 19, 2019 for the Nexstar-Tribune acquisition.

The unaudited pro forma condensed combined financial statements do not necessarily reflect what the combined company’s financial condition or results of operations would have been had the acquisitions occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

The E.W. Scripps Company
Unaudited Pro Forma Condensed Combined Balance Sheet
As of June 30, 2019

(In thousands, except per share data)	Scripps Historical (Note 1)	Nexstar Historical (Note 1)	Tribune Historical (Note 1)	Pro Forma Adjustments		Pro Forma Combined
Assets						
Current assets:						
Cash and cash equivalents	$ 56,514	$ —	$ 497	$ 62,753	4(a)	$ 119,764
Cash restricted for pending acquisition	240,000	—	—	(240,000)	4(a)	—
Accounts and notes receivable, less allowances	323,575	3,491	60,424	(63,915)	4(b)	323,575
Programming	49,942	1,351	8,478	—		59,771
FCC repack receivable	28,130	—	—	—		28,130
Miscellaneous	22,963	105	2,947	—		26,015
Total current assets	721,124	4,947	72,346	(241,162)		557,255
Investments	7,688	—	—	—		7,688
Property and equipment	315,288	3,263	36,173	—		354,724
Operating lease right-of-use asset	46,580	—	—	70,721	4(c)	117,301
Goodwill	1,111,247	32,203	—	213,090	4(b)	1,356,540
Other intangible assets	724,792	35,623	288,885	(22,508)	4(b)	1,026,792
Programming (less current portion)	93,902	1,963	9,169	—		105,034
Deferred income taxes	8,557	—	—	—		8,557
Miscellaneous	18,547	—	16,346	—		34,893
Total Assets	$ 3,047,725	$ 77,999	$ 422,919	$ 20,141		$ 3,568,784
Liabilities and Equity						
Current liabilities:						
Accounts Payable	$ 43,648	$ 187	$ 2,309	$ (2,496)	4(b)	$ 43,648
Unearned revenue	6,522	23	1,822	(1,845)	4(b)	6,522
Current portion of long-term debt	10,650	—	—	—		10,650
Accrued liabilities:						
Employee compensation and benefits	34,266	134	4,191	(2,744)	4(b)	35,847
Programming liability	61,503	1,425	23,807	—		86,735
Miscellaneous	43,762	257	507	(422)	4(b)	44,104
Other current liabilities	18,247	—	—	2,006	4(c)	20,253
Total current liabilities	218,598	2,026	32,636	(5,501)		247,759
Long-term debt (less current portion)	1,537,849	—	—	419,250	4(d)	1,957,099
Deferred income taxes	25,185	4,925	19,378	(24,303)	4(b)	25,185
Operating lease liabilities	41,234	—	—	69,169	4(c)	110,403
Other liabilities (less current portion)	308,206	2,516	17,417	(454)	4(c)	327,685
Total Liabilities	2,131,072	9,467	69,431	458,161		2,668,131
Equity:						
Preferred stock	—	—	—	—		—
Common stock:						—
Class A	690	—	—	—		690
Voting	119	—	—	—		119
Total common stock	809	—	—	—		809
Additional paid-in capital	1,111,849					1,111,849
Accumulated deficit	(101,529)			(16,000)	4(e)	(117,529)
Accumulated other comprehensive loss, net	(94,476)					(94,476)
				(16,000)	4(e)	
Total Equity	916,653	68,532	353,488	(422,020)	4(b)	900,653
Total Liabilities and Equity	$ 3,047,725	$ 77,999	$ 422,919	$ 20,141		$ 3,568,784

The E.W. Scripps Company
Unaudited Pro Forma Condensed Combined Statements of Operations
For the Year Ended December 31, 2018

(in thousands, except per share data)	Scripps Historical (Note 1)	EPI Preferred Historical (Note 1)	Excluded EPI Tucson Station	Nexstar Historical (Note 1)	Tribune Historical (Note 1)	Pro Forma Adjustments		Pro Forma Combined
Operating Revenues:								
Advertising	$ 836,049	$ 133,271	$ (15,543)	$ 9,622	$ 168,863	$ —		$ 1,132,262
Retransmission and carriage	304,402	46,256	(7,227)	9,211	72,075	(16,600)	3(a)	408,117
Other	67,974	2,033	(103)	487	8,653	—		79,044
Total operating revenues	1,208,425	181,560	(22,873)	19,320	249,591	(16,600)		1,619,423
Costs and Expenses:								
Employee compensation and benefits	394,029	69,042	(7,886)	3,024	74,533	—		532,742
Programming	350,753	30,908	(4,431)	3,250	82,422	—		462,902
Impairment of programming assets	8,920	—	—	—	—	—		8,920
Other expenses	246,487	29,262	(3,257)	1,614	59,762	—		333,868
Acquisition and related integration costs	4,124	—	—	—	—	(1,277)	3(b)	2,847
Restructuring costs	8,911	—	—	—	—	—		8,911
Total costs and expenses	1,013,224	129,212	(15,574)	7,888	216,717	(1,277)		1,350,190
Depreciation, Amortization, and (Gains) Losses:								
Depreciation	34,641	5,978	(534)	807	8,499	2,365	3(c)	51,756
Amortization of intangible assets	29,346	155	(10)	50	19,927	(2,412)	3(d)	47,056
Losses (gains), net on disposal of property, plant and equipment	1,255	—	—	—	—	—		1,255
Net depreciation, amortization, and losses (gains)	65,242	6,133	(544)	857	28,426	(47)		100,067
Operating income	129,959	46,215	(6,755)	10,575	4,448	(15,276)		169,166
Interest expense	(36,184)	(1,850)	—	—	—	(69,250)	3(e)	(107,284)
Defined benefit plan expense	(19,752)	—	—	—	—	—		(19,752)
Miscellaneous, net	152	(378)	—	—	—	(1,157)	3(f)	(1,383)
Income from operations before income taxes	74,175	43,987	(6,755)	10,575	4,448	(85,683)		40,747
Provision (benefit) for income taxes	18,098	(7,443)	(1,723)	2,641	1,471	(3,100)	3(g)	9,944
Income from continuing operations, net of tax	56,077	51,430	(5,032)	7,934	2,977	(82,583)		30,803
Net loss from discontinued operations, net of tax	(36,328)	—	—	—	—	—		(36,328)
Net income (loss) attributable to noncontrolling interest	(632)	40,541	(4,000)	—	—	(36,541)		(632)
Net income attributable to Scripps shareholders	$ 20,381	$ 10,889	$ (1,032)	$ 7,934	$ 2,977	$ (46,042)		$ (4,893)
Income from continuing operations per share of common stock:								
Basic	$ 0.69							$ 0.39
Diluted	$ 0.68							$ 0.38
Weighted average shares outstanding:								
Basic	81,369							81,369
Diluted	81,927							81,927

The E.W. Scripps Company
Unaudited Pro Forma Condensed Combined Statements of Operations
For the Six Months Ended June 30, 2019

(in thousands, except per share data)	Scripps Historical (Note 1)	EPI Preferred Historical (Note 1)	Excluded EPI Tucson Station	Nexstar Historical (Note 1)	Tribune Historical (Note 1)	Pro Forma Adjustments		Pro Forma Combined
Operating Revenues:								
Advertising	$ 386,843	$ 36,041	$ (4,083)	$ 3,613	$ 79,007	$ —		$ 501,421
Retransmission and carriage	180,608	18,025	(2,735)	5,117	44,622	(15,900)	**3(a)**	229,737
Other	62,207	666	(37)	212	3,575	—		66,623
Total operating revenues	629,658	54,732	(6,855)	8,942	127,204	(15,900)		797,781
Costs and Expenses:								
Employee compensation and benefits	225,805	22,284	(2,619)	1,343	38,004	—		284,817
Programming	200,865	12,360	(1,757)	1,479	44,057	—		257,004
Other expenses	134,167	9,439	(927)	1,219	29,330	—		173,228
Acquisition and related integration costs	6,268	—	—	—	—	(3,199)	**3(b)**	3,069
Restructuring costs	1,895	—	—	—	—	—		1,895
Total costs and expenses	569,000	44,083	(5,303)	4,041	111,391	(3,199)		720,013
Depreciation, Amortization, and (Gains) Losses:								
Depreciation	18,970	2,205	(176)	245	4,171	788	**3(c)**	26,203
Amortization of intangible assets	19,059	23	(1)	25	8,866	(1,667)	**3(d)**	26,305
Losses (gains), net on disposal of property, plant and equipment	317	—	—	—	—	—		317
Net depreciation, amortization, and losses (gains)	38,346	2,228	(177)	270	13,037	(879)		52,825
Operating income	22,312	8,421	(1,375)	4,631	2,776	(11,822)		24,943
Interest expense	(26,939)	(1,149)	—	—	—	(28,151)	**3(e)**	(56,239)
Defined benefit plan expense	(3,136)	—	—	—	—	—		(3,136)
Miscellaneous, net	(431)	(565)	2	—	—	—		(994)
Loss from operations before income taxes	(8,194)	6,707	(1,373)	4,631	2,776	(39,973)		(35,426)
Provision (benefit) for income taxes	(1,014)	187	(350)	1,142	1,009	(8,800)	**3(g)**	(7,826)
Loss from continuing operations, net of tax	(7,180)	6,520	(1,023)	3,489	1,767	(31,173)		(27,600)
Net loss from discontinued operations, net of tax	—	—	—	—	—	—		—
Net income (loss) attributable to noncontrolling interest	—	5,766	(951)	—	—	(4,815)		—
Net loss attributable to Scripps shareholders	$ (7,180)	$ 754	$ (72)	$ 3,489	$ 1,767	$ (26,358)		$ (27,600)
Loss from continuing operations per share of common stock:								
Basic	$ (0.09)							$ (0.34)
Diluted	$ (0.09)							$ (0.34)
Weighted average shares outstanding:								
Basic	80,748							80,748
Diluted	80,748							80,748

The E.W. Scripps Company

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

Note 1. Basis of Presentation

The unaudited pro forma condensed combined financial statements have been derived from the historical consolidated financial statements of Scripps and the acquired Cordillera television stations (reported within the parent entity, EPI), the historical financial statements of the Nexstar television station, and the historical combined financial statements of the Tribune television stations. The unaudited pro forma condensed combined balance sheet as of June 30, 2019 gives effect to the Nexstar and Tribune transaction as if it had occurred on June 30, 2019. The unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2019 and for the year ended December 31, 2018 give effect to all these acquisition transactions as if they had occurred on January 1, 2018.

These historical financial statements have been adjusted in the unaudited pro forma condensed combined statements of operations to give effect to pro forma events that are (1) directly attributable to the business combinations, (2) factually supportable, and (3) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results following the business combinations.

Scripps has a different fiscal year end than EPI. Because the difference between Scripps' and EPI's fiscal year end dates is less than 93 days, the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2018 was prepared using Scripps' audited consolidated statement of operations for the year ended December 31, 2018 and EPI's audited consolidated statement of operations for the year ended September 30, 2018, as permitted under Rule 11-02 of Regulation S-X.

The unaudited pro forma condensed combined financial statements are based on preliminary purchase price allocations, provided for illustrative purposes only, and do not purport to represent what the combined company's financial statements would have been had the transactions occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the combined company. The actual results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. In addition, the unaudited pro forma condensed combined statement of operations do not reflect any future planned cost savings initiatives following the completion of the business combinations.

Certain reclassifications have been made to the presentation of the historical EPI consolidated financial statements and each of the Nexstar and Tribune combined financial statements to conform to the presentation used in the unaudited pro forma financial information contained herein.

Note 2. Preliminary Purchase Price Allocation

On May 1, 2019, Scripps completed the acquisition of 15 television stations from Cordillera Communications, LLC for cash consideration of $521 million, plus an estimated working capital adjustment of $23.9 million. The transaction was financed with a $765 million term loan B, of which $240 million of the proceeds were segregated for financing a portion of the television stations that were acquired from Nexstar.

On September 19, 2019, Scripps completed the acquisition of eight broadcast television stations from the Nexstar transaction with Tribune for consideration of $580 million. The purchase price and other related costs associated with the transaction were financed from a portion of the incremental term loan B proceeds and $500 million of senior unsecured notes issued on July 26, 2019. Additionally, the capacity for our revolving credit facility was increased to $210 million upon closing.

The unaudited pro forma condensed combined financial information includes various assumptions, including those related to the preliminary purchase price allocation of the assets acquired and liabilities assumed for the acquired stations based on management's best estimates of fair value. The final purchase price allocation may vary based on final appraisals, valuations and analyses of the fair value of the acquired assets and assumed liabilities.

The following table summarizes the preliminary fair values of the television stations assets acquired and liabilities assumed at the closing date.

	Cordillera Stations	Nexstar/ Tribune Stations	Total
Accounts receivable	$ 26,264	$ —	$ 26,264
Other current assets	986	12,881	13,867
Property and equipment	53,671	39,436	93,107
Operating lease right-of-use assets	4,667	70,721	75,388
Other assets	—	27,478	27,478
Fair value of acquired intangible assets	214,100	302,000	516,100
Residual goodwill from the transactions	253,735	245,293	499,028
Accounts payable	(15)	—	(15)
Accrued expenses	(3,835)	(27,155)	(30,990)
Other current liabilities	(280)	(2,006)	(2,286)
Operating lease liabilities	(4,387)	(69,169)	(73,556)
Other long-term liabilities	—	(19,479)	(19,479)
Net purchase price	$ 544,906	$ 580,000	$ 1,124,906

Note 3. Adjustments to the Unaudited Pro Forma Condensed Combined Statements of Operations

(a) Reflects the adjustments to reduce retransmission revenue, primarily from CW affiliates, under Scripps' retransmission agreements in effect during each period.

(b) Reflects the adjustments to reverse incurred and non-recurring transaction costs, which were recorded in Scripps’ acquisition and related integration costs. These transaction costs totaled $1.3 million for the twelve months ended 2018 and $3.2 million for the six months ended June 30, 2019.

(c) Reflects the depreciation expense adjustment resulting from the fair value adjustments to Cordillera’s, Nexstar's and Tribune's property and equipment:

	Year-Ended Dec. 31, 2018	Six Months Ended June 30, 2019
Depreciation expense for fair value adjustment to property and equipment	$ 2,365	$ 788

(d) Reflects the incremental increase in intangible asset amortization expense resulting from the fair value adjustments to Cordillera’s, Nexstar's and Tribune's intangible assets:

	Year-Ended Dec. 31, 2018	Six Months Ended June 30, 2019
Reversal of EPI's historical intangible asset amortization	$ (145)	$ (22)
Reversal of Nexstar's historical intangible asset amortization	(50)	(25)
Reversal of Tribune's historical intangible asset amortization	(19,927)	(8,866)
Amortization of purchased identifiable intangible assets	17,710	7,246
Total intangible assets amortization expense adjustment	$ (2,412)	$ (1,667)

(e) Reflects the adjustments to reverse interest expense associated with the EPI’s debt not assumed and the recognition of interest expense associated with Scripps’ new debt financing:

	Year-Ended Dec. 31, 2018	Six Months Ended June 30, 2019
Reversal of EPI's historical interest expense	$ (1,850)	$ (1,149)
Interest expense on new debt financing	71,100	29,300
Total interest expense adjustment	$ 69,250	$ 28,151

(f) Reflects the adjustments to reverse the gains and losses recognized from interest rate swaps that were in place on EPI’s outstanding debt. EPI’s statement of operations included a gain on derivative instruments of $1.2 million for the twelve months ended 2018.

(g) Reflects the income tax effect of applying the estimated blended federal and state statutory rate of 25.2% for the year ended December 31, 2018 and the six months ended June 30, 2019 to EPI's pre-tax income and to the pro forma adjustments.

Note 4. Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet

(a) Represents adjustments to the combined company cash balance. Estimated transaction and other closing/financing costs associated with the transaction are not included in the pro forma results of operations as they are non-recurring in nature.

	(in thousands)
Cash consideration for the acquisition of Nexstar/Tribune stations	$ (580,000)
Cash outlay to pay down borrowings under revolving credit facility	(70,000)
Issuance of new unsecured notes	500,000
Cash withheld for debt issuance costs	(10,750)
Cash not acquired from Nexstar and Tribune	(497)
Transactions costs paid	(16,000)
Total cash adjustments	(177,247)
Plus: utilization of restricted cash for the Nexstar transaction	240,000
Total cash and cash equivalents adjustments	$ 62,753

(b) Reflects the acquisition method of accounting based on the estimated fair value of assets acquired and liabilities assumed at the closing date.

	(in thousands)
Cash not acquired	$ (497)
Accounts receivable not acquired	(63,915)
Adjustment of identifiable intangible assets to fair value	(22,508)
Residual goodwill created from acquisition	213,090
Accounts payable amounts not assumed	2,496
Unearned revenue not assumed	1,845
Accrued employee compensation and benefits not assumed	2,744
Other accrued expenses not assumed	422
Deferred tax impact of purchase accounting treatment	24,303
Elimination of Nexstar and Tribune historical equity balances	422,020
Total Nexstar/Tribune transaction value	$ 580,000

(c) Represents the impact of adopting the new lease standard that requires the recognition of right-of-use assets and lease liabilities on the balance sheet.

	(in thousands)
Operating lease right-of-use assets	$ 70,721
Other current liabilities	2,006
Operating lease liabilities	69,169
Other liabilities (less current portion)	(454)

(d) To record the issuance of Scripps' long-term debt and related debt issuance costs.

	(in thousands)
Additional long-term debt from issuance of unsecured notes	$ 500,000
Pay down borrowings under revolving credit facility	(70,000)
Debt issuance costs on long-term debt	(10,750)
Total long-term debt adjustment	$ 419,250

Additionally, the capacity for Scripps' revolving credit facility was increased to $210 million upon closing of the Nexstar/Tribune transaction.

(e) Represents the impact of estimated transaction costs associated with the transaction. These costs have not been included in the pro forma results of operations as they are non-recurring in nature.