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) December 14, 2020

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

Ohio	001-10701	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

INDEX TO CURRENT REPORT ON FORM 8-K

Item 8.01 Other Events

On December 14, 2020, The E.W. Scripps Company (the "Company") issued a press release announcing that its wholly owned subsidiary, Scripps Escrow II, Inc., intends to offer $700 million of new senior secured notes and $500 million of new senior unsecured notes. The private offering is subject to market conditions and other factors and is exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). A copy of the press release is attached hereto as Exhibit 99.1.

In connection with the notes offering, the Company provided potential investors with summary historical consolidated financial information for ION Media Networks, Inc. ("ION Media") and summary unaudited pro forma combined financial information as of September 30, 2020, for the nine months ended September 30, 2020 and 2019, for the year ended December 31, 2019 and for the twelve-month periods ended September 30, 2020 and 2019. The unaudited pro forma condensed combined financial information is derived from the historical consolidated financial statements of the Company, ION Media, and the acquired Cordillera television stations (reported within the parent entity, EPI Preferred, LLC ("EPI")), the historical condensed financial statements of the acquired Nexstar Media Group ("Nexstar") television station, the historical condensed combined financial statements of the acquired Tribune Media Company ("Tribune") television stations, and the historical results of the WPIX television station held for sale.

The summary unaudited pro forma combined financial information and related adjustments provided to investors also considered the financing necessary for closing the ION Media acquisition and other adjustments.

The summary unaudited pro forma combined financial information is being provided for illustrative purposes and does not purport to represent what the actual consolidated results of operations of the Company would have been had the respective transactions and adjustments occurred on the date assumed or any other date, nor is it necessarily indicative of the Company’s future results of operations for any future period or as of any future date. The actual results of the combined company may differ significantly from those reflected in the pro forma combined financial information.

The audited consolidated financial statements of ION Media, and its subsidiaries, as of and for each of the years then ended December 31, 2019 and 2018, including the notes thereto, are attached hereto as Exhibit 99.2. The unaudited financial statements of ION Media, and its subsidiaries, for the nine months ended September 30, 2020 and 2019, including the notes thereto, are attached hereto as Exhibit 99.3. A management discussion and analysis off financial condition and results of operations for ION Media’s consolidated financial statements is attached hereto as Exhibit 99.4.

The summary unaudited pro forma combined financial information as of September 30, 2020, for the nine months ended September 30, 2020 and 2019, for the year ended December 31, 2019, and for the twelve-month period ended September 30, 2020 are attached hereto as Exhibit 99.5.

Item 9.01 Financial Statements and Exhibits

Exhibit Number	Description of Item
99.1	Press release dated December 14, 2020
99.2	Audited consolidated financial statements of ION Media Networks, Inc., and its subsidiaries, as of and for each of the years then ended December 31, 2019 and 2018
99.3	Unaudited consolidated financial statements of ION Media Networks, Inc., and its subsidiaries, as of September 30, 2020 and December 31, 2019 and for the nine months ended September 30, 2020 and 2019
99.4	Management's discussion and analysis of financial condition and results of operations of ION Media Networks, Inc.
99.5	Summary unaudited proforma combined financial information

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/ Daniel W. Perschke Daniel W. Perschke Vice President, Controller (Principal Accounting Officer)

Dated: December 14, 2020

Give light and the people will find their own way

SCRIPPS

News Release

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

Scripps announces proposed placement of senior notes

Dec. 14, 2020

CINCINNATI - The E.W. Scripps Company's (NASDAQ: SSP) wholly-owned subsidiary, Scripps Escrow II, Inc. has launched an offering of $700 million of new senior secured notes and $500 million of new senior unsecured notes.

The secured notes are expected to mature in 2029, and the unsecured notes are expected to mature in 2031.

The private offering is subject to market conditions and other factors and is exempt from the registration requirements of the Securities Act of 1933, as amended. Scripps Escrow, which was created solely to issue the notes, will deposit the gross proceeds of the offering into a segregated escrow account until the date that certain escrow release conditions are satisfied. Upon the closing of the ION Media acquisition discussed below, Scripps Escrow will merge with and into the company, and the escrow proceeds will be released to the company. The company will thereupon assume the obligations under the notes, the secured notes will become senior secured obligations of the company, and the unsecured notes will become senior unsecured obligations of the company. The notes will be guaranteed by certain of the company's existing and future subsidiaries, and the secured notes will be secured on a first-lien basis by substantially all of the existing and future assets of the company and the guarantors that also secure the company's credit facilities.

On Sept. 24, 2020, Scripps announced it would acquire the national broadcast network ION Media for $2.65 billion.

Scripps intends to use the proceeds from the notes offering to finance the ION Media acquisition, together with the proceeds of other financing transactions, currently expected to include a $600 million preferred equity investment from Berkshire Hathaway, an incremental term loan of $650 million and $336 million of cash from the balance sheet. The notes offering is not expected to be conditioned on the consummation of any other financing transactions.

The notes and related guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold in the United States absent registration or an applicable exemption. The notes will be offered only to persons reasonably believed to be qualified institutional buyers under Rule 144A of the Securities Act or, outside the United States, to persons other than "U.S. persons" in compliance with Regulation S under the Securities Act.

This press release does not constitute an offer to sell or the solicitation of an offer to buy the notes and related guarantees and shall not constitute an offer, solicitation or sale of any securities in any jurisdiction in which such offer solicitation or sale would be unlawful. This press release is being issued pursuant to and in accordance with Rule 135c under the Securities Act.

Forward-looking statements
This press release contains certain forward-looking statements related to the company's businesses and the proposed offering 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, including those engendered by the COVID-19 pandemic, that may cause actual results and events to differ materially from such forward-looking statements is included in the company's Form 10-K and Form 10-Q, 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 such statements are made.

About Scripps
The E.W. Scripps Company (NASDAQ: SSP) is one of the nation's leading media companies, focused on creating a better-informed world through a portfolio of news, information and entertainment brands. Scripps will become the nation's largest television broadcaster, reaching 73% of U.S. television households through 108 stations in 76 markets, pending regulatory approval of its acquisition of ION Media. Committed to serving local audiences through objective journalism, Scripps operates 60 local TV stations in 42 markets. It is creating a national TV networks business that will include ION Media's entertainment programming, Newsy's straightforward headline and documentary news content and the five popular Katz broadcast networks including Bounce and Court TV. 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."

Contact:
Carolyn Micheli, The E.W. Scripps Company, 513-977-3732, carolyn.micheli@scripps.com

ION MEDIA NETWORKS, INC.

Consolidated Financial Statements as of December 31, 2019 and 2018

ION MEDIA NETWORKS, INC.
TABLE OF CONTENTS

Independent Auditors' Report

The Board of Directors
ION Media Networks, Inc.:

We have audited the accompanying consolidated financial statements of ION Media Networks, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of ION Media Networks, Inc. and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP
New York, NY
March 25, 2020

ION MEDIA NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands except share data)

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 163,706	$ 186,089
Accounts receivable, net of allowance for doubtful accounts of $2,093 and $2,206, respectively	136,692	145,401
Program rights	109,338	104,203
Prepaid expenses and other current assets	5,539	3,827
Total current assets	415,275	439,520
Property and equipment, net	70,435	66,805
Intangible assets, net	237,041	242,191
Program rights, less current portion	73,717	85,923
Other assets	4,608	3,831
Total assets	$ 801,076	$ 838,270
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	$ 33,582	$ 40,321
Obligations for program rights	89,373	77,700
Long-term debt	13,656	—
Total current liabilities	136,611	118,021
Long-term debt, less current portion and deferred financing costs	1,330,138	994,659
Obligations for program rights, less current portion	165,776	171,006
Deferred income taxes	59,968	63,268
Stock appreciation rights	61,321	57,756
Other long-term liabilities	31,447	30,129
Total liabilities	1,785,261	1,434,839
Commitments and contingencies (see Note 12)		
Stockholders' deficit:		
Common stock $.001 par value; 2,080,000 shares authorized, 1,663,050 shares issued and outstanding	2	2
Accumulated deficit	(984,187)	(596,571)
Total stockholders' deficit	(984,185)	(596,569)
Total liabilities and stockholders' deficit	$ 801,076	$ 838,270

See accompanying notes to consolidated financial statements.

ION MEDIA NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

	Years Ended December 31,	
	2019	**2018**
Revenue (net of agency commissions)	$ 586,901	$ 565,477
Expenses:		
Content and distribution operations	73,145	68,436
Program rights amortization	108,751	103,450
Selling, general and administrative (including stock-based compensation, see Notes 10 and 11)	80,738	76,156
Depreciation and amortization	18,552	18,128
Total operating expenses	281,186	266,170
Spectrum auction and repack activities, net	3,026	79,044
(Loss) gain on disposal of assets and other, net	(279)	858
Operating income	308,462	379,209
Other (expense) income:		
Interest expense	(65,793)	(56,719)
Interest income	337	700
Income before income taxes	243,006	323,190
Income tax provision	(52,625)	(72,690)
Net income	$ 190,381	$ 250,500

See accompanying notes to consolidated financial statements.

ION MEDIA NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

(In thousands)

	Common Stock	Accumulated Deficit	Total Deficit
Balance at January 1, 2018	$ 2	$ (644,622)	$ (644,620)
Cash dividends	—	(175,086)	(175,086)
Purchase and retirement of common stock	—	(27,363)	(27,363)
Net income	—	250,500	250,500
Balance at December 31, 2018	2	(596,571)	(596,569)
Cash dividends	—	(577,997)	(577,997)
Net income	—	190,381	190,381
Balance at December 31, 2019	$ 2	$ (984,187)	$ (984,185)

See accompanying notes to consolidated financial statements.

ION MEDIA NETWORKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Net income	$ 190,381	$ 250,500
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,552	18,128
Stock-based compensation	10,732	5,513
Program rights amortization	108,751	103,450
Program rights payments	(95,237)	(106,629)
Amortization of loan discount and issuance costs	5,163	6,003
Provision for doubtful accounts	(113)	344
Deferred income tax (benefit) expense	(3,301)	18,330
Gain on spectrum auction, net	—	(76,615)
Loss (gain) on disposal of assets and other, net	279	(858)
Decrease (increase) in operating assets:		
Accounts receivable	8,822	(24,732)
Prepaid expenses and other current assets	(965)	4,093
Other assets	2	(10)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued liabilities	(3,297)	3,592
Other long-term liabilities	(9,188)	(881)
Net cash provided by operating activities	230,581	200,228
Cash flows from investing activities:		
Purchases of intangible assets	—	(12,451)
Purchases of property and equipment	(54,785)	(40,221)
Proceeds from sale of broadcast and other assets	387	31
Reimbursements from the FCC for repack equipment	35,459	22,168
Net cash used in investing activities	(18,939)	(30,473)
Cash flows from financing activities:		
Borrowings of long-term debt, net of discount	353,172	—
Repayments of long-term debt	(3,414)	(71,129)
Payments for debt issuance and other costs	(5,786)	—
Payment of dividends	(577,997)	(175,086)
Purchase of common stock	—	(27,363)
Net cash used in financing activities	(234,025)	(273,578)
Net decrease in cash and cash equivalents	(22,383)	(103,823)
Cash and cash equivalents, beginning of year	186,089	289,912
Cash and cash equivalents, end of year	$ 163,706	$ 186,089
Supplemental cash flow information:		
Cash paid for interest	$ 60,589	$ 52,825
Cash paid for income taxes, net of refunds	$ 58,471	$ 46,905

See accompanying notes to consolidated financial statements.

ION MEDIA NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

ION Media Networks, Inc. (the “Company” or “ION”) is a Delaware corporation organized in 1993. A majority of the Company’s outstanding common stock is privately held by Media Holdco, LP, and the Company has a limited number of other stockholders. The Company’s business is delivering television entertainment programming to approximately 100 million households across the United States through broadcast and multichannel video distribution. The Company’s ION Television flagship network exhibits popular television series, movies and other general entertainment programming nationwide through 70 owned-and-operated television stations in the largest U.S. metropolitan areas, as well as through multichannel video providers and broadcast affiliates in markets where it does not itself own a television station. ION’s revenue consists primarily of selling advertising during its entertainment content hours as well as revenue from paid commercial programs during noncontent programming hours. In addition, its business model includes revenue from digital multicast networks, as well as other revenue from its nationwide broadcast spectrum holdings.

Basis of Presentation: The accompanying consolidated financial statements, in the opinion of the Company, contain all adjustments necessary for a fair presentation of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The Company has evaluated subsequent events for recognition or disclosure through March 25, 2020, the date these consolidated financial statements were available to be issued.

Summary of Significant Accounting Policies

Cash and Cash Equivalents: Cash and cash equivalents include highly liquid investments with maturities of three months or less at acquisition and are stated at cost. At December 31, 2019 and 2018, cash and cash equivalents is comprised of cash on hand, money market accounts and money market funds.

Accounts Receivable: The Company carries accounts receivable at the amount it believes to be collectible. Accordingly, the Company provides allowances for accounts receivable it believes to be uncollectible based on management’s best estimates. In determining the allowance for doubtful accounts, the Company analyzes its historical bad debt experience, the creditworthiness of its customers, and the aging of its accounts receivable. The amounts of accounts receivable that ultimately become uncollectible could vary significantly from the Company’s estimates.

Program Rights: The Company licenses domestic distribution rights to entertainment content pursuant to multiyear contractual agreements. These program rights are carried at the lower of unamortized cost or estimated net realizable value and are amortized using the greater of the straight-line per run or straight-line over the period the program airs. Program rights and related liabilities are recorded at the contractual amounts when the license period has begun, the cost of each program is known or reasonably determinable, the program material has been accepted in accordance with the conditions of the license agreement and the programming is available to air. The estimated costs of programming that will be amortized during the next year are included in current assets. Program rights obligations that become due within the next year are included in current liabilities.

The Company periodically evaluates the net realizable value of programming rights based on anticipated future usage of the programming and expected advertising revenue and, if estimated future revenue is insufficient, the Company records a loss related to programming rights. There were no such charges during the years ended December 31, 2019 and 2018.

Property and Equipment: Purchases of property and equipment, including additions, improvements and expenditures that significantly add to productivity or extend the economic lives of assets are capitalized at cost. The cost of assets sold or retired and related accumulated depreciation are removed from the accounts at the time of disposition, and resulting gain or loss is recognized in the consolidated statement of operations. Property and equipment are being depreciated using the straight-line method over their estimated useful lives as follows:

Building and leasehold improvements	7 - 40 years
Broadcast towers and equipment	4 - 30 years
Office furniture and equipment	5 - 10 years
Vehicles and other	5 years

In accordance with the Accounting for Asset Retirement Obligations Topic of the Accounting Standards Codification (“ASC”), the Company increases the carrying amount of property and equipment when an asset retirement obligation is recorded (see Note 12) and adjusts the carrying amount of property and equipment for changes in the estimated asset retirement obligation. Reductions in asset retirement obligations in excess of assets recorded are recognized in the consolidated statement of operations. Asset retirement costs are depreciated using the straight-line method over the related lease term.

Leasehold improvements are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life of the related asset. Maintenance, repairs, and minor replacements are charged to expense as incurred.

Indefinite-Lived Intangible Assets: The Company identified Federal Communication Commission (“FCC”) licenses and trademarks as indefinite-lived intangible assets after considering the expected use of the assets, the regulatory and economic environment within which they are used and the effects of obsolescence on their use.

At least annually, the Company tests indefinite-lived intangible assets for impairment in accordance with ASC Topic 350, *Intangibles – Goodwill and Other*, which allows the Company to first perform a qualitative assessment to determine whether it is more likely than not that an asset is impaired. If the qualitative assessment supports that it is more likely than not that the fair value of the asset exceeds its carrying value, a quantitative impairment test is not required. If the qualitative assessment does not support the fair value of the asset, then a quantitative assessment is performed. The Company’s annual impairment assessment of indefinite-lived intangible assets is performed as of year-end. An assessment is performed at other times if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value. If the carrying value of the intangible assets exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The Company completed an assessment of the FCC licenses and trademarks as of December 31, 2019. The impairment assessment of the fair value of the indefinite-lived intangible assets indicated that such assets exceeded their carrying value and therefore was not at risk of impairment. No impairments were recorded for intangible assets with indefinite lives during the years ended December 31, 2019 and 2018.

Long-Lived Assets: At least annually, the Company reviews long-lived assets (e.g., property and equipment, Multiple System Operator relationships and advertiser relationships) for potential impairment in accordance with ASC Topic 360, *Property, Plant, and Equipment*. The Company reviews indicators of impairment to determine whether an impairment event has occurred. If an event has occurred, the Company will calculate the fair value of the long-lived asset and perform a quantitative impairment analysis as defined in ASC Topic 360. There were no impairment charges during the years ended December 31, 2019 and 2018.

Stock-Based Compensation: During 2011, the Company awarded stock appreciation rights (“SARs”) to certain of its employees that are automatically exercised at a fixed future date subject to continued service by the recipient. Since the Company is generally required to settle the SARs in cash, they are accounted for as liability instruments.

During 2010, the Company awarded SARs to its chief executive officer and two directors, and during 2013 and 2017, the Company awarded SARs to its chief executive officer. These SARs can be settled in common stock, cash or a combination thereof. The 2017 SARs include a cash repurchase feature exercisable at the Company's discretion. The 2010 and 2013 SARs are accounted for as equity instruments and the 2017 SARs as a liability due to the cash repurchase feature. SARs forfeitures are accounted for as they occur.

Revenue Recognition: On January 1, 2019, the Company adopted ASC Topic 606 - *Revenue from Contracts with Customers, as amended*. The Company adopted this ASC using the modified retrospective method and as a result, comparative information has not been adjusted and continues to be presented as prescribed by the accounting standards in effect during the periods presented. This transition method was applied to all open contracts with customers at the time of adoption. The adoption of this ASC did not have a material impact on our consolidated financial statements.

Under the new guidance, revenue is recognized when the Company has completed a specified service and effectively transferred the control of that service to a customer in return for an amount of consideration the Company expects to be entitled to receive. The amount of revenue recognized is determined by the amount of consideration agreed upon with our customers. Amounts received from customers in advance of providing services to our customers are recorded as deferred revenue.

Advertising revenue is recognized, net of agency commissions, as short-form commercial spots or long-form commercial programs are aired and performance obligations are satisfied and, where applicable, as ratings guarantees to advertisers are achieved. Customers are billed monthly and the timing between airing of spots and programs and when payment is due is not significant.

Revenue has been recorded net of the change in the liability for shortfalls in ratings guarantees. The liability for shortfalls in ratings guarantees decreased by $1.9 million and increased by $2.9 million for the years ended December 31, 2019 and 2018, respectively. Accounts payable and accrued liabilities included $2.3 million and $4.2 million in deferred revenue in connection with ratings guarantee shortfalls at December 31, 2019 and 2018, respectively.

Advertising Costs: Advertising costs are expensed as incurred. During the years ended December 31, 2019 and 2018, advertising expenses were $7.5 million and $8.1 million, respectively, which are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

Research and Development: The Company accounts for research and development costs in accordance with the Research and Development Topic of the ASC. Research and development costs are expensed as incurred. There were no research and development costs for the years ended December 31, 2019 and 2018.

Concentrations of Credit Risk: The Company’s cash balances maintained with financial institutions may from time to time exceed federally insured limits. At December 31, 2019, the Company held cash balances with financial institutions in excess of federally insured limits; however, the Company believes that these deposits are held in financial institutions with reputable credit and do not subject the Company to any unusual credit risk.

At December 31, 2019 and 2018, the Company had no customers that comprised more than 10% of the total accounts receivable balance. For years ended December 31, 2019 and 2018, no individual customer accounted for more than 10% of net revenue.

Income Taxes: Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the financial statement and income tax bases. A valuation allowance is required, based on currently available information, when it is more likely that not that any or all of a deferred tax asset will not be realized. The Company’s income tax provision consists of taxes currently payable and the change during the reporting period in deferred tax assets and liabilities.

The Company has accounted for income tax contingencies in accordance with the guidance in ASC Subtopic 740-10, *Income Taxes-Overall*, for uncertain tax positions. Accruals are established when it is determined that if a tax return position were to be challenged, it is more likely than not that the Company would not succeed in completely defending that challenge. These accruals are adjusted in light of changing facts and circumstances. The annual tax rate includes the effect of accrual provisions and changes to accruals. While it is often difficult to predict the final outcome or the timing of resolution of any particular matter, the Company believes that its accruals reflect the probable outcome of known tax contingencies.

Use of Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Company believes the most significant estimates involved in preparing the Company's financial statements include estimates related to accounting for income taxes, stock-based compensation, the allowance for doubtful accounts, recoverability of program rights, the potential impairment of indefinite-lived FCC licenses and other intangible assets and liabilities for asset retirement obligations. The Company bases its estimates on fair values, historical experience, and various other assumptions it believes to be reasonable. Actual results could differ from those estimates.

Measurement of Fair Value: The Company estimates the fair value of its financial assets and liabilities using the fair value measurements guidance hierarchy based on three levels of inputs. Of these three levels, the first two are considered observable and the last unobservable as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities

- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The Company measures fair value as an exit price using the procedures described below for all financial assets and liabilities measured at fair value. If quoted market prices are not available, fair value is based on an external valuation and internally developed models that use, where possible, current market-based or independently sourced market parameters, such as interest rates. Items valued using internally developed models are classified according to the lowest-level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be inputs that are readily observable. If quoted market prices are not available, the valuation model used generally depends on the specific asset or liability being valued. The determination of fair value considers various factors, including interest rate yield curves and time value underlying the financial instruments.

In accordance with ASC Topic 820, *Fair Value Measurement*, the Company believes the fair values at December 31, 2019 and 2018 of its cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

The Company utilized an internal valuation model to value its asset retirement obligations (included in other long-term liabilities in the accompanying consolidated balance sheets) and an independent external valuation to determine the fair values of its SARs at December 31, 2019 and 2018. The following table represents the Company's fair value hierarchy for its financial liabilities measured at fair value on a recurring basis at December 31, 2019 and 2018 (in thousands):

	Balance at December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Asset retirement obligations	$ 11,444	$ —	$ —	$ 11,444
SARs	61,321	—	—	61,321

	Balance at December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Asset retirement obligations	$ 10,375	$ —	$ —	$ 10,375
SARs	57,756	—	—	57,756

The following table represents a reconciliation of the fair values of the Company's asset retirement obligations at December 31, 2019 and 2018 (in thousands):

	2019	2018
Balance, beginning of year	$ 10,375	$ 8,446
Liabilities incurred	2,812	2,475
Liabilities settled	(1,764)	(1,483)
Changes in estimates	(340)	597
Accretion expense (included in depreciation and amortization in the accompanying consolidated statements of operations)	361	340
Balance, end of year	$ 11,444	$ 10,375

The Company performs an evaluation of asset retirement obligations upon lease renewal or when there are indicators that the expected cash flows underlying the asset retirement obligation have changed.

The following table represents a reconciliation of the fair values of the Company's SARs obligations at December 31, 2019 and 2018 (in thousands):

	2019	2018
Balance, beginning of year	$ 57,756	$ 52,243
Stock-based compensation	10,732	5,513
Dividend equivalent payments (see Note 10)	(5,852)	—
SARs subject to repurchase (see Note 11)	(1,315)	—
Balance, end of year	$ 61,321	$ 57,756

2. ACCOUNTING STANDARDS UPDATE

In March 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2019-02, *Entertainment-Films-Other Assets-Film Costs (Subtopic 926-20) and Entertainment-Broadcasters-Intangibles-Goodwill and Other (Subtopic 920-350)*. This ASU requires production costs of episodic television series to be capitalized as incurred, which aligns the guidance with the accounting for production costs of films. Additionally, this ASU requires that an entity test a film or license agreement for program material within the scope of Subtopic 920-350 for impairment at a film group level when the film or license agreement is predominantly monetized with other films and/or license agreements, and amends certain presentation and disclosure requirements. For nonpublic entities, this ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The amendments in this ASU should be applied prospectively. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurements (Topic 820): Disclosure Framework – Change to the Disclosure Requirements for Fair Value Measurements* which modifies the disclosure requirements for fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2019 and will not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires a company to recognize lease assets and liabilities arising from operating leases in the balance sheet. This ASU does not significantly change the previous lease guidance for how a lessee should recognize the recognition, measurement, and presentation of expenses and cash flows arising from a lease. Additionally, the criteria for classifying a finance lease versus an operating lease are substantially the same as the previous guidance. In July, 2018 the FASB issued ASU 2018-11, *Leases (Topic 842) Targeted Improvements*, which allows an entity to adopt the standard using a modified retrospective approach or by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)—Effective dates* which deferred the effective date of *Leases (Topic 842)* for nonpublic entities until fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application continues to be allowed. The Company plans to adopt this ASU by January 1, 2021. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customer (Topic 606): Deferral of the Effective Date*, which amended the effective date of this ASU to fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted only for fiscal years beginning after December 15, 2016. Companies may use either a full retrospective or a modified retrospective approach upon adoption. The Company adopted this ASU on January 1, 2019 using the modified retrospective method. This transition method was applied to all open contracts with customers at the time of adoption. The adoption of this ASU did not have a material impact on the consolidated financial statements.

3. LIQUIDITY

At December 31, 2019, the Company had $163.7 million of cash and cash equivalents. The Company believes that its cash on hand and anticipated cash flows from operating activities will provide sufficient liquidity to fund its cash requirements for existing operations and capital expenditures for the next 12 months.

In addition, the Company has $75.0 million in available borrowing capacity under an undrawn revolving credit facility (see Note 14).

4. OTHER TRANSACTIONS

Spectrum Auction and Repack: March 30, 2017 was the formal end of bidding in the FCC incentive auction for 600 MHz UHF broadcast spectrum, and on April 13, 2017, the FCC released a public notice announcing the results. On July 21, 2017, the Company received $84.5 million in pretax proceeds for agreeing to sell the UHF spectrum of two television stations, located in Vineyard Haven, MA and Fayetteville, NC. On February 8, 2018, the Company relinquished the spectrum of the two stations to the FCC and recognized a gain of $76.6 million (included in spectrum auction and repack activities, net in the accompanying consolidated statements of operations) for the year ended December 31, 2018.

In connection with the spectrum auction, the FCC reassigned 49 of the Company's stations to new channels as part of the repack process. Congress provided the FCC with a multi-billion dollar fund to reimburse broadcasters for reasonable costs associated with the repack process. The Company expects reimbursements from the fund to cover the majority of the repack costs incurred; however, the Company cannot predict whether the fund will be sufficient to reimburse all of the Company’s repack costs. The Company accounts for reimbursements of capital expenditures from the FCC related to repack activities as an offset to the cost of the respective asset in the consolidated balance sheets. Repack expenses and reimbursements are included within spectrum auction and repack activities, net in the accompanying consolidated statements of operations.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019 and 2018 (in thousands):

	2019	2018
Broadcasting towers and equipment	$ 114,186	$ 122,129
Buildings and leasehold improvements	33,922	29,412
Office furniture and equipment	6,945	8,300
Land and improvements	5,171	4,878
Vehicles and other	1,881	1,741
	162,105	166,460
Accumulated depreciation	(91,670)	(99,655)
Property and equipment, net	$ 70,435	$ 66,805

Depreciation expense related to property and equipment was $13.0 million and $12.4 million for the years ended December 31, 2019 and 2018, respectively.

6. INTANGIBLE ASSETS

Intangible assets consist of the following at December 31, 2019 and 2018 (in thousands):

		2019			2018		
	Amortization periods (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:							
MSO relationships	12	$ 37,000	$ (24,667)	$ 12,333	$ 37,000	$ (21,583)	$ 15,417
Advertiser relationships	4-22	51,000	(27,090)	23,910	51,000	(25,098)	25,902
Software	2-3	2,076	(2,036)	40	2,076	(1,962)	114
Total		$ 90,076	$ (53,793)	$ 36,283	$ 90,076	$ (48,643)	$ 41,433
Indefinite-lived intangible assets:							
FCC licenses		$ 190,758			$ 190,758		
Trademarks		10,000			10,000		
Total		$ 200,758			$ 200,758		

Amortization expense related to intangible assets was $5.2 million and $5.4 million for the years ended December 31, 2019 and 2018, respectively.

Estimated future amortization expense is as follows for the years ending December 31 (in thousands):

2020	$	5,116
2021		5,076
2022		5,076
2023		5,076
2024		1,992
Thereafter		13,947
	$	36,283

7. PROGRAM RIGHTS AND COMMITMENTS

Program rights consist of the following at December 31, 2019 and 2018 (in thousands):

		2019		**2018**
Program rights	$	747,880	$	670,334
Accumulated amortization		(564,825)		(480,208)
		183,055		190,126
Less: current portion		(109,338)		(104,203)
Program rights, net of current portion	$	73,717	$	85,923

Program rights amortization expense was $108.8 million and $103.5 million for the years ended December 31, 2019 and 2018, respectively.

At December 31, 2019, the Company's programming contracts require collective payments by the Company of the following (in thousands):

		Programming Available for Broadcast		Programming Not Yet Available for Broadcast		Total
2020	$	89,373	$	753	$	90,126
2021		73,625		1,788		75,413
2022		48,707		1,788		50,495
2023		30,864		1,788		32,652
2024		12,030		1,788		13,818
Thereafter		550		1,427		1,977
	$	255,149	$	9,332	$	264,481

Of the $255.2 million of readily available program rights, $89.4 million and $165.8 million are reflected in current liabilities and noncurrent liabilities, respectively, in the accompanying consolidated balance sheets.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at December 31, 2019 and 2018 (in thousands):

	2019	2018
Trade accounts payable and other	$ 17,260	$ 20,741
Accrued compensation and benefits	10,407	11,894
Deferred revenue	5,915	7,686
Total accounts payable and accrued liabilities	$ 33,582	$ 40,321

9. INCOME TAXES

The provision for federal and state income taxes for the years ended December 31, 2019 and 2018 is as follows (in thousands):

	2019	2018
Current:		
Federal	$ 47,995	$ 45,637
State	7,930	8,723
Total current	55,925	54,360
Deferred:		
Federal	(3,163)	17,094
State	(137)	1,236
Total deferred	(3,300)	18,330
Total provision	$ 52,625	$ 72,690

Deferred tax assets and deferred tax liabilities, which reflect the tax effect of differences between financial statement carrying amounts and tax bases of assets and liabilities, are as follows at December 31, 2019 and 2018 (in thousands):

	2019	2018
Deferred tax assets:		
Deferred stock-based compensation	$ 16,831	$ 15,641
Straight-line rent and asset retirement	3,937	3,671
Program rights amortization	1,040	1,975
Other assets	2,940	2,150
Net operating loss carry forwards	20,946	22,731
Valuation allowance	(18,280)	(19,825)
Total deferred tax assets	27,414	26,343
Deferred tax liabilities:		
FCC licenses	(44,759)	(44,380)
Basis difference on fixed assets and certain intangible assets	(24,244)	(23,421)
Partnership interests	(1,542)	(1,536)
Deferred revenue	(15,667)	(18,623)
Other liabilities	(1,170)	(1,651)
Total deferred tax liabilities	(87,382)	(89,611)
Net deferred tax liabilities	$ (59,968)	$ (63,268)

The reconciliation of the income tax provision, computed at the U.S. federal statutory tax rate, to the provision for income taxes is as follows at December 31, 2019 and 2018 (in thousands):

	2019	2018
Tax provision at U.S. federal statutory tax rate	$ 51,031	$ 67,870
State income tax provision	5,868	9,734
Dividend equivalent	(5,264)	(1,963)
Effect of change in tax rates on net deferred liabilities	58	(746)
Other	932	(2,205)
Provision for income taxes	$ 52,625	$ 72,690

During the years ended December 31, 2019 and 2018, the Company recorded a provision for income taxes of approximately $52.6 million and $72.7 million, respectively.

At December 31, 2019 and 2018, the net liability for deferred income taxes was $60.0 million and $63.3 million, respectively. The deferred income tax liability is due primarily to the basis difference in the Company's FCC license intangible assets, which are not amortized for financial reporting purposes, and basis differences in other fixed and intangible assets.

A valuation allowance is required against certain state and local net operating loss carryforwards that are expected to expire unutilized. At December 31, 2019 and 2018, the state and local net operating loss carryforwards were $406.6 million and $442.1 million, respectively. The net operating loss carryforwards represented deferred tax asset balances of $20.9 million and $22.7 million at December 31, 2019 and 2018, respectively. The net operating losses have carryover periods of 3 to 20 years, which expire in years 2020 through 2037. At December 31, 2019 and 2018, a valuation allowance of $18.3 million and $19.8 million, respectively, was recorded against these deferred tax assets as it is more likely than not that the net operating loss carryforwards will expire unutilized. The net changes in the valuation allowance were a decrease of $1.5 million and $2.9 million for years ended December 31, 2019 and 2018, respectively. All other deferred tax assets are expected to be realized.

At December 31, 2019 and 2018, unrecognized tax benefits were approximately $15.6 million and $14.8 million, respectively, which primarily relate to unfavorable developments in an Internal Revenue Service (“IRS”) position.
The Company is subject to taxation in the United States, including various state and local jurisdictions. As of December 31, 2019, tax years 2015 through 2018 are subject to examination by tax authorities. With few exceptions, as of December 31, 2019, the Company is no longer subject to state, or local examinations by tax authorities for years before 2015. The Company is currently in appeals with the IRS for tax years 2013 through 2016.

10. CAPITAL STOCK

Common Stock: The Company’s amended and restated certificate of incorporation authorizes the Company to issue up to 2,080,000 shares of common stock, par value $0.001 per share (the “Common Stock”) and 100,000 shares of preferred stock, par value $0.001 per share (the “Preferred Stock”). At December 31, 2019 and 2018, 1,663,050 shares of Common Stock were issued and outstanding, respectively, and no shares of Preferred Stock had been issued. In October 2018, the Board of Directors of the Company authorized the repurchase of shares of its Common Stock for $27.4 million, including commissions. The repurchased shares were canceled and returned to authorized but unissued status.

The holders of the Common Stock are entitled to vote as a single class on all matters submitted to a vote of the stockholders, with each share of Common Stock entitled to one vote. Subject to the rights of the holders of Preferred Stock, if any, the holders of Common Stock shall be entitled to receive dividends or other distributions (payable in cash, property or capital stock of the Company) when and if declared by the Company’s Board of Directors. The holders of Common Stock shall receive any such dividend or distribution equally on a per share basis.

The Company issued special warrants at an exercise price of $0.01 per share of Common Stock, which amount is not subject to adjustment, and expire on December 18, 2039, or earlier if certain circumstances with respect to the Company occur. Holders of special warrants do not have any rights as stockholders of the Company, including voting rights or the right to receive dividends or other distributions payable to the holders of the Common Stock. At December 31, 2019 and 2018, three special warrants were issued and outstanding, and an equal number of shares of Common Stock were reserved for issuance upon exercise of such warrants.

In December 2018, the Board of Directors of the Company declared a special cash dividend to the holders of record of the Common Stock. Cash dividends paid to common stockholders charged to accumulated deficit totaled $165.7 million and cash dividend equivalent payments charged to accumulated deficit totaled $9.4 million. In July 2019, the Board of Directors of the Company declared a special cash dividend to the holders of record of the Common Stock. Cash dividends paid to common stockholders charged to accumulated deficit totaled $552.9 million and cash dividend equivalent payments charged to accumulated deficit and stock-based compensation totaled $25.1 million and $5.9 million, respectively.

11. STOCK-BASED COMPENSATION

The Company established the 2010 Management Equity Incentive Plan (the “Equity Plan”) to further the growth and profitability of the Company. Under the Equity Plan, the Company is permitted to issue up to 160,000 shares of Common Stock pursuant to awards granted under the Equity Plan. Awards may be granted to employees, directors, and independent contractors of the Company in the form of incentive and nonqualified stock options, SARs, restricted stock, restricted stock units, performance awards and other stock-based awards, cash payments and other such forms as the Company’s Compensation Committee may determine.

During 2019 and 2018 no SARs were granted or forfeited.

During 2011 the Company awarded 35,763 SARs to members of its management other than its chief executive officer (the “Management SARs”). Each vested Management SAR gives the holder the right to receive, upon exercise, a cash payment equal to the difference between the value of a share of Common Stock at the exercise date and a specified base price. Vested Management SARs are automatically exercised only upon the earlier of a change of control event or the 10th anniversary of the date of grant. The Company is accounting for the Management SARs as liability instruments subject to mark-to-market accounting each quarter until settled. The Company has estimated the fair value of the Management SARs using an independent external valuation and recognized stock-based compensation of $6.2 million and $3.9 million for the years ended December 31, 2019 and 2018, respectively.

During 2010, the Company awarded SARs to its chief executive officer and two directors. Additionally, during 2013 and 2017, the Company awarded SARs to its chief executive officer. Each vested 2010, 2013, and 2017 SAR gives the holder the right to receive, upon exercise, the difference between the value of a share of Common Stock at the exercise date and a specified base price. The 2017 SARs include a cash repurchase feature exercisable at the Company's discretion. Vested 2010, 2013, and 2017 SARs can be exercised at any time prior to their expiration. The Company is accounting for the 2010 and 2013 SARs as equity instruments and the 2017 SARs as a liability instrument subject to mark-to-market accounting each quarter until settled due to the cash repurchase feature.

The Company estimated the fair value of the 2017 SARs using an independent external valuation and recognized stock-based compensation of $1.6 million for the year ended December 31, 2018. In December 2019, the Company served notice to exercise the repurchase feature resulting in a decrease in stock-based compensation of $1.4 million for the year ended December 31, 2019. The repurchase liability is classified in accounts payable and accrued liabilities in the accompanying consolidated balance sheets at December 31, 2019.

The following table sets forth a summary of the SARs activity:

Grant Date	SARs Granted	Grant-Date Fair Value	Vesting Period	Vesting Start
September 2017	28,000	$ 105.00	3 Years	January 2017
September 2013	17,445	146.98	3 Years	January 2013
July 2011	5,109	203.19	3 Years	January 2011
July 2011	30,654	319.32	3 Years	January 2010
May 2010	4,800	118.48	3 Years	May 2010
February 2010	57,960	76.10	3 Years	February 2009

The following table provides the weighted average grant-date fair value for the awards granted:

2017	$ 105.00
2013	146.98
2011	302.73
2010	79.34

For the years ended December 31, 2019 and 2018, the Company retained an external valuation firm to estimate the fair value of the SARs. The firm employed customary valuation methodologies to estimate the fair value of the SARs to include the following assumptions:

	2019	**2018**
Valuation assumptions:		
Expected dividend yield	0.0 %	0.0 %
Expected volatility	32.5 %	27.5 %
Expected term (years)	2.0	2.0
Risk-free interest rate	1.6 %	2.5 %

At December 31, 2019, the Company had no unearned stock-based compensation remaining (all SARs are fully vested).

A summary of SARs activity is presented below:

	SARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at January 1, 2018	133,749	$ 98.45	4.4
Granted	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Outstanding at December 31, 2018	133,749	68.66	3.4
Granted	—	—	—
Exercised	—	—	—
Subject to repurchase	(28,000)	592.32	—
Forfeited	—	—	—
Outstanding at December 31, 2019	105,749	$ (198.12)	1.2
Exercisable at December 31, 2019	75,393	$ 242.81	1.0
Exercisable at December 31, 2018	94,060	343.16	3.2
Vested, not exercisable at December 31, 2019	30,356	$ (1,293.21)	1.6
Vested, not exercisable at December 31, 2018	30,356	(960.73)	2.6

The negative Weighted Average Exercise Prices on the vested, not exercisable SARs outstanding at December 31, 2019 and 2018 reflect the reduction of the base prices of the 2011 SARs to amounts less than zero as a result of deferred special dividends.

12. COMMITMENTS AND CONTINGENCIES

Commitments: Future minimum annual payments under noncancelable contracts and operating leases for broadcasting facilities and equipment as of December 31, 2019 are as follows (in thousands):

2020	$ 23,456
2021	23,403
2022	19,405
2023	12,795
2024	10,852
Thereafter	43,392
	$ 133,303

The Company incurred total operating expenses of $22.1 million and $20.9 million during the years ended December 31, 2019 and 2018, respectively, under operating leases.

Certain operating leases contain renewal terms, escalation clauses, rent concessions and leasehold improvement incentives. For operating leases that contain renewal terms, the Company does not assume renewal terms until they are committed. For leases with escalation clauses, rent expense is recognized on a straight-line basis unless the straight-line expense does not differ significantly from contractual terms. Rent concessions are recognized on a straight-line basis as a reduction of rental expense over the lease term. Leasehold improvement incentives are recognized over the shorter of the remaining term or useful life.

Certain operating leases contain provisions that constitute an asset retirement obligation, mainly as a result of towers on which the Company leases space for broadcast antennas and ground leases where the Company has constructed broadcast towers and installed related equipment. These leases require the Company to remove all of its equipment from the leased property upon the termination of the lease and, in certain cases, require the Company to restore the property to its original condition upon the termination of the lease.

Litigation: The Company is involved in litigation from time to time in the ordinary course of its business. In the opinion of management, the ultimate resolution of those matters, which are presently pending, will not have a material effect on the Company's consolidated financial position or results of operations and cash flows.

13. TRANSACTIONS WITH RELATED PARTIES

The Company reimburses its majority stockholder for certain expenses in connection with the maintenance of the stockholder's organizational structure and other administrative costs. During the years ended December 31, 2019 and 2018, the Company incurred no reimbursable expenses.

14. CREDIT FACILITY

On December 18, 2013, the Company and all of its subsidiaries entered into a Credit Agreement (the "Agreement") with J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC as Joint Lead Arrangers, JPMorgan Chase Bank, N.A., as Administrative Agent, Collateral Agent and Issuing Bank, and the other lenders party thereto whereby the Company borrowed $720.0 million (excluding any original issue discount) under a senior secured term loan that matures in December 2020. On December 1, 2014, the parties amended the Agreement and the Company borrowed an additional $150.4 million (excluding any original issue discount) under the senior secured term loan. On December 2, 2016, the parties amended the Agreement and the Company borrowed an additional $250.0 million (excluding any original issue discount) under the senior secured term loan. On June 2, 2017 and December 14, 2017, the parties amended the Agreement, thereby reducing the applicable margin rate on the senior secured term loan. On July 25, 2019, the Company amended the Agreement, with Morgan Stanley Senior Funding, Inc., as Administrative Agent, Collateral Agent and Issuing Bank, and borrowed an additional $360.0 million (excluding any original issue discount) under the senior secured term loan and extended the maturity date to December 18, 2024. The Agreement also includes a $75.0 million revolving credit facility that was extended and matures on September 18, 2024.

Term loan borrowings bear interest, at the Company's option, at either (a) a base rate (defined as the highest of the rate of interest quoted by the Wall Street Journal as the prime rate, the Federal Funds Rate plus 1/2 of 1% and one-month LIBOR plus 1%) or (b) LIBOR, plus in each case a certain margin. Revolving credit facility borrowings bear interest, at the Company's option, at the same rates except that the margin varies depending on a leverage ratio. Commitment fees are payable on the unused revolving loan commitment at the rate of 0.50% per annum (0.25% if a leverage ratio is below a certain threshold), payable quarterly. Borrowings are guaranteed by all of the Company's direct and indirect subsidiaries and are secured by a first priority security interest on all of the Company's and the guarantors' respective assets.

Under the Agreement, the Company is required to comply with financial covenants that provide for a maximum net leverage ratio and a minimum interest coverage ratio if and when the Company has outstanding borrowings under the revolving credit facility. The Company has no borrowings outstanding under the revolving credit facility. As of the date the financial statements were available to be issued, the outstanding balance of the term loan under the Agreement was $1,362.2 million. Loan origination and issuance costs are amortized to interest expense over the life of the term loan. The Agreement requires quarterly repayments of principal in the amount of $3.4 million beginning December 31, 2019 and continuing until maturity of the loan. The Agreement also requires the Company to calculate excess cash flow, which may require additional principal repayments. An excess cash flow payment of $32.1 million was paid in April 2018, which was treated as a prepayment of principal. Additionally, in December 2018, the Company made an optional prepayment of principal of $39.0 million.

Future required principal repayments are as follows at December 31, 2019 (in thousands):

2020	$ 13,656
2021	13,656
2022	13,656
2023	13,656
2024	1,307,597
Outstanding balance	1,362,221
Less:	
Loan discount and issuance costs, net	(18,427)
Current portion	(13,656)
Long-term debt, less current portion and deferred financing costs	$ 1,330,138

15. SUBSEQUENT EVENTS

The Company did not identify any material subsequent events between December 31, 2019 and March 25, 2020.

Exhibit 99.3

ION MEDIA NETWORKS, INC.

Consolidated Financial Statements for the quarterly period ended September 30, 2020

ION MEDIA NETWORKS, INC.

TABLE OF CONTENTS

ION MEDIA NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	September 30, 2020	December 31, 2019
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 303,457	$ 163,706
Accounts receivable, net of allowance for doubtful accounts of $2,427 and $2,093, respectively	113,711	136,692
Program rights	98,773	109,338
Prepaid expenses and other current assets	10,497	5,539
Total current assets	526,438	415,275
Property and equipment, net	63,041	70,435
Intangible assets, net	236,056	237,041
Program rights, less current portion	134,983	73,717
Other assets	4,577	4,608
Total assets	$ 965,095	$ 801,076
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	$ 23,711	$ 32,267
Obligations for program rights	94,145	89,373
Stock appreciation rights	111,442	1,315
Long-term debt	13,656	13,656
Total current liabilities	242,954	136,611
Long-term debt, less current portion and deferred financing costs	1,322,681	1,330,138
Obligations for program rights, less current portion	213,793	165,776
Deferred income taxes	56,876	59,968
Stock appreciation rights, less current portion	—	61,321
Other long-term liabilities	31,504	31,447
Total liabilities	1,867,808	1,785,261
Stockholders' deficit:		
Common stock $.001 par value; 2,080,000 shares authorized, 1,663,050 shares issued and outstanding	2	2
Accumulated deficit	(902,715)	(984,187)
Total stockholders' deficit	(902,713)	(984,185)
Total liabilities and stockholders' deficit	$ 965,095	$ 801,076

See accompanying notes to consolidated financial statements.

ION MEDIA NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Revenue (net of agency commissions)	$ 119,456	$ 143,933	$ 391,392	$ 443,760
Expenses:				
Content and distribution operations	18,098	19,078	55,471	54,876
Program rights amortization	24,368	25,135	73,669	86,026
Selling, general and administrative (including stock-based compensation of $42,257, $10,484, $44,375 and $12,226, respectively)	56,085	28,906	87,431	66,172
Depreciation and amortization	4,575	4,691	13,344	13,456
Total operating expenses	103,126	77,810	229,915	220,530
Spectrum auction and repack activities, net	(410)	39	(380)	(242)
(Loss) gain on disposal of assets and other, net	(69)	38	(301)	63
Operating income	15,851	66,200	160,796	223,051
Other (expense) income:				
Interest expense	(12,796)	(18,445)	(44,221)	(47,818)
Interest income	65	39	342	182
Income before income taxes	3,120	47,794	116,917	175,415
Income tax provision	(386)	(5,844)	(28,268)	(37,312)
Net income	$ 2,734	$ 41,950	$ 88,649	$ 138,103

See accompanying notes to consolidated financial statements.

ION MEDIA NETWORKS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT

(in thousands)

(unaudited)

	Common Stock	Accumulated Deficit	Total Deficit
Balance at January 1, 2020	$ 2	$ (984,187)	$ (984,185)
Stock-based compensation reclassification	—	(7,177)	(7,177)
Net income	—	88,649	88,649
Balance at September 30, 2020	$ 2	$ (902,715)	$ (902,713)

See accompanying notes to consolidated financial statements.

ION MEDIA NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	$ 88,649	$ 138,103
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,344	13,456
Stock-based compensation	44,375	12,226
Program rights amortization	73,669	86,026
Program rights payments	(71,581)	(71,523)
Amortization of loan discount and issuance costs	2,785	4,229
Provision for doubtful accounts	334	(216)
Deferred income tax benefit	(3,092)	(4,997)
Loss (gain) on disposal of assets and other, net	301	(63)
Decrease (increase) in operating assets:		
Accounts receivable	22,647	19,036
Prepaid expenses and other current assets	(4,958)	(6,690)
Other assets	31	2
(Decrease) increase in operating liabilities:		
Accounts payable and accrued liabilities	(3,835)	(3,845)
Other operating liabilities	(3,236)	858
Net cash provided by operating activities	159,433	186,602
Cash flows from investing activities:		
Purchases of intangible assets	(3,761)	—
Purchases of property and equipment	(18,123)	(42,765)
Proceeds from sale of broadcast and other assets	54	34
Reimbursements from the FCC for repack equipment	12,390	27,376
Net cash used in investing activities	(9,440)	(15,355)
Cash flows from financing activities:		
Borrowings of long-term debt, net of discount	—	353,172
Repayments of long-term debt	(10,242)	—
Payment of dividends	—	(583,850)
Payment for debt issuance costs	—	(5,786)
Net cash used in financing activities	(10,242)	(236,464)
Net increase (decrease) in cash and cash equivalents	139,751	(65,217)
Cash and cash equivalents, beginning of period	163,706	186,089
Cash and cash equivalents, end of period	$ 303,457	$ 120,872
Supplemental cash flow information:		
Cash paid for interest	$ 41,498	$ 43,537
Cash paid for income taxes, net of refunds	$ 35,292	$ 49,200

See accompanying notes to consolidated financial statements.

ION MEDIA NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. GENERAL

ION Media Networks, Inc. (the "Company" or "ION") is a Delaware corporation organized in 1993. A majority of the Company's outstanding common stock is privately held by Media Holdco, LP, and the Company has a limited number of other stockholders. The Company's business is delivering television entertainment programming to approximately 100 million households across the United States through broadcast and multichannel video distribution. The Company's ION Television flagship network exhibits popular television series, movies and other general entertainment programming nationwide through 71 owned-and-operated television stations in the largest U.S. metropolitan areas as of the date the consolidated financial statements were available to be issued, as well as through multichannel video providers and broadcast affiliates in markets where it does not itself own a television station. ION's revenue consists primarily of selling advertising during its entertainment content hours as well as revenue from paid commercial programs during noncontent programming hours. In addition, its business model includes revenue from digital multicast networks, as well as other revenue from its nationwide broadcast spectrum holdings.

Basis of Presentation: The accompanying consolidated financial statements are unaudited and, in the opinion of the Company, contain all adjustments necessary for a fair presentation of the results for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto as of December 31, 2019. All intercompany balances and transactions have been eliminated in consolidation. Certain numbers in the prior period consolidated financial statements and footnotes have been reclassified or consolidated to conform to the current period presentation.

The Company has evaluated subsequent events for recognition or disclosure through November 18, 2020, the date these consolidated financial statements were available to be issued.

Summary of Significant Accounting Policies

Cash and Cash Equivalents: Cash and cash equivalents include highly liquid investments with maturities of three months or less at acquisition, which are stated at cost. At September 30, 2020 and December 31, 2019, cash and cash equivalents comprised cash on hand, money market accounts and money market funds.

Accounts Receivable: The Company carries accounts receivable at the amount it believes to be collectible. Accordingly, the Company provides allowances for accounts receivable it believes to be uncollectible based on management's best estimates. In determining the allowance for doubtful accounts, the Company analyzes its historical bad debt experience, the creditworthiness of its customers, and the aging of its accounts receivable. The amounts of accounts receivable that ultimately become uncollectible could vary significantly from the Company's estimates.

Program Rights: The Company licenses domestic distribution rights to entertainment content pursuant to multiyear contractual agreements. Program rights and related liabilities are recorded upon commitment when the cost of each program is known or reasonably determinable at the contractual amounts. These program rights are carried at the lower of unamortized cost or estimated net realizable value and are amortized straight-line per run as the program airs. The estimated costs of programming that will be amortized during the next year are included in current assets. Program rights obligations that become due within the next year are included in current liabilities.

The Company periodically evaluates the net realizable value of programming rights based on anticipated future usage of the programming and expected advertising revenue and, if estimated future revenue is insufficient, the Company records a loss related to programming rights. There were no such charges during the nine months ended September 30, 2020 and 2019.

Indefinite-Lived Intangible Assets: The Company identified Federal Communication Commission ("FCC") licenses and trademarks as indefinite-lived intangible assets after considering the expected use of the assets, the regulatory and economic environment within which they are used and the effects of obsolescence on their use.

At least annually, the Company tests indefinite-lived intangible assets for impairment in accordance with Accounting Standards Codification ("ASC") Topic 350, *Intangibles – Goodwill and Other*, which allows the Company to first perform a qualitative assessment to determine whether it is more likely than not that an asset is impaired. If the qualitative assessment supports that it is more likely than not that the fair value of the asset exceeds its carrying value, a quantitative impairment test is not required. If the qualitative assessment does not support the fair value of the asset, then a quantitative assessment is performed. The Company's annual impairment assessment of indefinite-lived intangible assets is performed as of year-end. An assessment is performed at other times if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value. If the carrying value of the intangible assets exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The Company completed an assessment of the FCC licenses and trademarks as of December 31, 2019. The impairment assessment of the fair value of the indefinite-lived intangible assets indicated that such assets exceeded their carrying value and therefore was not at risk of impairment. No impairments were recorded for intangible assets with indefinite lives during the nine months ended September 30, 2020 and 2019.

Long-Lived Assets: At least annually, the Company reviews long-lived assets (e.g., property and equipment, multiple system operator relationships and advertiser relationships) for potential impairment in accordance with ASC Topic 360, *Property, Plant, and Equipment*. The Company reviews indicators of impairment to determine whether an impairment event has occurred. If an event occurs, the Company calculates the fair value of the long-lived asset and performs a quantitative impairment analysis as defined in ASC Topic 360. There were no impairment charges during the nine months ended September 30, 2020 and 2019.

Stock-Based Compensation: During 2011, the Company awarded stock appreciation rights ("SARs") to certain of its employees that are automatically exercised at a fixed future date subject to continued service by the recipient. Since the Company is required to settle the SARs in cash, they are accounted for as liability instruments.

During 2020 and 2010, the Company awarded SARs to two directors, and during 2013 and 2010, the Company awarded SARs to its chief executive officer. These SARs can be settled in common stock, cash or a combination thereof. The Company changed the classification from equity to liability instruments during the quarter ended September 30, 2020 due to the settlement of several exercised awards in cash. This resulted in additional stock-based compensation expense of $40.7 million for the three and nine months ended September 30, 2020. Additionally, previously recognized stock-based compensation recorded against stockholders' accumulated deficit was reclassified to the stock appreciation rights liability in the accompanying consolidated balance sheets.

The Company recognizes stock-based compensation in the consolidated financial statements over the requisite service period and forfeitures are accounted for as they occur.

Revenue Recognition: On January 1, 2019, the Company adopted ASC Topic 606 - *Revenue from Contracts with Customers, as amended*. The Company adopted this ASC using the modified retrospective method and as a result, comparative information has not been adjusted and continues to be presented as prescribed by the accounting standards in effect during the periods presented. This transition method was applied to all open contracts with customers at the time of adoption. The adoption of this ASC did not have a material impact on our consolidated financial statements.

Under the new guidance, revenue is recognized when the Company has completed a specified service and effectively transferred the control of that service to a customer in return for an amount of consideration the Company expects to be entitled to receive. The amount of revenue recognized is determined by the amount of consideration agreed upon with our customers. Amounts received from customers in advance of providing services to our customers are recorded as deferred revenue.

Advertising revenue is recognized, net of agency commissions, as short-form commercial spots or long-form commercial programs are aired and performance obligations are satisfied and, where applicable, as ratings guarantees to advertisers are achieved. Customers are billed monthly and the timing between airing of spots and programs and when payment is due is not significant. Revenue has been recorded net of the change in the liability for shortfalls in ratings guarantees. The liability for shortfalls in ratings guarantees decreased by $3.5 million and $5.5 million for the three months ended September 30, 2020 and 2019, respectively, and decreased by $0.7 million and $0.4 million for the nine months ended September 30, 2020 and 2019, respectively. Accounts payable and accrued liabilities included approximately $1.6 million and $2.3 million in deferred revenue in connection with ratings guarantee shortfalls at September 30, 2020 and December 31, 2019, respectively.

Concentrations of Credit Risk: The Company's cash balances maintained with financial institutions may from time to time exceed federally insured limits. At September 30, 2020, the Company held cash balances with financial institutions in excess of federally insured limits; however, the Company believes that these deposits are held in financial institutions with reputable credit and do not subject the Company to any unusual credit risk.

At September 30, 2020 and December 31, 2019, the Company had no customers that comprised more than 10% of the total accounts receivable balance. For the nine months ended September 30, 2020 and 2019, no individual customer accounted for more than 10% of net revenues.

Income Taxes: Income taxes are accounted for using the asset-and-liability method. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the financial statement and income tax bases. A valuation allowance is required, based upon currently available information, when it is more likely than not that any or all of a deferred tax asset will not be realized. A valuation allowance of approximately $18.2 million and $18.3 million at September 30, 2020 and December 31, 2019, respectively, was recorded against the Company's state and local net operating loss carryforwards which are expected to expire unutilized.

Use of Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Company believes the most significant estimates involved in preparing the Company's financial statements include estimates related to accounting for income taxes, stock-based compensation, the allowance for doubtful accounts, recoverability of program rights, the potential impairment of indefinite-lived FCC licenses and other intangible assets and liabilities for asset retirement obligations. The Company bases its estimates on fair values, historical experience, and various other assumptions it believes to be reasonable. Actual results could differ from those estimates.

Measurement of Fair Value: In accordance with ASC Topic 820, *Fair Value Measurement*, the Company believes the fair values at September 30, 2020 and December 31, 2019, of its cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments. The Company utilized an internal valuation model to determine the fair value of its asset retirement obligations (included in other long-term liabilities in the accompanying consolidated balance sheets) and an external valuation, which was last updated December 31, 2019, to determine the fair value of SARs at September 30, 2020 and December 31, 2019, respectively, and the Board of Directors' determination of fair market value for the exercised but not settled SARs as of September 30, 2020. The following table represents the Company's fair value hierarchy for its financial liabilities measured at fair value on a recurring basis at September 30, 2020 and December 31, 2019 (in thousands):

	Balance at September 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Asset retirement obligations	$ 10,776	$ —	$ —	$ 10,776
SARs	111,442	—	—	111,442

	Balance at December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Asset retirement obligations	$ 11,444	$ —	$ —	$ 11,444
SARs	62,636	—	—	62,636

The following table represents a reconciliation of the fair values of the Company’s asset retirement obligations from January 1, 2020 to September 30, 2020 (in thousands):

Balance, beginning of period	$ 11,444
Liabilities incurred	366
Liabilities settled	(1,328)
Accretion expense (included in depreciation and amortization in the accompanying consolidated statements of operations)	294
Balance, end of period	$ 10,776

The Company performs an evaluation of asset retirement obligations upon lease renewal or when there are indicators that the expected cash flows underlying the asset retirement obligations have changed.

The following table represents a reconciliation of the fair values of the Company’s SARs obligations from January 1, 2020 to September 30, 2020 (in thousands):

Balance, beginning of period	$ 62,636
Stock-based compensation	44,375
Settlement of SARs	(2,746)
Change in classification	7,177
Balance, end of period	$ 111,442

2. LIQUIDITY

At September 30, 2020 and December 31, 2019, the Company had approximately $303.5 million and $163.7 million of cash and cash equivalents, respectively. The Company believes that its cash on hand and anticipated cash flows from operating activities will provide sufficient liquidity to fund its cash requirements for existing operations and capital expenditures for the next twelve months. In addition, the Company has $75.0 million in available borrowing capacity under an undrawn revolving credit facility (see Note 9).

3. OTHER TRANSACTIONS

Merger Agreement: On September 23, 2020, the Company entered into an Agreement and Plan of Merger with the E.W. Scripps Company and two of its subsidiaries, Scripps Media, Inc. and Scripps Faraday, Inc. (the “Merger Agreement”). Upon closing of the transactions contemplated by the Merger Agreement, the Company will merge with Scripps Faraday, Inc., with the Company surviving as a wholly-owned subsidiary of Scripps Media, Inc. Consideration for the merger is $2.65 billion, inclusive of the Company’s debt, subject to certain closing adjustments. The transaction requires approval of the FCC and is subject to review by antitrust authorities.

Spectrum Auction and Repack: March 30, 2017 was the formal end of bidding in the FCC incentive auction for 600 MHz UHF broadcast spectrum, and on April 13, 2017, the FCC released a public notice announcing the results. In connection with the spectrum auction, the FCC reassigned 49 of the Company's stations to new channels as part of the repack process. Congress provided the FCC with a multi-billion dollar fund to reimburse broadcasters for reasonable costs associated with the repack process. The Company expects reimbursements from the fund to cover the majority of the repack costs incurred; however, the Company cannot predict whether the fund will be sufficient to reimburse all of the Company's repack costs. The Company accounts for reimbursements of capital expenditures from the FCC related to repack activities as an offset to the cost of the respective asset in the consolidated balance sheets. Repack expenses and reimbursements are included within spectrum auction and repack activities, net in the accompanying consolidated statements of operations.

4. PROGRAM RIGHTS AND COMMITMENTS

At September 30, 2020, the Company's programming contracts require collective payments by the Company of the following (in thousands):

Remainder of 2020	$	24,904
2021		92,322
2022		65,760
2023		50,454
2024		35,295
Thereafter		39,203
	$	307,938

The $307.9 million of obligations for program rights are reflected as $94.1 million in current liabilities and $213.8 million in noncurrent liabilities in the accompanying consolidated balance sheets.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at September 30, 2020 and December 31, 2019 (in thousands):

		2020		2019
Trade accounts payable and other	$	14,832	$	15,945
Accrued compensation and benefits		4,837		10,407
Deferred revenue		4,042		5,915
Total accounts payable and accrued liabilities	$	23,711	$	32,267

6. INCOME TAXES

For the nine months ended September 30, 2020 and 2019, the Company recorded a provision for income taxes of approximately $28.3 million and $37.3 million, respectively. The Company calculates the provision for income taxes by preparing an analysis of book to tax differences in accordance with ASC Topic 740, *Income Tax*, and calculating income tax expense based on taxable income. Differences between the effective income tax rate and the U.S. federal statutory rate are the impact of state taxes and a dividend equivalent benefit in 2019.

7. STOCK-BASED COMPENSATION

During the nine months ended September 30, 2020, 4,800 SARs were granted and none forfeited. Additionally, in January 2020, the Company's chief executive officer exercised the remaining 53,148 SARs granted in 2010 and in May 2020, two Directors exercised a total of 4,800 SARs granted in 2010. Each vested SAR gives the holder the right to receive, upon exercise, the difference between the fair market value of a share of the Company's common stock at the exercise date and a specified base price. These SARs can be settled in common stock, cash or a combination thereof. The Company elected to settle the Director SARs in cash, resulting in additional stock-based compensation of $0.9 million for the nine months ended September 30, 2020. Under the terms of the Company's equity plan, the Board of Directors determined a fair market value for the Company's common stock to be used to determine the settlement value of the SARs exercised by the Directors and chief executive officer. The SARs exercised by the chief executive officer remain unsettled as of the date the financial statements were available to be issued.

During 2020 and 2010, the Company awarded SARs to two directors, and during 2013 and 2010, the Company awarded SARs to its chief executive officer. These SARs can be settled in common stock, cash or a combination thereof. The Company changed the classification from equity to liability instruments during the quarter ended September 30, 2020 due to the settlement of several exercised awards in cash. This resulted in additional stock-based compensation expense of $40.7 million for the three and nine months ended September 30, 2020. Additionally, vested SARs are exercisable any time prior to expiration at the option of the holder and therefore are classified as a current liability within stock appreciation rights in the accompanying consolidated balance sheet at September 30, 2020.

During 2011 the Company awarded SARs to members of its management other than its chief executive officer (the “Management SARs”). Each vested Management SAR gives the holder the right to receive, upon exercise, a cash payment equal to the difference between the value of a share of Common Stock at the exercise date and a specified base price. Vested Management SARs are automatically exercised only upon the earlier of a change of control event or the 10th anniversary of the date of grant. The Company is accounting for the Management SARs as liability instruments subject to mark-to-market accounting until settled. The Management SARs automatically exercise within the next twelve months and are classified as a current liability in the accompanying consolidated balance sheet at September 30, 2020.

The Company estimated the fair value of the SARs using an external valuation, which was last updated as of December 31, 2019 and the Board of Directors’ determination of fair market value for the exercised but not settled SARs as of September 30, 2020.

The overall SARs accounting impacts for the three and nine months ended September 30, 2020 and 2019, respectively, are summarized below (in thousands):

	For the Three Months Ended September 30,		**For the Nine Months Ended September 30,**	
	2020	**2019**	**2020**	**2019**
Stock-based compensation expense	$ 42,257	$ 10,484	$ 44,375	$ 12,226
Income tax benefit	(10,564)	(2,621)	(11,094)	(3,057)

A summary of SARs activity as of September 30, 2020 and changes during 2020 are presented below:

	SARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding at January 1, 2020	105,749	$ (198.12)	1.2
Granted	4,800	535.61	4.8
Exercised	(57,948)	237.50	—
Forfeited	—	—	—
Outstanding at September 30, 2020	52,601	$ (611.06)	1.9
Exercisable at September 30, 2020	17,445	$ 260.43	3.0
Vested, not exercisable at September 30, 2020	30,356	$ (1,293.21)	0.8

The negative Weighted Average Exercise Prices on the vested, not exercisable SARs outstanding at September 30, 2020 reflect the reduction of the base prices of SARs awarded in 2011 to amounts less than zero as a result of special dividends paid.

8. TRANSACTIONS WITH RELATED PARTIES

The Company reimburses its majority stockholder for certain expenses in connection with the maintenance of the stockholder's organizational structure and other administrative costs. The Company incurred no reimbursable expenses for the nine months ended September 30, 2020 and incurred reimbursable expenses of $0.1 million for the nine months ended September 30, 2019.

9. CREDIT FACILITY

On December 18, 2013, the Company and all of its subsidiaries entered into a Credit Agreement (the "Agreement") with J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC as Joint Lead Arrangers, JPMorgan Chase Bank, N.A., as Administrative Agent, Collateral Agent and Issuing Bank, and the other lenders party thereto whereby the Company borrowed $720.0 million (excluding any original issue discount) under a senior secured term loan that matures in December 2020. On December 1, 2014, the parties amended the Agreement and the Company borrowed an additional $150.4 million (excluding any original issue discount) under the senior secured term loan. On December 2, 2016, the parties amended the Agreement and the Company borrowed an additional $250.0 million (excluding any original issue discount) under the senior secured term loan. On June 2, 2017 and December 14, 2017, the parties amended the Agreement, thereby reducing the applicable margin rate on the senior secured term loan. On July 25, 2019, the Company amended the Agreement, with Morgan Stanley Senior Funding, Inc., as Administrative Agent, Collateral Agent and Issuing Bank, and borrowed an additional $360.0 million (excluding any original issue discount) under the senior secured term loan and extended the maturity date to December 18, 2024. The Agreement also includes a $75.0 million revolving credit facility that was extended and matures on September 18, 2024.

Term loan borrowings bear interest, at the Company's option, at either (a) a base rate (defined as the highest of the rate of interest quoted by the Wall Street Journal as the prime rate, the Federal Funds Rate plus 1/2 of 1% and one-month LIBOR plus 1%) or (b) LIBOR, plus in each case a certain margin. Revolving credit facility borrowings bear interest, at the Company's option, at the same rates except that the margin varies depending on a leverage ratio. Commitment fees are payable on the unused revolving loan commitment at the rate of 0.50% per annum (0.25% if a leverage ratio is below a certain threshold), payable quarterly. Borrowings are guaranteed by all of the Company's direct and indirect subsidiaries and are secured by a first priority security interest on all of the Company's and the guarantors' respective assets.

Under the Agreement, the Company is required to comply with financial covenants that provide for a maximum net leverage ratio and a minimum interest coverage ratio if and when the Company has outstanding borrowings under the revolving credit facility. The Company has no borrowings outstanding under the revolving credit facility. As of the date the financial statements were available to be issued, the outstanding balance of the term loan under the Agreement was $1,352.0 million. Loan origination and issuance costs are amortized to interest expense over the life of the term loan. The Agreement requires quarterly repayments of principal in the amount of $3.4 million beginning December 31, 2019 and continuing until maturity of the loan. The Agreement also requires the Company to calculate excess cash flow, which may require additional principal repayments. Future required principal repayments are as follows at September 30, 2020 (in thousands):

Remainder of 2020	$	3,414
2021		13,656
2022		13,656
2023		13,656
2024		1,307,597
Outstanding balance		1,351,979
Less:		
Loan discount and issuance costs, net		15,642
Current portion		13,656
Long-term debt, less current portion and deferred financing costs	$	1,322,681

Management's Discussion and Analysis of Financial Condition and Results of Operations of ION

This discussion and analysis of financial condition and results of operations is based upon the ION Media's consolidated financial statements and the notes thereto attached as Exhibits 99.2 and 99.3 to the Current Report on Form 8-K to which this is an exhibit. You should read this discussion in conjunction with those financial statements.

Business Overview

ION is an independent, privately held media company, and owner and operator of the nation's largest broadcast station group. ION reaches viewers in approximately 100 million U.S. households through its 71 owned and operated stations - including all top 20 markets - and its affiliations with broadcast, cable, satellite and telco operators. Its flagship, ION Television, is a top 5-ranked U.S. general entertainment network. ION also owns two digital networks: Qubo, featuring premium children's programming, and ION Plus, featuring hit dramas and original series. ION's revenue is generated primarily from the sale of advertising during its entertainment content hours and from paid commercial programs aired during non-content programming hours. Its business model includes revenue from digital multicast networks, as well as other revenue from its nationwide broadcast spectrum holdings.

Impact of COVID-19 on ION's business

During the first quarter of 2020, an outbreak of the coronavirus that causes the disease COVID19 was declared a pandemic by the World Health Organization. By mid-March, ION had transitioned nearly all of its employees out of its workplaces without the interruption of programming or other media delivery.

The full impact of COVID-19 is unknown and continues to evolve rapidly. The outbreak and any preventative or protective actions that ION, its vendors or its customers may take in respect of this virus may result in a period of disruption that could potentially impact its operations, financial results and financial condition. Revenues for the second and third quarters of 2020 were negatively impacted by the economic downturn caused by the outbreak, but were partially offset by increased revenues delivered in the first quarter. The extent to which COVID-19 impacts its results and financial condition in future periods depends on future developments that we cannot predict, including new information that may emerge concerning the severity of COVID-19 and the actions to contain the virus or treat its impact, among others. During the second and third quarters, we undertook a number of cost savings initiatives, including reductions in headcount, executive pay, marketing, travel and entertainment and capital expenditures. We will continue to evaluate and quantify the impact of COVID-19 on its consolidated financial statements.

Consolidated Results of Operations

Consolidated results of operations for the nine months ended September 30, 2020 and 2019

	Nine Months Ended September 30,		
(in thousands)	2020	Change	2019
Revenue (net of agency commissions)	$ 391,392	(11.8)%	$ 443,760
Content and distribution operations	(55,471)	1.1 %	(54,876)
Program rights amortization	(73,669)	(14.4)%	(86,026)
Selling, general and administrative (including stock-based compensation of $44,375 and $12,226, respectively)	(87,431)	32.1 %	(66,172)
Depreciation and amortization	(13,344)		(13,456)
Spectrum auction and repack activities, net	(380)		(242)
(Loss) gain on disposal of assets and other, net	(301)		63
Operating income	160,796		223,051
Interest expense	(44,221)		(47,818)
Interest income	342		182
Income before income taxes	116,917		175,415
Income tax provision	(28,268)		(37,312)
Net income	$ 88,649		$ 138,103

Revenue (net of agency commissions) decreased $52.4 million, or 12%, for the first nine months of 2020 when compared to the prior year period. Second and third quarter 2020 revenues declined year-over-year reflecting weakness in economic conditions resulting from the COVID-19 pandemic and the related negative impact on advertising demand. These second and third quarter revenue declines were partially offset by a year-over-year revenue increase in the first quarter.

Content and distribution operations costs increased $0.6 million, or 1%, for the first nine months of 2020 when compared to the prior year period. The year-over-year increase for the nine-month period was primarily attributable to fees associated with an increased number of over-the-air ("OTA") affiliation agreements for expanded broadcast distribution partially offset by operating cost savings initiatives implemented in response to the COVID-19 pandemic.

Program rights amortization decreased $12.4 million, or 14%, for the first nine months of 2020 when compared to the prior year period. The decrease was due to shifts in program scheduling mix compared to the prior year.

Selling, general and administrative expenses increased $21.3 million, or 32%, for the first nine months of 2020 when compared to the prior year period. The classification of certain previously awarded Stock Appreciation Rights ("SARs") changed from equity to liability instruments due to the cash settlement of several exercised awards, which resulted in additional stock compensation expense of $40.7 million during the third quarter of 2020. Excluding stock-based compensation, selling, general and administrative expenses decreased 20% in the first nine months of 2020 when compared to the prior year period, primarily from a number of cost savings initiatives implemented in response to the COVID-19 pandemic, including reductions in headcount, executive pay, marketing, travel and entertainment and capital expenditures.

ION generated operating income margins of 53% (excluding stock-based compensation and impact of spectrum and repack activities, net) for the nine months ended September 30, 2020 and 2019.

Interest expense decreased in 2020 due to lower LIBOR-based variable interest rates charged on the ION's outstanding term loan, partially offset by higher debt balances arising from the issuance of an additional $360.0 million under the senior secured term loan in July 2019.

The effective income tax rate was 24.2% and 21.3% for the nine months ended September 30, 2020 and 2019, respectively. Differences between the effective income tax rate and the U.S. federal statutory rate are the impact of state taxes, and a dividend equivalent tax benefit in 2019.

Consolidated results of operations for the years ended December 31, 2019 and 2018

(in thousands)	Years Ended December 31, 2019	Change	2018
Revenue (net of agency commissions)	$ 586,901	3.8 %	$ 565,477
Content and distribution operations	(73,145)	6.9 %	(68,436)
Program rights amortization	(108,751)	5.1 %	(103,450)
Selling, general and administrative (including stock-based compensation of $10,732 and $5,513, respectively)	(80,738)	6.0 %	(76,156)
Depreciation and amortization	(18,552)		(18,128)
Spectrum auction and repack activities, net	3,026		79,044
(Loss) gain on disposal of assets and other, net	(279)		858
Operating income	308,462		379,209
Interest expense	(65,793)		(56,719)
Interest income	337		700
Income before income taxes	243,006		323,190
Income tax provision	(52,625)		(72,690)
Net income	$ 190,381		$ 250,500

Revenue (net of agency commissions) increased $21.4 million, or 4%, in 2019 as compared with 2018. The increase reflected the early stages of a repricing strategy initiated during 2019 to bring ION's pricing into line with the value it provides its customers relative to its peers.

Content and distribution operations costs increased $4.7 million, or 7%, in 2019 as compared with 2018. The year-over-year increase was primarily due to an increase in number of OTA affiliation agreements and related fees in order to expand broadcast reach in new markets.

Program rights amortization increased $5.3 million, or 5%, in 2019 as compared with 2018. The year-over-year increase resulted from the change in mix of programming aired.

Selling, general and administrative expense increased $4.6 million, or 6%, in 2019 as compared with 2018 due primarily to higher stock-based compensation expense. Excluding stock-based compensation, selling, general and administrative expense decreased 1% in 2019.

ION generated operating income margins of 54% (excluding stock-based compensation and the impact of spectrum and repack activities, net) for fiscal years 2019 and 2018.

For the year ended 2018, spectrum auction and repack activities, net included the recognition of a $76.6 million gain associated with the sale of the UHF spectrum of two television stations in conjunction with the FCC auction for broadcast spectrum.

Interest expense increased in 2019 due to higher debt balances arising from the issuance in July 2019 of an additional $360.0 million under the senior secured term loan as well as higher LIBOR-based variable interest rate charged on the ION's outstanding term loan in 2019 compared to the prior year.

The effective income tax rate was 21.7% and 22.5% for the years December 31, 2019 and 2018, respectively. Differences between the effective income tax rate and the U.S. federal statutory rate are the impact of state taxes and dividend-equivalent tax benefits.

SUMMARY UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

We have derived the following summary unaudited pro forma combined statements of operations for the nine months ended September 30, 2020 and 2019, and for the year ended December 31, 2019, from the historical consolidated financial statements of Scripps, ION Media Networks, Inc. ("ION Media"), and the acquired Cordillera television stations (reported within the parent entity, EPI Preferred, LLC), the historical financial statements of the acquired Nexstar Media Group television station, the historical combined financial statements of the acquired Tribune Media Company television stations, and the historical results of the WPIX television station held for sale, as if they had all been consummated on January 1, 2019. We have derived the following summary unaudited pro forma combined balance sheet from the historical condensed consolidated balance sheets of each of Scripps and ION Media, as of September 30, 2020 giving pro forma effect to the acquisitions and related financing transactions and the other adjustments referred to below as if they had all been consummated on September 30, 2020. The summary unaudited pro forma combined statement of operations data for the twelve months ended September 30, 2020 has been derived by taking the unaudited pro forma combined statement of operations data for the year ended December 31, 2019, adding the unaudited pro forma combined statement of operations data for the nine months ended September 30, 2020, and subtracting the unaudited pro forma combined statement of operations data for the nine months ended September 30, 2019.

The following summary unaudited pro forma combined financial information is being provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations of Scripps would have been had the respective transactions and adjustments occurred on the dates assumed or any other date, nor is it necessarily indicative of Scripps' future results of operations for any future period or as of any future date. The following summary unaudited pro forma combined financial information is based upon currently available information and estimates and assumptions that our management believes are reasonable as of the date hereof. Any of the factors underlying these estimates and assumptions may change or prove to be materially different.

(in thousands)	Year Ended December 31, 2019	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Twelve Months Ended September 30, 2020
Selected Statement of Operations Data:				
Operating Revenues:				
Total operating revenues[1]	$ 2,072,091	$ 1,526,353	$ 1,609,590	$ 2,155,328
Costs and Expenses:				
Employee compensation and benefits	574,983	427,905	425,627	572,705
Programming	551,102	410,824	459,974	600,252
Other expenses	404,743	305,878	285,744	384,609
Acquisition and related integration costs	6,448	3,148	38	3,338
Restructuring costs	3,370	1,922	—	1,448
Depreciation and amortization of intangible assets	154,747	116,044	116,649	155,352
(Gains) losses, net on disposal of property and equipment	(1,413)	243	836	(820)
Total operating expenses	$ 1,693,980	$ 1,265,964	$ 1,288,868	$ 1,716,884
Operating income (loss)	378,111	260,389	320,722	438,444
Interest expense	(202,996)	(153,076)	(142,284)	(192,204)
Defined benefit pension plan expense	(6,953)	(5,207)	(3,313)	(5,059)
Miscellaneous, net	968	1,230	1,392	1,130
Income (loss) from continuing operations before income taxes	$ 169,130	$ 103,336	$ 176,517	$ 242,311

(in thousands)	As of September 30, 2020
Selected Balance Sheet Data:	
Cash and cash equivalents	$ 113,164
Total assets	6,600,934
Long-term debt (including current portion)	3,794,563
Total equity	1,576,870

(in thousands)	Year Ended December 31, 2019	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Twelve Months Ended September 30, 2020
Other Pro Forma Financial Data:				
EBITDA[2]	$ 584,538	$ 419,724	$ 466,641	$ 631,455
Adjusted EBITDA[2]	671,673	487,381	480,159	664,451
Unlevered Free Cash Flow[2]	555,953	402,949	423,950	576,954
Secured Debt (at end of period reported)[3]				2,394,563
Net Secured Debt (at end of period reported)[4]				2,281,399
Total Debt (at end of period reported)[5]				3,794,563
Total Net Debt (at end of period reported)[6]				3,681,399
Cash Interest Expense[7]				169,470

(dollars in thousands)	L8QA Ended September 30, 2020
Additional Pro Forma Financial Data:	
L8QA Adjusted EBITDA[8]	$ 710,996
Ratio of Net Secured Debt to L8QA Adjusted EBITDA[5][8][9]	3.2x
Ratio of Total Net Debt to L8QA Adjusted EBITDA[6][8][10]	5.2x
Ratio of L8QA Adjusted EBITDA to Cash Interest Expense[7][8][11]	4.2x

(1) Pro forma combined operating revenues for the year ended December 31, 2019 and the nine months ended September 30, 2019 do not give full pro forma effect to the Comcast retransmission fees adjustments or revenues from Pickler & Ben.

(2) “EBITDA” is defined by us as income from continuing operations before income taxes plus interest expense, depreciation and amortization of intangible assets, and other adjustments as set forth below. “Adjusted EBITDA” is defined by us as EBITDA, plus share based compensation expense, pro forma effect of Comcast adjustments, losses from unrestricted subsidiaries, losses (gains), net on disposal of property and equipment, losses (gains), net on spectrum auction and repack activities, acquisition and related integration costs, restructuring charges, amortization of pension actuarial loss, and miscellaneous expense, net. “Unlevered Free Cash Flow” is defined by us as Adjusted EBITDA less capital expenditures.

We present EBITDA and Adjusted EBITDA because we believe that EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the performance of our business and provide greater transparency into our results of operations. EBITDA and Adjusted EBITDA are used by our management to perform such evaluation. We also believe that EBITDA and Adjusted EBITDA facilitate company-to-company operating performance comparisons by backing out potential differences caused by variations in capital structures (affecting net interest expense), taxation and the age and book value of property (affecting relative depreciation expense), which may vary for different companies for reasons unrelated to operating performance. We believe that EBITDA and Adjusted EBITDA are frequently used by investors, securities analysts and other interested parties in their evaluation of companies, many of which present EBITDA and Adjusted EBITDA when reporting their results.

Unlevered Free Cash Flow is a measure of liquidity used by management to evaluate our business prior to the impact of capital expenditures. Unlevered Free Cash Flow is a supplemental measure of our liquidity that is not required by, or presented in accordance with, GAAP and should not be considered as an alternative to cash provided by operating activities, Adjusted EBITDA or any other liquidity measures derived in accordance with GAAP. Management believes that Unlevered Free Cash Flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash before taking into account capital expenditures. In evaluating Unlevered Free Cash Flow, you should be aware that in the future we may incur expenses similar to those for which adjustments are made in calculating Unlevered Free Cash Flow. Our presentation of Unlevered Free Cash Flow does not imply that our future results will be unaffected by unusual or non-recurring items.

Our presentation of EBITDA, Adjusted EBITDA and Unlevered Free Cash Flow may not be comparable to similarly titled measures used by other companies. EBITDA, Adjusted EBITDA and Unlevered Free Cash Flow have limitations as analytical tools, and you should not consider them either in isolation or as substitutes for analyzing our results as reported under GAAP. Some of these limitations are:

- these measures do not reflect changes in, or cash requirements for, our working capital needs;
- these measures do not reflect our interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- these measures do not reflect our income tax expense or the cash requirements to pay our taxes;
- EBITDA and Adjusted EBITDA do not reflect historical cash expenditures;
- these measures do not future requirements for capital expenditures or contractual commitments;
- although depreciation and amortization are non-cash charges, the assets being depreciated, depleted and amortized will often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements;
- Unlevered Free Cash Flow does not represent the total increase or decrease in the cash balance for the period and does not represent the cash flow for discretionary expenditures; and
- other companies in our industry may calculate these measures differently so they may not be comparable.

The following table presents a reconciliation of pro forma income (loss) from continuing operations before income taxes to EBITDA, Adjusted EBITDA and Unlevered Free Cash Flow:

(in thousands)	Year Ended December 31, 2019	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Twelve Months Ended September 30, 2020
Income from continuing operations before income taxes	$ 169,130	$ 103,336	$ 176,517	$ 242,311
ION Acquisition synergies[(a)]	41,588	31,191	31,191	41,588
Removal of corporate allocations carve-out adjustments and historical costs not assumed from 2019 Acquisitions[(b)]	12,621	12,621	—	—
Acquisitions synergies from 2019 Acquisitions[(c)]	3,456	3,456	—	—
Interest expense	202,996	153,076	142,284	192,204
Depreciation and amortization of intangible assets	154,747	116,044	116,649	155,352
EBITDA	$ 584,538	$ 419,724	$ 466,641	$ 631,455
Share based compensation	13,573	10,961	10,152	12,764
Comcast adjustments[(d)]	64,500	48,375	—	16,125
Pickler & Ben program losses (gains)[(e)]	2,029	2,029	—	—
(Gains) losses, net on disposal of property and equipment	(1,413)	243	836	(820)
(Gains) losses, net on spectrum auction and repack activities	(3,026)	242	380	(2,888)
Acquisition and related integration costs	6,448	3,148	38	3,338
Restructuring	3,370	1,922	—	1,448
Amortization of pension actuarial loss	2,622	1,967	3,504	4,159
Miscellaneous, net[(f)]	(968)	(1,230)	(1,392)	(1,130)
Adjusted EBITDA	$ 671,673	$ 487,381	$ 480,159	$ 664,451
Capital expenditures[(g)]	(115,720)	(84,432)	(56,209)	(87,497)
Unlevered Free Cash Flow	$ 555,953	$ 402,949	$ 423,950	$ 576,954

(a) Represents an adjustment to reflect the annual "run rate" benefit from certain operational cost improvements expected to be achieved within the 18 months following the consummation of the ION Acquisition. These cost improvements are expected to consist of (i) approximately $27 million related to distribution synergies to be achieved by airing Scripps' Katz network programming onto ION's excess spectrum, (ii) approximately $16 million related to reduction in corporate expenses and other duplicative functions and (iii) approximately $5 million related to Qubo and ION+ programming that will be eliminated as Katz programming is moved onto unused ION spectrum, less approximately $7 million of one-time costs to achieve such synergies. These assumptions and estimates are inherently uncertain and subject to significant business, operational, economic and competitive uncertainties and contingencies. We present these cost savings because they are a permitted addback in the indentures that govern the existing notes and the credit agreement that governs our Senior Secured Credit

Facilities, and they should not be viewed as a projection of future performance. Including the cost improvements described above, we expect that the ION Acquisition will generate $500 million of synergies in the first six years, reaching a run rate of approximately $120 million a year. We cannot assure you that any or all of these cost savings or synergies will be achieved in the anticipated amounts or within the anticipated timeframes or at all. See “Risk Factors—Risks Related to the ION Acquisition—We may not achieve all of the expected benefits from the items reflected in the adjustments included in the pro forma financial information and certain non-GAAP financial measures presented herein.” Under the indentures that will govern the notes, we will be able to addback additional run rate expenses for the ION Acquisition, as we are allowed to add back such benefits up to 24 months from the date of determination.

(b) Reflects adjustments to exclude allocated and/or historical costs that were not incurred in connection with the entities in the 2019 Acquisitions under ownership of Scripps.

(c) Adjustment reflects operating efficiencies gained from assimilating the entities acquired in the 2019 Acquisitions into Scripps centralized functions.

(d) In 2020, we started receiving retransmission fees for about 2.7 million Comcast subscribers that we historically have received little to no compensation. Adjustments provide the pro forma effect of amendments to the Comcast retransmission agreement, net of additional network fees, for these historical periods.

(e) Reflects adjustments for operating activities of Pickler & Ben following cancellation of the program.

(f) Miscellaneous, net primarily includes equity earnings on investments, investment earnings (loss) on deferred compensation arrangements and other non-operating items.

(g) Pro forma capital expenditures reflect the sum of Scripps’ capital expenditures from its historical consolidated financial statements and ION’s capital expenditures from its historical consolidated financial statements, in each case for the applicable period presented, without giving effect to any additional pro forma adjustments.

(3) Pro forma Secured Debt gives effect to the Transactions as if completed on September 30, 2020.
(4) Pro forma Net Secured Debt is pro forma Secured Debt less unrestricted cash and cash equivalents.
(5) Pro forma Total Debt gives effect to the Transactions as if completed on September 30, 2020.
(6) Pro forma Total Net Debt is pro forma Total Debt less unrestricted cash and cash equivalents.
(7) Pro forma Cash Interest Expense reflects cash interest expense giving to the Transactions as if completed on January 1, 2019, based upon an assumed weighted average interest rate of 4.47% on our New Term Loan B and the notes offered hereby and the assumption that our revolving credit facility will be undrawn at the closing of the ION Acquisition. If the assumed weighted average interest rate of the New Term Loan B and the notes offered hereby increased (or decreased) 0.125%, the pro forma Cash Interest Expense would increase (or decrease) $2.3 million for the year ended December 31, 2019 and the twelve months ended September 30, 2020 and $1.7 million for the nine months ended September 30, 2019 and 2020.
(8) We present Adjusted EBITDA and certain related metrics on an average of the twelve months ended September 30, 2020 and the twelve months ended September 30, 2019 (“L8QA”) basis, as required by the indentures that govern the existing notes and the credit agreement that governs our Senior Secured Credit Facilities and will be required under the indentures that will govern the notes. L8QA Adjusted EBITDA is calculated on a consistent pro forma basis with the Adjusted EBITDA presented in note (2) above, using Adjusted EBITDA for the last twelve months ended September 30, 2020 and the nine months ended September 30, 2019, as well as Adjusted EBITDA of approximately $270.2 million for the three months ended December 31, 2018, which includes Adjusted EBITDA of Triton and the Gray/Raycom Stations during such period and prior to our completion of such acquisitions. These estimates are based in part on unaudited, unreviewed financial information provided by the sellers of some of the acquired businesses from our 2019 Acquisitions and the acquisitions of the Triton and the Gray/Raycom Stations and include certain adjustments not calculated in accordance with the requirements for pro forma financial information prepared in accordance with Regulation S-X. The unaudited financial information of EPI for the three months ended March 31, 2019 and the one month period ended April 30, 2019, and of each of the Nexstar Station and Tribune Stations for the period from July 1, 2019 through September 19, 2019, which were used to prepare the L8QA financial information, in each case for periods prior to their acquisition, were provided by sellers of those acquired businesses and have not been independently reviewed. See “Risk Factors—This offering memorandum includes financial information based on unaudited, unreviewed financial information for each of EPI, the Nexstar Station, the Tribune Stations, Triton and the Gray/Raycom Stations, which our management cannot independently verify and includes a number of risks and inherent uncertainties that could cause our actual results to differ materially from those set forth in the estimates."
(9) The pro forma ratio of Net Secured Debt to Adjusted EBITDA is determined by dividing pro forma Net Secured Debt as of September 30, 2020 by L8QA Adjusted EBITDA.
(10) The pro forma ratio of Total Net Debt to Adjusted EBITDA is determined by dividing pro forma Total Net Debt as of September 30, 2020 by L8QA Adjusted EBITDA.
(11) The pro forma ratio of Adjusted EBITDA to Cash Interest Expense is determined by dividing L8QA Adjusted EBITDA by pro forma Cash Interest Expense for the twelve months ended September 30, 2020.