

SCRIPPS E W CO /DE
Form 10-Q
May 09, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2014

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

For the transition period from _____ to _____
Commission File Number 0-16914

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

Ohio 31-1223339
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification Number)

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

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

Not applicable
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer
(Do not check if a smaller reporting Smaller reporting
company) company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of March 31, 2014, there were 44,171,130 of the registrant's Class A Common shares, \$.01 par value per share, outstanding and 11,932,722 of the registrant's Common Voting shares, \$.01 par value per share, outstanding.

Index to The E. W. Scripps Company Report
on Form 10-Q for the Quarter Ended March 31, 2014

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PART I

As used in this Quarterly Report on Form 10-Q, the terms “Scripps,” “Company,” “we,” “our” or “us” may, depending on the context, refer to The E. W. Scripps Company, to one or more of its consolidated subsidiary companies, or to all of them taken as a whole.

Item 1. Financial Statements

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

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

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

Item 4. Controls and Procedures

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

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PART II

Item 1. Legal Proceedings

We are involved in litigation arising in the ordinary course of business, such as defamation actions and governmental proceedings, primarily relating to renewal of broadcast licenses, none of which is expected to result in material loss.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered equity securities during the quarter ended March 31, 2014.

The following table provides information about Company purchases of Class A Common shares during the quarter ended March 31, 2014 and the remaining amount that may still be purchased under the program:

| Period | Total number of shares purchased | Average price paid per share | Total market value of shares purchased | Maximum value that may yet be purchased under the plans or programs |
|------------------|----------------------------------|------------------------------|--|---|
| 1/1/14 - 1/31/14 | 163,400 | \$18.80 | \$3,072,705 | \$22,728,338 |
| 2/1/14 - 2/28/14 | 245,051 | 18.69 | 4,581,093 | \$18,147,245 |
| 3/1/14 - 3/31/14 | 580,539 | 17.53 | 10,174,210 | \$7,973,035 |
| Total | 988,990 | \$18.03 | \$17,828,008 | |

In November 2012, our board of directors authorized a repurchase program of up to \$100 million of our Class A Common shares through December 2014.

In May 2014, our board of directors authorized a new repurchase program of up to \$100 million of our Class A Common shares through December 2016.

Item 3. Defaults Upon Senior Securities

There were no defaults upon senior securities during the quarter ended March 31, 2014.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The information required by this item is filed as part of this Form 10-Q. See Index to Exhibits at page E-1 of this Form 10-Q.

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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, thereunto duly authorized.

THE E. W. SCRIPPS COMPANY

Dated: May 9, 2014

By: /s/ Douglas F. Lyons
Douglas F. Lyons
Vice President and Controller
(Principal Accounting Officer)

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The E. W. Scripps Company
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Condensed Consolidated Balance Sheets (Unaudited)

| (in thousands, except share data) | As of March 31, 2014 | As of December 31, 2013 |
|--|----------------------------|-------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 187,119 | \$ 221,255 |
| Restricted cash | 6,810 | 8,210 |
| Accounts and notes receivable (less allowances - \$1,879 and \$2,027) | 124,910 | 139,703 |
| Inventory | 6,180 | 6,543 |
| Deferred income taxes | 17,861 | 17,861 |
| Income taxes receivable | 731 | 436 |
| Miscellaneous | 8,819 | 8,046 |
| Total current assets | 352,430 | 402,054 |
| Investments | 16,025 | 16,567 |
| Property, plant and equipment | 347,071 | 353,797 |
| Goodwill | 56,682 | 27,966 |
| Other intangible assets | 141,839 | 137,862 |
| Deferred income taxes | 7,875 | 8,733 |
| Miscellaneous | 29,242 | 19,151 |
| Total Assets | \$ 951,164 | \$ 966,130 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 14,811 | \$ 16,529 |
| Customer deposits and unearned revenue | 27,121 | 28,633 |
| Current portion of long-term debt | 2,000 | 2,000 |
| Accrued liabilities: | | |
| Employee compensation and benefits | 28,658 | 26,986 |
| Miscellaneous | 30,252 | 28,930 |
| Other current liabilities | 9,840 | 10,043 |
| Total current liabilities | 112,682 | 113,121 |
| Long-term debt (less current portion) | 197,500 | 198,000 |
| Other liabilities (less current portion) | 104,787 | 107,272 |
| Equity: | | |
| Preferred stock, \$.01 par — authorized: 25,000,000 shares; none outstanding | — | — |
| Common stock, \$.01 par: | | |
| Class A — authorized: 240,000,000 shares; issued and outstanding: 44,171,130 and 44,094,501 shares | 442 | 441 |
| Voting — authorized: 60,000,000 shares; issued and outstanding: 11,932,722 and 11,932,722 shares | 119 | 119 |
| Total | 561 | 560 |
| Additional paid-in capital | 505,158 | 509,243 |
| Retained earnings | 108,932 | 116,893 |
| Accumulated other comprehensive loss, net of income taxes: | | |
| Unrealized loss on derivatives | (659 |) (718 |
| Pension liability adjustments | (79,761 |) (80,205 |
| Total The E.W. Scripps Company shareholders' equity | 534,231 | 545,773 |

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| | | |
|------------------------------|-----------|-----------|
| Noncontrolling interest | 1,964 | 1,964 |
| Total equity | 536,195 | 547,737 |
| Total Liabilities and Equity | \$951,164 | \$966,130 |

See notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Operations (Unaudited)

| (in thousands, except per share data) | Three Months Ended | |
|--|--------------------|-----------|
| | March 31, 2014 | 2013 |
| Operating Revenues: | | |
| Advertising | \$146,770 | \$147,147 |
| Subscriptions | 32,299 | 30,471 |
| Retransmission | 12,474 | 10,442 |
| Other | 12,251 | 10,593 |
| Total operating revenues | 203,794 | 198,653 |
| Costs and Expenses: | | |
| Employee compensation and benefits | 101,749 | 100,699 |
| Programs and program licenses | 12,968 | 12,796 |
| Newsprint, press supplies and other printing costs | 12,038 | 12,944 |
| Newspaper distribution | 11,916 | 12,273 |
| Other expenses | 49,748 | 48,881 |
| Defined benefit pension plan expense | 1,378 | 1,969 |
| Acquisition and related integration costs | 262 | — |
| Separation and restructuring costs | — | 976 |
| Total costs and expenses | 190,059 | 190,538 |
| Depreciation, Amortization, and Losses (Gains): | | |
| Depreciation | 9,808 | 10,102 |
| Amortization of intangible assets | 1,921 | 1,712 |
| Losses (gains), net on disposal of property, plant and equipment | 68 | 5 |
| Net depreciation, amortization, and losses (gains) | 11,797 | 11,819 |
| Operating income (loss) | 1,938 | (3,704) |
| Interest expense | (2,254) | (2,613) |
| Miscellaneous, net | (445) | (1,304) |
| Loss from operations before income taxes | (761) | (7,621) |
| Benefit for income taxes | (149) | (4,950) |
| Net loss | (612) | (2,671) |
| Net loss attributable to noncontrolling interests | — | — |
| Net loss attributable to the shareholders of The E.W. Scripps Company | \$(612) | \$(2,671) |
| Net loss per basic share of common stock attributable to the shareholders of The E.W. Scripps Company: | \$(0.01) | \$(0.05) |
| Net loss per diluted share of common stock attributable to the shareholders of The E.W. Scripps Company: | \$(0.01) | \$(0.05) |

See notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Comprehensive Loss (Unaudited)

| (in thousands) | Three Months Ended | |
|---|--------------------|------------|
| | March 31, 2014 | 2013 |
| Net loss | \$(612 |) \$(2,671 |
| Changes in fair value of derivative, net of tax of \$37 and \$35 | 59 | 59 |
| Changes in defined benefit pension plans, net of tax of \$280 and \$298 | 444 | 851 |
| Total comprehensive loss | (109 |) (1,761 |
| Less comprehensive loss attributable to noncontrolling interest | — | — |
| Total comprehensive loss attributable to the shareholders of The E.W. Scripps Company | \$(109 |) \$(1,761 |
| See notes to condensed consolidated financial statements. | | |

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Condensed Consolidated Statements of Cash Flows (Unaudited)

| (in thousands) | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2014 | 2013 |
| Cash Flows from Operating Activities: | | |
| Net loss | \$(612 |) \$(2,671 |
| Adjustments to reconcile net loss to net cash flows from operating activities: | | |
| Depreciation and amortization | 11,729 | 11,814 |
| Deferred income taxes | (304 |) (377 |
| Stock and deferred compensation plans | 2,941 | 4,132 |
| Pension expense, net of payments | 1,021 | 1,405 |
| Other changes in certain working capital accounts, net | 14,640 | (26,474 |
| Miscellaneous, net | 45 | 1,253 |
| Net cash provided by (used in) operating activities | 29,460 | (10,918 |
| Cash Flows from Investing Activities: | | |
| Acquisitions | (46,000 |) — |
| Additions to property, plant and equipment | (2,584 |) (4,979 |
| Purchase of investments | (153 |) (1,125 |
| Change in restricted cash | 1,400 | 1,800 |
| Miscellaneous, net | 361 | 70 |
| Net cash used in investing activities | (46,976 |) (4,234 |
| Cash Flows from Financing Activities: | | |
| Payments on long-term debt | (500 |) (3,975 |
| Repurchase of Class A Common shares | (17,828 |) (10,648 |
| Proceeds from employee stock options | 6,855 | 15,565 |
| Tax payments related to shares withheld for RSUs | (3,835 |) (5,906 |
| Miscellaneous, net | (1,312 |) (1,326 |
| Net cash used in financing activities | (16,620 |) (6,290 |
| Decrease in cash and cash equivalents | (34,136 |) (21,442 |
| Cash and cash equivalents: | | |
| Beginning of year | 221,255 | 242,642 |
| End of period | \$187,119 | \$221,200 |
| Supplemental Cash Flow Disclosures | | |
| Interest paid | \$1,972 | \$1,926 |
| Income taxes paid | \$367 | \$— |
| See notes to condensed consolidated financial statements. | | |

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Condensed Consolidated Statements of Equity (Unaudited)

| (in thousands, except share data) | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Noncontrolling Interests | Total Equity |
|--|-----------------|----------------------------------|----------------------|---|-----------------------------|-----------------|
| As of December 31, 2012 | \$555 | \$517,688 | \$136,293 | \$(116,840) | \$2,214 | \$539,910 |
| Net loss | — | — | (2,671) | — | — | (2,671) |
| Changes in defined benefit pension plans | — | — | — | 851 | — | 851 |
| Changes in fair value of derivative | — | — | — | 59 | — | 59 |
| Repurchase 942,134 Class A Common shares | (9) | (10,639) | — | — | — | (10,648) |
| Compensation plans: 2,414,889 net shares issued * | 24 | 13,108 | — | — | — | 13,132 |
| As of March 31, 2013 | \$570 | \$520,157 | \$133,622 | \$(115,930) | \$2,214 | \$540,633 |
| As of December 31, 2013 | \$560 | \$509,243 | \$116,893 | \$(80,923) | \$1,964 | \$547,737 |
| Net loss | — | — | (612) | — | — | (612) |
| Changes in defined benefit pension plans | — | — | — | 444 | — | 444 |
| Changes in fair value of derivative | — | — | — | 59 | — | 59 |
| Repurchase 988,990 Class A Common shares | (10) | (10,469) | (7,349) | — | — | (17,828) |
| Compensation plans: 1,065,619 net shares issued * | 11 | 6,384 | — | — | — | 6,395 |
| As of March 31, 2014 | \$561 | \$505,158 | \$108,932 | \$(80,420) | \$1,964 | \$536,195 |

* Net of tax payments related to shares withheld for vested stock and RSUs of \$3,835 in 2014 and \$5,906 in 2013.

See notes to condensed consolidated financial statements.

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Condensed Notes to Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

As used in the Condensed Notes to Consolidated Financial Statements, the terms “Scripps,” “Company,” “we,” “our,” or “us” may, depending on the context, refer to The E. W. Scripps Company, to one or more of its consolidated subsidiary companies or to all of them taken as a whole.

Basis of Presentation — The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The interim financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto included in our 2013 Annual Report on Form 10-K. In management's opinion, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the interim periods have been made.

Results of operations are not necessarily indicative of the results that may be expected for future interim periods or for the full year.

Nature of Operations — We are a diverse media enterprise with a portfolio of television, print and digital media brands. All of our media businesses provide content and advertising services via digital platforms, including the Internet, smartphones and tablets. Our media businesses are organized into the following reportable business segments: television, newspapers and syndication and other. Additional information for our business segments is presented in the Condensed Notes to Consolidated Financial Statements.

Use of Estimates — Preparing financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make a variety of decisions that affect the reported amounts and the related disclosures. Such decisions include the selection of accounting principles that reflect the economic substance of the underlying transactions and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions.

Our financial statements include estimates and assumptions used in accounting for our defined benefit pension plans; the periods over which long-lived assets are depreciated or amortized; the fair value of long-lived assets, goodwill and indefinite lived assets; the liability for uncertain tax positions and valuation allowances against deferred income tax assets; and self-insured risks.

While we re-evaluate our estimates and assumptions on an ongoing basis, actual results could differ from those estimated at the time of preparation of the financial statements.

Revenue Recognition — We recognize revenue when persuasive evidence of a sales arrangement exists, delivery occurs or services are rendered, the sales price is fixed or determinable and collectability is reasonably assured. When a sales arrangement contains multiple elements, such as the sale of advertising and other services, we allocate revenue to each element based upon its relative fair value. We report revenue net of sales and other taxes collected from our customers.

Our primary sources of revenue are from the sale of print, broadcast and digital advertising, retransmission fees received from cable operators and satellite carriers and newspaper subscription fees.

The revenue recognition policies for each source of revenue are described in our 2013 Annual Report on Form 10-K.

Share-Based Compensation — We have a Long-Term Incentive Plan (the “Plan”) which is described more fully in our Annual Report on Form 10-K for the year ended December 31, 2013. The Plan provides for the award of incentive and nonqualified stock options, stock appreciation rights, restricted stock units (RSUs), unrestricted Class A Common shares and performance units to key employees and non-employee directors.

Share-based compensation costs totaled \$3.3 million and \$3.4 million for the first quarter of 2014 and 2013, respectively.

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Earnings Per Share (“EPS”) — Unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our RSUs, are considered participating securities for purposes of calculating EPS. Under the two-class method, we allocate a portion of net income to these participating securities and therefore exclude that income from the calculation of EPS for common stock. We do not allocate losses to the participating securities. The following table presents information about basic and diluted weighted-average shares outstanding:

| (in thousands) | Three Months Ended | |
|---|--------------------|------------|
| | March 31, 2014 | 2013 |
| Numerator (for basic and diluted earnings per share) | | |
| Net loss attributable to the shareholders of The E.W. Scripps Company | \$(612 |) \$(2,671 |
| Less income allocated to RSUs | — | — |
| Numerator for basic and diluted earnings per share | \$(612 |) \$(2,671 |
| Denominator | | |
| Basic weighted-average shares outstanding | 56,084 | 56,330 |
| Effect of dilutive securities: | | |
| Stock options held by employees and directors | — | — |
| Diluted weighted-average shares outstanding | 56,084 | 56,330 |
| Anti-dilutive securities ⁽¹⁾ | 3,985 | 8,111 |

⁽¹⁾ Amount outstanding at balance sheet date, before application of the treasury stock method and not weighted for period outstanding.

For the quarter ended ended March 31, 2014 and 2013, we incurred a net loss and the inclusion of RSUs and stock options held by employees and directors would have been anti-dilutive, and accordingly the diluted EPS calculation for the period excludes those common share equivalents.

Derivative Financial Instruments — It is our policy that derivative transactions are executed only to manage exposures arising in the normal course of business and not for the purpose of creating speculative positions or trading. Derivative financial instruments are utilized to manage interest rate risks. We do not hold derivative financial instruments for trading purposes. All derivatives are recorded on the balance sheet at fair value. Each derivative is designated as a cash flow hedge or remains undesignated. Changes in the fair value of derivatives that are designated and effective as cash flow hedges are recorded in other comprehensive income (loss) and reclassified to earnings when the effects of the item being hedged are recognized in earnings. These changes are offset in earnings to the extent the hedge was effective by fair value changes related to the risk being hedged on the hedged item. Changes in the fair value of undesignated hedges are recognized currently in earnings. All ineffective changes in derivative fair values are recognized currently in earnings.

All designated hedges are formally documented as to the relationship with the hedged item as well as the risk-management strategy. Both at inception and on an ongoing basis the hedging instrument is assessed as to its effectiveness, when applicable. If and when a derivative is determined not to be highly effective as a hedge, or the underlying hedged transaction is no longer likely to occur, or the hedge designation is removed, or the derivative is terminated, the hedge accounting discussed above is discontinued.

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2. Acquisitions

On January 1, 2014 we completed our acquisition of Media Convergence Group, Inc., which operates as Newsy, a digital video news provider, for \$35 million in cash.

Pending the finalization of third-party valuations and other items, the following table summarizes the preliminary fair value of the assets acquired and the liabilities assumed as of January 1, 2014:

(in thousands)

| | |
|------------------------------|----------|
| Assets: | |
| Accounts receivable | \$640 |
| Other assets | 74 |
| Equipment and software | 631 |
| Intangible assets | 5,900 |
| Goodwill | 28,716 |
| Total assets acquired | 35,961 |
| Current liabilities | 116 |
| Long-term deferred liability | 845 |
| Net purchase price | \$35,000 |

Of the \$5.9 million allocated to intangible assets, \$4.1 million was allocated to customer relationships with an estimated amortization period of 5 years and the balance of \$1.8 million was allocated to various other intangible assets.

The goodwill of \$28.7 million arising from the transaction consists largely of the benefit we will derive from being able to enter the digital video market with an established business. We have allocated the goodwill to our syndication and other segment. We will treat the transaction as a purchase of stock for income tax purposes with no step-up in the assets acquired. The goodwill will not be deductible for income tax purposes. We are not presenting any pro forma results of operations since the impact of the acquisition is not material to prior year results of operations.

On February 9, 2014, we entered into a definitive agreement to acquire two television stations owned by Granite Broadcasting Corporation — Detroit MyNetworkTV affiliate WMYD-TV and Buffalo, N.Y. ABC affiliate WKBW-TV — for \$110 million in cash. The acquisition of WMYD-TV will create a duopoly with our largest station, Detroit ABC affiliate WXYZ-TV. We expect this acquisition to close in the second quarter of 2014. In connection with entering into the agreement to acquire the two stations, we were required to pay \$11 million into an escrow account which is included in miscellaneous assets.

3. Income Taxes

We file a consolidated federal income tax return, consolidated unitary tax returns in certain states and other separate state income tax returns for our subsidiary companies.

The income tax provision for interim periods is generally determined based upon the expected effective income tax rate for the full year and the tax rate applicable to certain discrete transactions in the interim period. To determine the annual effective income tax rate, we must estimate both the total income (loss) before income tax for the full year and the jurisdictions in which that income (loss) is subject to tax. The actual effective income tax rate for the full year may differ from these estimates if income (loss) before income tax is greater than or less than what was estimated or if the allocation of income (loss) to jurisdictions in which it is taxed is different from the estimated allocations. We review and adjust our estimated effective income tax rate for the full year each quarter based upon our most recent estimates

of income (loss) before income tax for the full year and the jurisdictions in which we expect that income will be taxed.

The effective income tax rate for the three months ended March 31, 2014 and 2013 was 19.6% and 65.0%, respectively. The primary reason for the difference between these rates and the U.S. federal statutory rate of 35% is the impact of state taxes, non-deductible expenses and adjustments to reserves for uncertain tax positions (including interest). We recognized \$1.1 million of previously unrecognized tax benefits in the first three months of 2013 upon settlement of audits or when the statute of limitations lapsed in certain tax jurisdictions.

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Deferred tax assets totaled \$25.7 million at March 31, 2014. Management believes that it is more likely than not that we will realize the benefits of our federal deferred tax assets and therefore has not recorded a valuation allowance for our federal deferred tax assets. If economic conditions worsen, future estimates of taxable income could be lower than our current estimates which may require valuation allowances to be recorded in future reporting periods.

We recognize state net operating loss carryforwards as deferred tax assets, subject to valuation allowances. At each balance sheet date, we estimate the amount of carryforwards that are not expected to be used prior to expiration of the carryforward period. The tax effect of the carryforwards that are not expected to be used prior to their expiration is included in the valuation allowance.

During the periods ended March 31, 2014 and 2013, deferred tax assets relating to employee share-based compensation from the vesting of RSU's and the exercise of stock options have not been recognized since we are in a net tax loss position for both periods. The additional tax benefits will be reflected as net operating loss carryforwards when we file our tax returns, but the additional tax benefits are not recorded under GAAP until the tax deduction reduces taxes payable. The amount of unrecognized tax deductions for the three months ended March 31, 2014 and 2013 was approximately \$13 million and \$15 million, respectively.

4. Restricted Cash

At March 31, 2014 and December 31, 2013, we had \$6.8 million and \$8.2 million, respectively, in a restricted cash account on deposit with our insurance carrier. This account serves as collateral, in place of an irrevocable stand-by letter of credit, to provide financial assurance that we will fulfill our obligations with respect to cash requirements associated with our workers compensation self-insurance. This cash is to remain on deposit with the carrier until all claims have been paid or we provide a letter of credit in lieu of the cash deposit.

5. Goodwill and Other Intangible Assets

Goodwill by business segment was as follows:

| (in thousands) | Television | Newspapers | Syndication and other | Total |
|---------------------------------------|------------|------------|--------------------------|-------------|
| Gross balance as of December 31, 2013 | \$243,380 | \$778,900 | \$— | \$1,022,280 |
| Accumulated impairment losses | (215,414) |) (778,900 |) — | (994,314) |
| Net balance as of December 31, 2013 | 27,966 | — | — | 27,966 |
| 2014 Acquisition | — | — | 28,716 | 28,716 |
| Balance as of March 31, 2014 | \$27,966 | \$— | \$28,716 | \$56,682 |
| Gross balance as of March 31, 2014 | \$243,380 | \$778,900 | \$28,716 | \$1,050,996 |
| Accumulated impairment losses | (215,414) |) (778,900 |) — | (994,314) |
| Net balance as of March 31, 2014 | \$27,966 | \$— | \$28,716 | \$56,682 |

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Other intangible assets consisted of the following:

| (in thousands) | As of March 31, 2014 | As of December 31, 2013 |
|---|----------------------------|-------------------------------|
| Amortizable intangible assets: | | |
| Carrying amount: | | |
| Television network affiliation relationships | \$78,844 | \$78,844 |
| Customer lists and advertiser relationships | 26,404 | 22,304 |
| Other | 5,361 | 3,561 |
| Total carrying amount | 110,609 | 104,709 |
| Accumulated amortization: | | |
| Television network affiliation relationships | (10,678 |) (9,691 |
| Customer lists and advertiser relationships | (13,967 |) (13,138 |
| Other | (1,940 |) (1,833 |
| Total accumulated amortization | (26,585 |) (24,662 |
| Net amortizable intangible assets | 84,024 | 80,047 |
| Other indefinite-lived intangible assets — FCC licenses | 57,815 | 57,815 |
| Total other intangible assets | \$141,839 | \$137,862 |

Estimated amortization expense of intangible assets for each of the next five years is \$5.9 million for the remainder of 2014, \$7.8 million in 2015, \$7.7 million in 2016, \$5.3 million in 2017, \$5.3 million in 2018, \$4.3 million in 2019, and \$47.7 million in later years.

6. Long-Term Debt

Long-term debt consisted of the following:

| (in thousands) | As of March 31, 2014 | As of December 31, 2013 |
|---------------------------------------|----------------------------|-------------------------------|
| Variable rate credit facility | \$— | \$— |
| Term loan | 199,500 | 200,000 |
| Long-term debt | 199,500 | 200,000 |
| Current portion of long-term debt | 2,000 | 2,000 |
| Long-term debt (less current portion) | \$197,500 | \$198,000 |
| Fair value of long-term debt * | \$199,500 | \$200,000 |

* Fair value of the term loan was estimated based on quoted private market transactions and is classified as Level 1 in the fair value hierarchy.

We have a \$275 million revolving credit and term loan agreement (“Financing Agreement”). The Financing Agreement includes a \$200 million term loan B maturing in November 2020 and a \$75 million revolving credit facility maturing in November 2018.

The Financing Agreement includes the maintenance of a net leverage ratio if we borrow more than 20% on the revolving credit facility. The term loan B requires that if we borrow additional amounts or make a permitted acquisition that we cannot exceed a stated net leverage ratio on a pro forma basis at the date of the transaction. Interest is payable on the term loan B at rates based on LIBOR with a 0.75% floor, plus a fixed margin of 2.50%. Interest is payable on the revolving credit facility at rates based on LIBOR plus a margin based on our leverage ratio ranging from 2.25% to 2.75%. As of March 31, 2014 and December 31, 2013, the interest rate was 3.25% on the term loan B. The Financing Agreement also includes a provision that in certain circumstances we must use a portion of excess cash flow to repay debt. As of March 31, 2014, we were not required to make additional principal payments

based on excess cash flow. The weighted-average interest rate on borrowings was 3.25% and 3.71% for the three months ended March 31, 2014 and 2013, respectively.

Scheduled principal payments on long-term debt at March 31, 2014 are: \$1.5 million for the remainder of 2014, \$2.0 million in 2015, \$2.0 million in 2016, \$2.0 million in 2017, \$2.0 million in 2018, \$2.0 million in 2019 and \$188 million thereafter.

Under the terms of the Financing Agreement, we granted the lenders mortgages on certain of our real property, pledges of our equity interests in our subsidiaries and security interests in substantially all other personal property including cash, accounts receivables, inventories and equipment.

The Financing Agreement allows us to make restricted payments (dividends and share repurchases) up to \$50 million plus additional amounts based on our financial results and condition. We can also make additional stock repurchases equal to the amount of proceeds that we receive from the exercise of stock options held by our employees.

Additionally, we can make acquisitions as long as the pro forma net leverage ratio is less than 4.5 to 1.0.

Commitment fees of 0.30% to 0.50% per annum, based on our leverage ratio, of the total unused commitment are payable under the revolving credit facility.

As of March 31, 2014 and December 31, 2013, we had outstanding letters of credit totaling \$0.2 million.

7. Financial Instruments

We are exposed to various market risks, including changes in interest rates. To manage risks associated with the volatility of changes in interest rates, we may enter into interest rate management instruments.

We may utilize interest rate swaps to manage our interest expense exposure by fixing our interest rate on portions of our floating rate term loan. We have entered into a \$75 million notional value interest rate swap expiring in March 2016 which provides for a fixed interest rate of 1.08%. We did not provide or receive any collateral for this contract. The fair value of this financial derivative, which was designated as and qualified as a cash flow hedge through November 2013, is determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on the expectation of future interest rates (forward curves) derived from observed market interest rate curves and implied volatilities. In addition, credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, are incorporated in the fair values to account for potential nonperformance risk.

Fair Value of Derivative Instruments

The notional amounts and fair values of derivative instruments are shown in the table below:

| (in thousands) | As of March 31, 2014 | | | As of December 31, 2013 | | |
|---------------------------|----------------------|------------------|--------------------------|-------------------------|------------------|--------------------------|
| | Notional amount | Fair value Asset | Liability ⁽¹⁾ | Notional amount | Fair value Asset | Liability ⁽¹⁾ |
| Undesignated derivatives: | | | | | | |
| Interest rate swap | \$75,000 | \$— | \$674 | \$75,000 | \$— | \$723 |

⁽¹⁾ Balance recorded as other liabilities in Condensed Consolidated Balance Sheets

Through November 2013, the above derivative instrument was designated as and qualified as a cash flow hedge and the effective portion of the unrealized gains and losses on the derivative was reported as a component of accumulated other comprehensive loss and reclassified into earnings in the periods during which the hedged transactions affected earnings. Upon refinancing our term loan in November 2013, this hedge no longer qualified as a cash flow hedge and gains and losses on the derivative are recorded in current period earnings. The balance in accumulated other comprehensive loss at the date of discontinuance of hedge accounting is being amortized into earnings on a straight-line basis through March 2016. For the period ended March 31, 2014, approximately \$0.1 million was amortized into earnings from accumulated other comprehensive loss and is included in the table below as amounts

reclassified from accumulated OCL, gain/(loss).

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| (in thousands) | Three Months Ended March 31, | |
|--|---------------------------------|-------|
| | 2014 | 2013 |
| Effective portion recognized in accumulated OCL, gain/(loss) | — | (72) |
| Amounts reclassified from accumulated OCL, gain/(loss) | 96 | 166 |
| Gain/(loss) on derivative | 49 | — |

8. Fair Value Measurement

We measure certain financial assets and liabilities at fair value on a recurring basis, such as derivatives and cash equivalents. The fair value of these financial assets and liabilities was determined based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. These levels of input are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs, other than quoted market prices in active markets, that are observable either directly or indirectly.

Level 3 — Unobservable inputs based on our own assumptions.

The following tables set forth our assets and liabilities that are measured at fair value on a recurring basis at March 31, 2014 and December 31, 2013:

| (in thousands) | As of March 31, 2014 | | | |
|-----------------------|----------------------|----------|---------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets/(Liabilities): | | | | |
| Cash equivalents | \$20,000 | \$20,000 | \$— | \$— |
| Interest rate swap | (674) | — | (674) | — |

| (in thousands) | As of December 31, 2013 | | | |
|-----------------------|-------------------------|----------|---------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets/(Liabilities): | | | | |
| Cash equivalents | \$30,000 | \$30,000 | \$— | \$— |
| Interest rate swap | (723) | — | (723) | — |

9. Other Liabilities

Other liabilities consisted of the following:

| (in thousands) | As of March 31, 2014 | As of December 31, 2013 |
|--|----------------------------|-------------------------------|
| Employee compensation and benefits | \$19,184 | \$19,756 |
| Liability for pension benefits | 62,400 | 62,020 |
| Liabilities for uncertain tax positions | 10,825 | 10,670 |
| Other | 12,378 | 14,826 |
| Other liabilities (less current portion) | \$104,787 | \$107,272 |

10. Noncontrolling Interests

Individuals and other entities own a 4% noncontrolling interest in the capital stock of the subsidiary company that publishes our Memphis newspaper and a 6% noncontrolling interest in the capital stock of the subsidiary company that publishes our Evansville newspaper. We are not required to redeem the noncontrolling interests in these subsidiary companies.

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11. Supplemental Cash Flow Information

The following table presents additional information about the change in certain working capital accounts:

| (in thousands) | Three Months Ended | |
|--|--------------------|-----------|
| | March 31, | |
| | 2014 | 2013 |
| Other changes in certain working capital accounts, net | | |
| Accounts and notes receivable | \$15,433 | \$1,294 |
| Income taxes receivable/payable, net | (295 |) (3,526 |
| Accounts payable | (1,829 |) (5,177 |
| Accrued employee compensation and benefits | 1,667 | (8,118 |
| Other accrued liabilities | (432 |) (2,917 |
| Other, net | 96 | (8,030 |
| Total | \$14,640 | \$(26,474 |

12. Employee Benefit Plans

We sponsor various noncontributory defined benefit pension plans covering substantially all full-time employees that began employment prior to June 30, 2008. Benefits earned by employees are generally based upon employee compensation and years of service credits. We also have a non-qualified Supplemental Executive Retirement Plan ("SERP"). Effective June 30, 2009, we froze the accrual of benefits under our defined benefit pension plans and our SERP that cover the majority of our employees.

We sponsor a defined contribution plan covering substantially all non-union and certain union employees. We match a portion of employees' voluntary contributions to this plan. In connection with freezing the accrual of service credits under certain of our defined benefit pension plans, we began contributing additional amounts to certain employees' defined contribution retirement accounts in 2011. These transition credits, which we will make through 2015, are determined based upon the employee's age, compensation and years of service.

Other union-represented employees are covered by defined benefit pension plans jointly sponsored by us and the union, or by union-sponsored multi-employer plans.

The components of the expense consisted of the following:

| (in thousands) | Three Months Ended | |
|---|--------------------|----------|
| | March 31, | |
| | 2014 | 2013 |
| Service cost | \$21 | \$17 |
| Interest cost | 6,278 | 5,976 |
| Expected return on plan assets, net of expenses | (5,859 |) (5,371 |
| Amortization of actuarial loss | 642 | 1,061 |
| Total for defined benefit plans | 1,082 | 1,683 |
| Multi-employer plans | 119 | 120 |
| SERP | 296 | 286 |
| Defined contribution plans | 3,160 | 3,379 |
| Net periodic benefit cost | \$4,657 | \$5,468 |

We contributed \$0.3 million to fund current benefit payments for our SERP during the three months ended March 31, 2014. We anticipate contributing an additional \$0.6 million to fund the SERP's benefit payments during the remainder of 2014. We contributed \$0.1 million to our defined benefit plans during the first three months of 2014.

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13. Segment Information

We determine our business segments based upon our management and internal reporting structure. Our reportable segments are strategic businesses that offer different products and services.

Our television segment includes 10 ABC affiliates, three NBC affiliates, one independent station that we operate as a duopoly with our Kansas City NBC affiliate and five Azteca America affiliates. Our television stations reach approximately 13% of the nation's households. Television stations earn revenue primarily from the sale of advertising time to local and national advertisers and retransmission fees received from cable operators and satellite carriers.

Our newspaper segment includes daily and community newspapers in 13 markets across the United States.

Newspapers earn revenue primarily from the sale of advertising space to local and national advertisers and newspaper subscription fees.

Syndication and other primarily includes certain digital operations outside of our television and newspaper markets and syndication of news features and comics and other features for the newspaper industry. Newsy, a digital video news services, is also included in syndication and other.

We allocate a portion of certain corporate costs and expenses, including information technology, certain employee benefits, digital operation services and other shared services, to our business segments. The allocations are generally amounts agreed upon by management, which may differ from an arms-length amount. Corporate assets are primarily cash and cash equivalents, restricted cash, property and equipment primarily used for corporate purposes, and deferred income taxes. A portion of our digital operations, which is not allocated to our television and newspaper segments, is included in shared services and corporate.

Our chief operating decision maker evaluates the operating performance of our business segments and makes decisions about the allocation of resources to our business segments using a measure called segment profit. Segment profit excludes interest, defined benefit pension plan expense (other than current service cost), income taxes, depreciation and amortization, impairment charges, divested operating units, restructuring activities, investment results and certain other items that are included in net income (loss) determined in accordance with accounting principles generally accepted in the United States of America.

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Information regarding our business segments is as follows:

| (in thousands) | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2014 | 2013 |
| Segment operating revenues: | | |
| Television | \$ 102,142 | \$ 96,866 |
| Newspapers | 98,490 | 99,488 |
| Syndication and other | 3,162 | 2,299 |
| Total operating revenues | \$ 203,794 | \$ 198,653 |
| Segment profit (loss): | | |
| Television | \$ 20,972 | \$ 16,492 |
| Newspapers | 8,549 | 5,937 |
| Syndication and other | 212 | 478 |
| Shared services and corporate | (14,358) | (11,847) |
| Defined benefit pension plan expense | (1,378) | (1,969) |
| Acquisition and related integration costs | (262) | — |
| Separation and restructuring costs | — | (976) |
| Depreciation and amortization of intangibles | (11,729) | (11,814) |
| (Losses) gains, net on disposal of property, plant and equipment | (68) | (5) |
| Interest expense | (2,254) | (2,613) |
| Miscellaneous, net | (445) | (1,304) |
| Loss from operations before income taxes | \$(761) | \$(7,621) |
| Depreciation: | | |
| Television | \$ 5,111 | \$ 5,591 |
| Newspapers | 3,987 | 4,113 |
| Syndication and other | 98 | 19 |
| Shared services and corporate | 612 | 379 |
| Total depreciation | \$ 9,808 | \$ 10,102 |
| Amortization of intangibles: | | |
| Television | \$ 1,599 | \$ 1,577 |
| Newspapers | 118 | 135 |
| Syndication and other | 204 | — |
| Total amortization of intangibles | \$ 1,921 | \$ 1,712 |
| Additions to property, plant and equipment: | | |
| Television | \$ 1,732 | \$ 1,887 |
| Newspapers | 219 | 889 |
| Syndication and other | 28 | — |
| Shared services and corporate | 605 | 2,203 |
| Total additions to property, plant and equipment | \$ 2,584 | \$ 4,979 |
| No single customer provides more than 10% of our revenue. | | |

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14. Spin-off of Scripps Networks Interactive, Inc.

On July 1, 2008, we distributed all of the shares of Scripps Networks Interactive, Inc. (“SNI”) to shareholders of record as of the close of business on June 16, 2008. SNI owned and operated our national lifestyle cable television networks and interactive media businesses.

In connection with the separation we entered into several agreements, including a Tax Allocation Agreement. This agreement sets forth the allocations between us and SNI with regards to liabilities for federal, state and local taxes for periods prior to the separation.

Under the terms of the Tax Allocation Agreement, we receive any tax deductions for share-based compensation awards held by our employees in SNI. Tax deductions for the three months ended March 31, 2014 and 2013 resulting from the exercise of those awards totaled approximately \$6.1 million and \$3.5 million, respectively. These benefits are recorded as additional paid-in capital at the time they are realized. At March 31, 2014, our employees held options on approximately 0.2 million SNI shares which expire through 2015.

15. Capital Stock

Capital Stock — We have two classes of common shares, Common Voting shares and Class A Common shares. The Class A Common shares are only entitled to vote on the election of the greater of three or one-third of the directors and other matters as required by Ohio law.

Share Repurchase Plan — In November 2012, our board of directors authorized a repurchase program of up to \$100 million of our Class A Common shares through December 2014. Shares may be repurchased from time to time at management's discretion, either in the open market, through pre-arranged trading plans or in privately negotiated block transactions. Under the authorization, we repurchased \$17.8 million of shares at prices ranging from \$16.35 to \$19.99 per share during 2014. For the three months ended March 31, 2013, we purchased \$10.6 million of shares at prices ranging from \$10.83 to \$11.77 per share.

In May 2014, our board of directors authorized a new repurchase program of up to \$100 million of our Class A Common shares through December 2016.

Information about options outstanding and options exercisable by year of grant as of March 31, 2014 is as follows:

| Year of Grant | Range of Exercise Prices | Average Remaining Term (in years) | Options Outstanding and Exercisable | | |
|-----------------------|--------------------------|-----------------------------------|-------------------------------------|---------------------------------|---|
| | | | Options on Shares Outstanding | Weighted Average Exercise Price | Aggregate Intrinsic Value (in millions) |
| 2004 – expire in 2014 | \$10-11 | 0.46 | 15,373 | \$10.40 | \$0.1 |
| 2005 – expire in 2015 | 10-11 | 1.04 | 43,188 | 10.90 | 0.3 |
| 2006 – expire in 2014 | 10-11 | 0.19 | 63,214 | 10.05 | 0.5 |
| 2007 – expire in 2015 | 9-10 | 0.91 | 752,731 | 10.34 | 5.6 |
| 2008 – expire in 2016 | 7-10 | 1.99 | 1,821,399 | 8.77 | 16.3 |
| Total | \$7-11 | 1.62 | 2,695,905 | \$9.28 | \$22.8 |

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16. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss ("AOCL") by component, including items reclassified out of AOCL, were as follows:

| (in thousands) | Three Months Ended March 31, 2014 | | | Total |
|--|---------------------------------------|-------------------------------------|----------|-------------|
| | Gains and Losses on Derivatives | Defined Benefit Pension Items | Other | |
| Beginning balance, December 31, 2013 | \$ (718 |) \$ (80,377 |) \$ 172 | \$ (80,923 |
| Other comprehensive income before reclassifications | — | — | — | — |
| Amounts reclassified from accumulated other comprehensive loss | | | | |
| Interest rate swap ^(a) , net of tax of \$37 | 59 | — | — | 59 |
| Actuarial loss ^(b) , net of tax of \$280 | — | 444 | — | 444 |
| Net current-period other comprehensive income | 59 | 444 | — | 503 |
| Ending balance, March 31, 2014 | \$ (659 |) \$ (79,933 |) \$ 172 | \$ (80,420 |
| | Three Months Ended March 31, 2013 | | | |
| (in thousands) | Gains and Losses on Derivatives | Defined Benefit Pension Items | Other | Total |
| Beginning balance, December 31, 2012 | \$ (1,009 |) \$ (116,188 |) \$ 357 | \$ (116,840 |
| Other comprehensive income before reclassifications | (45 |) — | — | (45 |
| Amounts reclassified from accumulated other comprehensive loss | | | | |
| Interest rate swap ^(a) , net of tax of \$62 | 104 | — | — | 104 |
| Actuarial loss ^(b) , net of tax of \$298 | — | 851 | — | 851 |
| Net current-period other comprehensive income | 59 | 851 | — | 910 |
| Ending balance, March 31, 2013 | \$ (950 |) \$ (115,337 |) \$ 357 | \$ (115,930 |

^(a) Included in interest expense in the Condensed Consolidated Statements of Operations

^(b) Included in defined benefit pension plan expense in the Condensed Consolidated Statements of Operations

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

The E. W. Scripps Company ("Scripps") is a diverse media enterprise with interests in television stations, newspapers and local and national digital media sites. We serve audiences and businesses through a growing portfolio of television, print and digital media brands. We own 19 local television stations, as well as daily newspapers in 13 markets across the United States. We also run an expanding collection of local and national digital journalism and information businesses including digital video news service Newsy. We also produce television programming, run an award-winning investigative reporting newsroom in Washington, D.C., and serve as the longtime steward of one of the nation's largest, most successful and longest-running educational programs, the Scripps National Spelling Bee. This discussion and analysis of financial condition and results of operations is based upon the Condensed Consolidated Financial Statements and the Condensed Notes to the Consolidated Financial Statements. You should read this discussion in conjunction with those financial statements.

Forward-Looking Statements

Certain forward-looking statements related to our businesses are included in this discussion. Those forward-looking statements reflect our current expectations. Forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from the expectations expressed in the forward-looking statements. Such risks, trends and uncertainties, which in most instances are beyond our control, include changes in advertising demand and other economic conditions; consumers' tastes; newsprint prices; program costs; labor relations; technological developments; competitive pressures; interest rates; regulatory rulings; and reliance on third-party vendors for various products and services. The words "believe," "expect," "anticipate," "estimate," "intend" and similar expressions identify forward-looking statements. You should evaluate our forward-looking statements, which are as of the date of this filing, with the understanding of their inherent uncertainty. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date the statement is made.

Executive Overview

Our 2011 addition of nine local television stations in four markets through the acquisition of the television station group owned by McGraw-Hill Broadcasting Company, Inc. ("McGraw-Hill") signified our shift of the balance of the Company's assets toward the television business. We continued this shift with the February 2014 announcement of a definitive agreement to acquire two television stations from Granite Broadcasting Corporation for \$110 million in cash. The acquisition includes a Detroit MyNetworkTV affiliate and a Buffalo, N.Y., ABC affiliate. The acquisition of the Detroit station will create a duopoly with our largest station, ABC affiliate WXYZ-TV. We expect this acquisition to close in the second quarter of 2014.

Our emphasis on positioning our television stations in their markets to be leaders in local news continues to show strong results. In the February 2014 ratings, nine of our stations finished first or second in key adult demographics in at least one of the major local news time periods (6 a.m., 6 p.m. or late news). Seven of our 13 major network-affiliated stations improved their percentage of local news viewing in at least one of these time periods in February 2014. Seven stations improved their market rank in at least one newscast in February compared to the prior year. We believe our emphasis on being the local news leader in our markets will drive stronger operating results.

We continue to see strong results from our programming strategy, lessening our reliance on purchased syndicated shows. We have two original shows — a game show called Let's Ask America and a nightly infotainment magazine called The List — with one or both being aired during the access period between evening news and prime time in eight of our markets. We have the intention of rolling them out in the rest of our markets when commitments to air other programming during that time period expire. We have recently signed a deal to syndicate Let's Ask America in markets nationwide. We are also a partner in another original show called RightThisMinute, a daily news and entertainment program that airs on 12 of our stations.

In our newspaper division, we saw the launch late in the first quarter of 2013 of our bundled-subscription model in our Memphis and Treasure Coast markets. By the end of the third quarter, all of our newspaper markets had rolled out this model. Under our bundled model, subscribers receive access to all of our newspaper content on all platforms. Only limited digital content is available to non-subscribers. We also offer digital-only subscriptions. We are beginning to realize the financial benefits of the bundled subscription model as subscriptions renew and we sell more digital-only subscriptions.

We continue to invest in our digital initiatives. We are hiring and developing digital-only sales personnel, streamlining digital sales processes and creating digital content. We expect these investments to drive digital revenue growth in each of our

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divisions. We hired 20 digital-only sales professionals so far this year and expect to have approximately 30 additional digital-only sales professionals on board by the end of 2014.

We continued our investment in the digital area with the January 2014 acquisition of digital video news provider Media Convergence Group, Inc. which operates as Newsy, for \$35 million in cash. This acquisition fits our digital strategy to run a national news brand that both enhances our local content offerings and gives us more access to the fast-growing digital news audiences and revenues on national platforms. Newsy adds a new dimension to our video news strategy with a multi-platform approach to storytelling specifically geared for digital audiences.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) requires us to make a variety of decisions that affect reported amounts and related disclosures, including the selection of appropriate accounting principles and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions. We are committed to incorporating accounting principles, assumptions and estimates that promote the representational faithfulness, verifiability, neutrality and transparency of the accounting information included in the financial statements.

Note 1 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 describes the significant accounting policies we have selected for use in the preparation of our financial statements and related disclosures. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made and if different estimates that reasonably could have been used or changes in estimates that are likely to occur could materially change the financial statements. We believe the accounting for acquisitions, long-lived assets, goodwill and indefinite-lived intangible assets, income taxes and pension plans to be our most critical accounting policies and estimates. A detailed description of these accounting policies is included in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2013.

There have been no significant changes in those accounting policies or other significant accounting policies.

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Results of Operations

The trends and underlying economic conditions affecting the operating performance and future prospects differ for each of our business segments. Accordingly, you should read the following discussion of our consolidated results of operations in conjunction with the discussion of the operating performance of our business segments that follows.

Consolidated Results of Operations

Consolidated results of operations were as follows:

| (in thousands) | Three Months Ended March 31, | | |
|---|------------------------------|----------|-------------|
| | 2014 | Change | 2013 |
| Operating revenues | \$203,794 | 2.6 | % \$198,653 |
| Employee compensation and benefits | (101,749) |) 1.0 | % (100,699) |
| Programs and program licenses | (12,968) |) 1.3 | % (12,796) |
| Newsprint, press supplies and other printing costs | (12,038) |) (7.0) |)% (12,944) |
| Newspaper distribution | (11,916) |) (2.9) |)% (12,273) |
| Other expenses | (49,748) |) 1.8 | % (48,881) |
| Defined benefit pension plan expense | (1,378) |) (30.0) |)% (1,969) |
| Acquisition and related integration costs | (262) |) | — |
| Separation and restructuring costs | — |) | (976) |
| Depreciation and amortization of intangibles | (11,729) |) | (11,814) |
| (Losses) gains, net on disposal of property, plant and equipment | (68) |) | (5) |
| Operating income (loss) | 1,938 |) | (3,704) |
| Interest expense | (2,254) |) | (2,613) |
| Miscellaneous, net | (445) |) | (1,304) |
| Loss from operations before income taxes | (761) |) | (7,621) |
| Benefit for income taxes | 149 |) | 4,950 |
| Net loss | (612) |) | (2,671) |
| Net loss attributable to noncontrolling interests | — |) | — |
| Net loss attributable to the shareholders of The E.W. Scripps Company | \$(612) |) | \$(2,671) |

Operating revenues increased 2.6% in the first quarter of 2014 compared to 2013. Television revenues increased 5.4% driven by strong local advertising and retransmission revenues and a stronger than expected start to the 2014 political season, while newspaper revenues declined only 1.0%. The first quarter showed improvement in the rate of decline in newspaper operating revenues, which were down slightly from the year ago quarter, driven by increases in subscription revenue from print and digital subscription bundles along with targeted price increases. This is the third consecutive quarter we saw a rise in subscription revenue.

Employee compensation and benefits increased 1.0% in the first quarter of 2014. Employee compensation and benefits associated with supporting our digital operations increased year-to-date costs by approximately \$2.9 million while employee related costs in our newspaper segment were down due to lower employment levels.

Programs and program licenses increased by 1.3% for the first quarter of 2014, primarily due to a \$1.2 million increase in fees we pay under our network affiliation agreements, which require us to pay a portion of retransmission revenues above a threshold to the network. This was primarily off-set by a \$0.9 million reduction in our costs for syndicated programming as more of our stations replaced syndicated programming with internally produced programming.

Newsprint, press supplies and other printing costs declined by 7% in the first quarter of 2014 primarily due to lower expenditures for newsprint. Average newsprint prices decreased nearly 9% and newsprint consumption decreased 2%

for the three months ended March 31, 2014.

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Newspaper distribution costs decreased by 2.9% in the first quarter of 2014 compared to the first quarter of 2013 as a result of lower net paid circulation levels. A large portion of our distribution costs are variable and increase or decrease in relation to our circulation levels.

Other expense is comprised of the following:

| (in thousands) | Three Months Ended March 31, | | |
|---------------------------------|------------------------------|--------|------------|
| | 2014 | Change | 2013 |
| Facilities rent and maintenance | \$10,232 | 0.2 | % \$10,216 |
| Purchased news and content | 3,664 | (5.3 |)% 3,871 |
| Marketing and promotion | 3,034 | (13.9 |)% 3,523 |
| Miscellaneous costs | 32,818 | 4.9 | % 31,271 |
| Total other expenses | \$49,748 | 1.8 | % \$48,881 |

Miscellaneous costs increased primarily from costs to support our digital initiatives.

Acquisition and related integration costs for the first quarter of 2014 are related to the acquisition of Newsy on January 1, 2014.

Separation and restructuring costs were \$1.0 million in the first quarter of 2013 related to costs associated with the implementation of common advertising and circulation systems. We are in the final stages of these system implementations and these costs are now included in segment operating results.

Interest expense decreased in 2014 due to a decline in our borrowing rate when we refinanced our debt in the fourth quarter of 2013.

The effective income tax rate was 19.6% and 65.0% for the three months ended March 31, 2014 and 2013, respectively. The impact of state and local taxes and non-deductible expenses has made our effective rate volatile due to relatively small amounts of pretax income or loss in each of the reporting periods. In addition, our effective income tax rates for 2013 were impacted by tax settlements and changes in our reserve for uncertain tax positions. In 2013, we recognized \$1.1 million of previously unrecognized tax benefits upon settlement of tax audits or upon the lapse of the statute of limitations in certain jurisdictions.

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Business Segment Results — As discussed in the Condensed Notes to the Consolidated Financial Statements, our chief operating decision maker evaluates the operating performance of our business segments using a measure called segment profit. Segment profit excludes interest, defined benefit pension plan expense (other than current service cost), income taxes, depreciation and amortization, impairment charges, divested operating units, restructuring activities, investment results and certain other items that are included in net income (loss) determined in accordance with accounting principles generally accepted in the United States of America.

Items excluded from segment profit generally result from decisions made in prior periods or from decisions made by corporate executives rather than the managers of the business segments. Depreciation and amortization charges are the result of decisions made in prior periods regarding the allocation of resources and are therefore excluded from the measure. Generally, our corporate executives make financing, tax structure and divestiture decisions. Excluding these items from measurement of our business segment performance enables us to evaluate business segment operating performance based upon current economic conditions and decisions made by the managers of those business segments in the current period.

We allocate a portion of certain corporate costs and expenses, including information technology, certain employee benefits, digital operation services and other shared services, to our business segments. The allocations are generally amounts agreed upon by management, which may differ from an arms-length amount. Corporate assets are primarily cash and cash equivalents, restricted cash, property and equipment primarily used for corporate purposes, and deferred income taxes. A portion of our digital operations, which is not allocated to our television and newspaper segments, is included in shared services and corporate.

Information regarding the operating performance of our business segments and a reconciliation of such information to the consolidated financial statements is as follows:

| (in thousands) | Three Months Ended March 31, | | |
|--|------------------------------|--------|--------------|
| | 2014 | Change | 2013 |
| Segment operating revenues: | | | |
| Television | \$ 102,142 | 5.4 | % \$ 96,866 |
| Newspapers | 98,490 | (1.0 |)% 99,488 |
| Syndication and other | 3,162 | 37.5 | % 2,299 |
| Total operating revenues | \$ 203,794 | 2.6 | % \$ 198,653 |
| Segment profit (loss): | | | |
| Television | \$ 20,972 | 27.2 | % \$ 16,492 |
| Newspapers | 8,549 | 44.0 | % 5,937 |
| Syndication and other | 212 | (55.6 |)% 478 |
| Shared services and corporate | (14,358 |) 21.2 | % (11,847) |
| Defined benefit pension plan expense | (1,378 |) | (1,969) |
| Acquisition and related integration costs | (262 |) | — |
| Separation and restructuring costs | — | | (976) |
| Depreciation and amortization of intangibles | (11,729 |) | (11,814) |
| (Losses) gains, net on disposal of property, plant and equipment | (68 |) | (5) |
| Interest expense | (2,254 |) | (2,613) |
| Miscellaneous, net | (445 |) | (1,304) |
| Loss from operations before income taxes | \$(761 |) | \$(7,621) |

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Television — Our television segment includes 10 ABC-affiliated stations, three NBC-affiliated stations, one independent station that we operate as a duopoly with our Kansas City NBC affiliate and five Azteca America affiliates. Our television stations reach approximately 13% of the nation's households. Our television stations earn revenue primarily from the sale of advertising time to local and national advertisers and retransmission fees received from cable operators and satellite carriers.

National television networks offer affiliates a variety of programs and sell the majority of advertising within those programs. In addition to network programs, we broadcast locally produced programs, syndicated programs, sporting events, and other programs of interest in each station's market. News is the primary focus of our locally-produced programming.

The operating performance of our television group is most affected by local and national economic conditions, particularly conditions within the automotive, services and retail categories, and by the volume of advertising time purchased by campaigns for elective office and political issues. The demand for political advertising is significantly higher in the third and fourth quarters of even-numbered years.

Operating results for our television segment were as follows:

| (in thousands) | Three Months Ended March 31, | | |
|------------------------------------|------------------------------|--------|------------|
| | 2014 | Change | 2013 |
| Segment operating revenues: | | | |
| Local | \$55,634 | 3.7 | % \$53,655 |
| National | 25,372 | (5.5 |)% 26,862 |
| Political | 2,681 | | 329 |
| Retransmission | 12,474 | 19.5 | % 10,442 |
| Digital | 4,405 | 16.7 | % 3,776 |
| Other | 1,576 | (12.5 |)% 1,802 |
| Total operating revenues | 102,142 | 5.4 | % 96,866 |
| Segment costs and expenses: | | | |
| Employee compensation and benefits | 45,640 | 1.0 | % 45,168 |
| Programs and program licenses | 12,968 | 1.3 | % 12,796 |
| Other expenses | 22,562 | 0.7 | % 22,410 |
| Total costs and expenses | 81,170 | 1.0 | % 80,374 |
| Segment profit | \$20,972 | 27.2 | % \$16,492 |
| Revenues | | | |

Total television revenues increased 5.4% in the first quarter of 2014 primarily due to a \$2.0 million increase in both local advertising and retransmission revenues and \$2.4 million of incremental political revenue in the 2014 quarter as well as \$1.7 million in incremental revenue from Winter Olympics advertising on our three NBC-affiliated stations.

Retransmission revenues increased nearly 20% due to contractual rate increases. During 2014, we will renegotiate retransmission agreements covering approximately 5.6 million subscribers and expect our retransmission revenues to grow substantially as a result of the increased rates. Many factors can impact the revenues we will receive from renewals, including competitive conditions, governmental regulations and cable and television industry consolidation.

On February 13, 2014, Comcast and Time Warner Cable announced their agreement to merge. About one-third of the approximately 14.5 million Scripps cable subscribers are customers of Comcast or Time Warner. In addition, Time Warner negotiates on behalf of cable provider Bright House for about 900,000 subscribers in Scripps markets. The Scripps/Time Warner retransmission agreement, which covers approximately 2.9 million subscribers (including the Bright House subscribers), expires at the end of 2015. The Scripps/Comcast retransmission agreement, which covers approximately 2.6 million subscribers, expires at the end of 2019. Any Time Warner cable systems in the Scripps markets ultimately acquired by Comcast in the merger would become subject to the Scripps/Comcast retransmission

agreement. The proposed merger would not affect retransmission revenues we receive in 2014 and 2015. In May, details were released by Comcast about the cable systems that it expects to divest to Charter Communications as part of the merger transaction. About 2 million of the proposed divested households are in our markets (Detroit, Indianapolis, Cleveland and Cincinnati) and would fall under our contract with Charter Communications which comes up for renewal at the end of this year. The impact of this depends on when the merger

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between Comcast and Time Warner is completed, as well as the dollar amount of the rates we negotiate with Charter. The contract for the 900,000 Bright House subscribers expires at the end of 2015 and we believe that those subscribers will not be included under our Comcast retransmission agreement.

Digital revenues increased 17%, or \$0.6 million, in the first quarter of 2014 as we continued our focus on increasing digital advertising revenues with an expanded sales force.

Costs and expenses

Total costs and expenses increased slightly, primarily driven by higher employee related costs.

Programs and program licenses increased by 1.3% in the first quarter of 2014 primarily due to a \$1.2 million increase in fees we pay under our network affiliation agreements, which require us to pay a portion of retransmission revenues above a threshold to the network. This was partially off-set by a \$0.9 million reduction in our costs for syndicated programming as more of our stations replaced syndicated programming with internally produced programming.

Our television segment receives a cross charge for services provided by the digital operations group, as well as allocated shared service and corporate costs. A \$1.5 million increase in the cross charge was offset by decreases in various other operating expenses.

Newspapers — We operate daily and community newspapers in 13 markets across the United States. Our newspapers earn revenue primarily from the sale of advertising to local and national advertisers and newspaper subscription fees. Our newspapers operate in mid-size markets, focusing on news coverage within their local markets. Advertising and subscription revenues provide substantially all of the operating revenues for each newspaper market and employee, newspaper distribution and newsprint costs are the primary expenses at each newspaper. The operating performance of our newspapers is most affected by local and national economic conditions, particularly within the retail, labor, housing and automotive markets, as well as newsprint prices.

Operating results for our newspaper segment were as follows:

| (in thousands) | Three Months Ended March 31, | | |
|--|------------------------------|----------|-----------|
| | 2014 | Change | 2013 |
| Segment operating revenues: | | | |
| Local | \$ 19,299 | (4.8)% | \$ 20,279 |
| Classified | 17,249 | (5.0)% | 18,164 |
| National | 1,448 | (25.5)% | 1,943 |
| Preprint and other | 15,635 | (3.9)% | 16,262 |
| Digital advertising and marketing services | 6,285 | (5.6)% | 6,660 |
| Advertising and marketing services | 59,916 | (5.4)% | 63,308 |
| Subscriptions | 32,299 | 6.0 % | 30,471 |
| Other | 6,275 | 9.9 % | 5,709 |
| Total operating revenues | 98,490 | (1.0)% | 99,488 |
| Segment costs and expenses: | | | |
| Employee compensation and benefits | 40,050 | (8.0)% | 43,517 |
| Newsprint, press supplies and other printing costs | 12,038 | (7.0)% | 12,944 |
| Distribution | 11,916 | (2.9)% | 12,273 |
| Other expenses | 25,937 | 4.5 % | 24,817 |
| Total costs and expenses | 89,941 | (3.9)% | 93,551 |
| Segment profit | \$ 8,549 | 44.0 % | \$ 5,937 |

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Revenues

Total newspaper revenues decreased 1% year-over-year. Advertising and marketing services revenues decreased 5.4% in the first quarter of 2014, which was partially offset by an increase in subscription revenue from print and digital subscription bundles and targeted price increases. This is the third consecutive quarter the Company saw a rise in subscription revenue.

Advertising and marketing services declined primarily as a result of continued secular changes in the demand for print advertising. Automotive classified advertising, as well as both local and national advertising, remained particularly weak during the quarter.

Subscriptions include fees paid by readers for access to our content in print and digital formats. We completed the launch of our bundled subscription model in the third quarter of 2013. Under our bundled offerings, subscribers receive access to all of our newspaper content on all platforms, and only limited digital content is available to non-subscribers. We also offer digital-only subscriptions. Subscription revenue increased in the first quarter by 6.0% which was driven by the rollout of our bundled subscription model, increases in single-copy prices and digital-only subscriptions. We are beginning to realize financial benefits of the bundled subscription model as subscriptions renew and we sell more digital-only subscriptions.

Other operating revenues, including commercial printing and distribution services, increased by \$0.6 million, or 9.9%, for the first quarter of 2014.

Costs and expenses

Employee compensation and benefits decreased approximately \$3.5 million, or 8%, primarily due to lower employment levels year-over-year. We had approximately 6% fewer newspaper employees in 2014 as compared to 2013.

Newsprint, press supplies and other printing costs declined by 7% for the first quarter of 2014 primarily due to lower expenditures for newsprint. Average newsprint prices decreased nearly 9% and newsprint consumption decreased 2% for the three months ended March 31, 2014.

Distribution costs decreased by 2.9% in the first quarter of 2014 compared to the first quarter of 2013 as a result of lower net paid circulation levels. A large portion of our distribution costs are variable and increase or decrease in relation to our circulation levels.

Other expenses increased by 4.5% for the 2014 quarter. Our newspaper segment receives a cross charge for services provided by the digital operations group, as well as allocated shared service and corporate costs. An increase in the cross charge of \$3.7 million was partially offset by a \$2.6 million decrease in various other operating expenses.

Shared services and corporate

We centrally provide certain services to our business segments. Such services include accounting, tax, cash management, procurement, human resources, employee benefits and information technology. The business segments are allocated costs for such services at amounts agreed upon by management. Such allocated costs may differ from amounts that might be negotiated at arms-length. Costs for such services that are not allocated to the business segments are included in shared services and corporate costs. Shared services and corporate also includes unallocated corporate costs, including costs associated with being a public company.

Shared services and corporate expenses were \$14.4 million in the first quarter of 2014 and \$11.8 million in the first quarter of 2013. Incremental costs to hire and develop digital-only sales professionals, streamline the digital sales processes, and create digital content that were not allocated to our television and newspaper divisions increased \$1.9 million in 2014.

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Liquidity and Capital Resources

Our primary source of liquidity is our available cash and borrowing capacity under our revolving credit facility.

Operating activities

Cash flows from operating activities for the three months ended March 31 is as follows:

| (in thousands) | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2014 | 2013 |
| Cash Flows from Operating Activities: | | |
| Net loss | \$(612 |) \$(2,671 |
| Adjustments to reconcile net loss to net cash flows from operating activities: | | |
| Depreciation and amortization | 11,729 | 11,814 |
| Deferred income taxes | (304 |) (377 |
| Stock and deferred compensation plans | 2,941 | 4,132 |
| Pension expense, net of payments | 1,021 | 1,405 |
| Other changes in certain working capital accounts, net | 14,640 | (26,474 |
| Miscellaneous, net | 45 | 1,253 |
| Net cash provided by (used in) operating activities | \$29,460 | \$(10,918 |

The \$40 million increase in cash provided by operating activities was primarily attributable to changes in working capital in each of the periods and higher segment profit in 2014 compared to 2013. The primary factors affecting changes in working capital are described below.

Accounts receivable collections increased \$14.1 million in 2014 primarily due to the high level of political advertising, which is paid in advance, in the fourth quarter of 2012, resulting in lower collections in the following year.

The accrual of annual incentive compensation, net of the payment of amounts earned in the prior year, decreased working capital by \$2.5 million in 2014 and decreased working capital by \$11.9 million in 2013.

Investing activities

Cash flows from investing activities for the three months ended March 31 is as follows:

| (in thousands) | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2014 | 2013 |
| Cash Flows from Investing Activities: | | |
| Acquisitions | \$(46,000 |) \$— |
| Additions to property, plant and equipment | (2,584 |) (4,979 |
| Purchase of investments | (153 |) (1,125 |
| Change in restricted cash | 1,400 | 1,800 |
| Miscellaneous, net | 361 | 70 |
| Net cash used in investing activities | \$(46,976 |) \$(4,234 |

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In 2014 and 2013 we used \$47.0 million and \$4.2 million, respectively, in cash for investing activities. The primary factors affecting our investing activities for the periods are described below.

On January 1, 2014 we completed our acquisition of Media Convergence Group, Inc., which operates as Newsy, a digital video news provider, for \$35 million in cash.

On February 9, 2014, we entered into a definitive agreement to acquire two television stations owned by Granite Broadcasting Corporation. In connection with entering into the agreement to acquire the stations, we were required to pay \$11 million into an escrow account.

Capital expenditures decreased \$2.4 million year-over year primarily due to increased investments in our digital operations in the first quarter of 2013. We expect total capital expenditures for the remainder of 2014 to be approximately \$20 million.

Financing activities

Cash flows from financing activities for the three months ended March 31 is as follows:

| (in thousands) | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 2014 | 2013 |
| Cash Flows from Financing Activities: | | |
| Payments on long-term debt | \$(500) | \$(3,975) |
| Repurchase of Class A Common shares | (17,828) | (10,648) |
| Proceeds from employee stock options | 6,855 | 15,565 |
| Tax payments related to shares withheld for RSUs | (3,835) | (5,906) |
| Miscellaneous, net | (1,312) | (1,326) |
| Net cash used in financing activities | \$(16,620) | \$(6,290) |

In 2014 and 2013 we used cash for financing activities of \$16.6 million and \$6.3 million, respectively. The primary factors affecting our financing activities for the years are described below.

We have a \$275 million revolving credit and term loan agreement (“Financing Agreement”). The Financing Agreement includes a \$200 million term loan B maturing in November 2020 and a \$75 million revolving credit facility maturing in November 2018. There were no borrowings under the revolving credit agreements in any of the years.

The Financing Agreement includes the maintenance of a net leverage ratio if we borrow more than 20% on the revolving credit facility. The term loan B requires that if we borrow additional amounts or make a permitted acquisition that we cannot exceed a stated net leverage ratio on a pro forma basis at the date of the transaction. We were in compliance with all financial covenants in our financing agreements at March 31, 2014 and December 31, 2013.

The Financing Agreement also includes a provision that in certain circumstances we must use a portion of excess cash flow to repay debt. As of March 31, 2014, we were not required to make additional principal payments based on excess cash flow.

In November 2012, our board of directors authorized a repurchase program of up to \$100 million of our Class A Common shares through December 2014. Shares may be repurchased from time to time at management's discretion, either in the open market, through pre-arranged trading plans or in privately negotiated block transactions. We repurchased \$17.8 million of shares under this authorization in 2014 and \$10.6 million of shares in 2013.

In May 2014, our board of directors authorized a new repurchase program of up to \$100 million of our Class A Common shares through December 2016.

In 2014, we received \$6.9 million of proceeds from the exercise of employee stock options compared to \$15.6 million in 2013. Our employees currently hold options to purchase 2.7 million shares at exercise prices between \$6.63 and \$11.04 per share.

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Other

We have met our funding requirements for our defined benefit pension plans under the provisions of the Pension Funding Equity Act of 2004 and the Pension Protection Act of 2006. We expect to contribute \$0.6 million in the remainder of 2014 to our defined benefit pension plans, primarily to fund benefit payments under the Supplemental Executive Retirement Plan.

We expect that our cash and cash flow from operating activities will be sufficient to meet our operating and capital needs over the next 12 months.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-Balance Sheet Arrangements

There have been no material changes to the off-balance sheet arrangements disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

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Quantitative and Qualitative Disclosures About Market Risk

Earnings and cash flow can be affected by, among other things, economic conditions and interest rate changes. We are also exposed to changes in the market value of our investments.

Our objectives in managing interest rate risk are to limit the impact of interest rate changes on our earnings and cash flows and to reduce overall borrowing costs.

The following table presents additional information about market-risk-sensitive financial instruments:

| (in thousands) | As of March 31, 2014 | | As of December 31, 2013 | |
|--|----------------------|------------|-------------------------|------------|
| | Cost Basis | Fair Value | Cost Basis | Fair Value |
| Financial instruments subject to interest rate risk: | | | | |
| Variable rate credit facilities | \$— | \$— | \$— | \$— |
| Term loan | 199,500 | 199,500 | 200,000 | 200,000 |
| Total long-term debt including current portion | \$ 199,500 | \$ 199,500 | \$ 200,000 | \$ 200,000 |
| Interest rate swap | \$ 674 | \$ 674 | \$ 723 | \$ 723 |
| Financial instruments subject to market value risk: | | | | |
| Investments held at cost | \$ 11,329 | (a) | \$ 11,724 | (a) |

(a) Includes securities that do not trade in public markets so the securities do not have readily determinable fair values. We estimate the fair value of these securities approximates their carrying value. There can be no assurance that we would realize the carrying value upon sale of the securities.

We may utilize interest rate swaps to manage our interest expense exposure by fixing our interest rate on portions of our floating rate term loan. We have entered into a \$75 million notional value interest rate swap expiring in March 2016 which provides for a fixed interest rate of 1.08%. We did not provide or receive any collateral for this contract. The fair value of this financial derivative is based on quoted market prices which reflect the present values of the difference between estimated future variable-rate receipts and future fixed-rate payments. Upon refinancing our term loan B in November 2013, this hedge no longer qualifies as a cash flow hedge.

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Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Scripps management is responsible for establishing and maintaining adequate internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Company’s internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error, collusion and the improper overriding of controls by management. Accordingly, even effective internal control can only provide reasonable but not absolute assurance with respect to financial statement preparation.

Further, because of changes in conditions, the effectiveness of internal control may vary over time.

The effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) was evaluated as of the date of the financial statements. This evaluation was carried out under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures are effective.

There were no changes to the Company's internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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The E. W. Scripps Company

Index to Exhibits

| Exhibit Number | Exhibit Description |
|----------------|---|
| 31(A) | Section 302 Certifications |
| 31(B) | Section 302 Certifications |
| 32(A) | Section 906 Certifications |
| 32(B) | Section 906 Certifications |
| 101.INS | XBRL Instance Document (furnished herewith) |
| 101.SCH | XBRL Taxonomy Extension Schema Document (furnished herewith) |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document (furnished herewith) |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document (furnished herewith) |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document (furnished herewith) |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document (furnished herewith) |

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