MEDIA GENERAL INC
Form DEF 14A
March 13, 2007

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

# Media General, Inc.

**(Name of Registrant as Specified In Its Charter)**

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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Notice of 2007

Annual Meeting

and

Proxy Statement

Thursday, April 26, 2007

11:00 a.m.

Richmond Newspapers Production Facility

8460 Times-Dispatch Boulevard

Mechanicsville, Virginia

March 13, 2007

Dear Stockholder:

I m pleased to forward our 2007 Proxy Statement as I cordially invite you to attend Media General s 2007 Annual Meeting on Thursday, April 26, 2007.

You will find several changes in this year s Proxy Statement, including an expanded discussion on executive compensation. Beginning at Page 8, we have provided an overview of the Company s compensation philosophy, and we have described how those philosophical principles translate to particular compensation programs. We then explain how these programs are affected by the Company s performance and results. More extensive tables provide detail on the elements of 2006 total compensation for our Chief Executive Officer, our Chief Financial Officer and several other senior executives, including me. There is a similar discussion of the objectives behind, and the details of, the compensation for our Directors, a significant majority of whom are not employees of the Company.

In addition to the annual election of Directors, we again are seeking Stockholders approval for amendments to our Long-Term Incentive Plan. Stockholders declined to make similar changes last year. The new proposal contains significant differences and would neutralize issues related to Stockholder dilution. This proposal makes good business sense, and the Board of Directors and I strongly recommend it to you. Finally, we are asking our Class B Stockholders, as provided in our Articles of Incorporation, to ratify the Audit Committee s appointment of Ernst & Young as the Company s independent registered public accountants for our 2007 fiscal year.

**Our Annual Meeting will be held at the Richmond Newspapers Production Facility, 8460 Times-Dispatch Boulevard (a right turn off U.S. 301, just north of its intersection with I-295), Mechanicsville, Virginia.**

I look forward to seeing you on April 26.

Yours sincerely,

J. Stewart Bryan III

**Publishing Broadcast Interactive Media**

## NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS

*To the Class A and Class B Common Stockholders*

*of Media General, Inc.*

Please take notice that the 2007 Annual Meeting of Stockholders of Media General, Inc., will be held at the **Richmond Newspapers Production Facility, 8460 Times-Dispatch Boulevard (a right turn off U.S. 301, just north of its intersection with I-295), Mechanicsville, Virginia, on Thursday, April 26, 2007, at 11:00 a.m.** for the following purposes:

1. To elect a Board of Directors for the ensuing year;

2. To approve amendments to the Media General, Inc., 1995 Long-Term Incentive Plan;

3. To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accountants for fiscal 2007; and

4. To act upon such other matters as properly may come before the meeting.

Holders of the Company s Class A and Class B Common Stock of record at the close of business on February 23, 2007, are entitled to notice of and to vote at the meeting.

Your attention is directed to the accompanying Proxy Statement.

By Order of the Board of Directors

George L. Mahoney, *Secretary*

Richmond, Virginia

March 13, 2007

**Stockholders are requested to vote by the Internet, by telephone or by completing and returning the accompanying proxy card in the envelope provided, whether or not they expect to attend the meeting in person. Internet and telephone voting facilities will close at 11:00 a.m. E.S.T. on April 25, 2007. A proxy may be revoked at any time before it is voted.**

# PROXY STATEMENT

## 2007 Annual Meeting of Stockholders

### SOLICITATION OF PROXIES

This statement is furnished in connection with the solicitation of proxies by the Board of Directors of Media General, Inc. (the Company), to be used at the 2007 Annual Meeting of Stockholders to be held at the **Richmond Newspapers Production Facility, 8460 Times-Dispatch Boulevard (a right turn off U.S. 301, just north of its intersection with I-295), Mechanicsville, Virginia, on Thursday, April 26, 2007, at 11:00 a.m.** All shares entitled to vote and represented by properly completed proxies received prior to the meeting and not revoked will be voted at the meeting in accordance with instructions. Internet and telephone voting facilities will close at 11:00 a.m. E.S.T. on April 25, 2007. A proxy may be revoked by a Stockholder at any time before it is voted.

The Annual Report to the Stockholders of the Company, including financial statements for the fiscal year ended December 31, 2006, and this Proxy Statement and accompanying proxy card, are being mailed to Stockholders on or about March 13, 2007.

### VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Company had outstanding 23,570,022 shares of Class A Common Stock (Class A Stock) and 555,992 shares of Class B Common Stock (Class B Stock) as of February 23, 2007. Only holders of record at the close of business on such date will be entitled to vote, and each share of Class A or Class B Stock will be entitled to one vote on each matter as to which such class is entitled to vote.

The following table shows the stock ownership as of the most recent practicable date of all persons known by the Company to have been the beneficial owners of more than 5% of the outstanding shares of any class of the Company s securities and the stock ownership of the directors and officers of the Company as a group. All such information is based on information furnished by or on behalf of the persons listed, who have sole voting power and sole dispositive power as to all shares of Class A and Class B Stock listed unless noted to the contrary.

| Name and Address of Beneficial Holder | Title of Class | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|---|
| J. Stewart Bryan III | Class A | 1,296,563(1) | 5.5% |
| 333 East Franklin Street | Class B | 466,162(1) | 83.8% |
| Richmond, VA 23219 | | | |
| Jane Bryan Brockenbrough | Class B | 55,580(2) | 10.0% |
| c/o Bryan Brothers | | | |
| 1802 Bayberry Court, Suite 302 | | | |
| Richmond, VA 23226 | | | |
| Mario J. Gabelli | Class A | 4,818,678(3) | 20.4% |

One Corporate Center
Rye, NY 10580

| Name and Address of Beneficial Holder | Title of Class | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|---|
| Private Capital Management, L.P.<br>8889 Pelican Bay Blvd.<br>Naples, FL 34108 | Class A | 2,931,522(4) | 12.4% |
| Fidelity Investments Institutional Operations Company, Inc.<br>82 Devonshire Street<br>Boston, MA 02109 | Class A | 1,757,498(5) | 7.5% |
| Barclays Global Investors, NA<br>45 Fremont Street<br>San Francisco, CA 94105 | Class A | 1,184,994(6) | 5.0% |
| All directors and executive officers as a group | Class A<br>Class B | 2,177,591(7)<br>466,162 | 9.2%<br>83.8% |

(1) The shares listed for J. Stewart Bryan III include 51,777 shares of Class A Stock held (as of January 31, 2007) for his benefit by the MG Advantage 401(k) Plan (the 401(k) Plan), 161,200 shares of Class A Stock registered in his name under the Media General, Inc., Restricted Stock Plan, 270,067 shares of Class A Stock subject to currently exercisable options, 811,530 shares of Class A Stock held by trusts of which Mr. Bryan serves as a fiduciary and shares in the control of the voting and disposition of the shares, and 466,162 shares of Class B Stock held by the D. Tennant Bryan Media Trust, of which Mr. Bryan serves as sole trustee. Mr. Bryan and the Media Trust constitute a group for certain purposes.

(2) Jane Bryan Brockenbrough additionally has sole voting and dispositive power as to 5,000 shares of Class A Stock.

(3) According to a Schedule 13D filed by Mario J. Gabelli and related entities, as amended on December 12, 2006, the shares listed include shares beneficially owned by Mr. Gabelli or entities under his direct or indirect control, including 3,129,798 shares beneficially owned by GAMCO Asset Management, Inc. (GAMCO), 1,685,500 shares beneficially owned by Gabelli Funds, LLC (Gabelli Funds), 1,000 shares beneficially owned by MJG Associates, Inc. (MJG), 2,000 shares beneficially owned by Gabelli Securities, Inc. (GSI) and 380 shares issuable upon conversion of Class B Stock beneficially owned by Gabelli International Limited (GIL). All such shares are also beneficially owned by Mr. Gabelli and by Gabelli Group Capital Partners, Inc., and GAMCO Investors, Inc., parent companies of GAMCO, Gabelli Funds and GSI. According to the Schedule 13D, each of Mr. Gabelli, GAMCO, the Gabelli Funds and GSI and their parent companies, and MJG and GIL, has sole dispositive and voting power over all of the shares he or it beneficially owns except that (a) GAMCO does not have authority to vote 106,700 shares beneficially owned by it and (b) if the aggregate voting power of Mr. Gabelli and his related entities should exceed 25% of the voting interest in the Company, the shares beneficially owned by Gabelli Funds will be voted by a proxy voting committee for each of the approximately 25 funds to which the Gabelli Funds provide discretionary managed account services.

(4) According to a Schedule 13G filed by Private Capital Management (PCM) and related persons, as amended on February 14, 2007, PCM exercises shared voting and dispositive power with respect to 2,911,322 of the shares listed, and it has sole voting and dispositive power over 20,200 of the shares.

(5) Fidelity Investments serves as trustee of the 401(k) Plan, and the 1,757,498 Class A shares held as of January 31, 2007, are held in that capacity. The 401(k) Plan provides that shares held for the 401(k) Plan are to be voted by the trustee in the same proportion as instructions received from participants. Subject to certain restrictions, participants have the right to direct the disposition of shares of Class A Stock held for their benefit by the 401(k) Plan.

(6) According to a Schedule 13G filed on January 23, 2007, by Barclays Global Investors, NA (Barclays) and related entities, Barclays and its related entities have sole dispositive power over all, and sole voting power over 1,048,065, of the shares listed.

(7) Of this total, 1,666 Class A shares are pledged as security. An aggregate of 723,471 Class A shares are subject to currently exercisable stock options. Please see the following table for the holdings of the Company s Chief Executive Officer, its Chief Financial Officer, its three other highly compensated officers listed in the Summary Compensation Table and its Outside Directors.

| | **Number and Percentage* of Shares Beneficially Owned February 23, 2007** | | | |
|---|---|---|---|---|
| **Name** | **Class A** | **%** | **Class B** | **%** |
| *Named Executive Officers (a)* | | | | |
| J. Stewart Bryan III, Chairman (b) | 1,296,563 | 5.5% | 466,162 | 83.8% |
| Marshall N. Morton, President and Chief Executive Officer and Director (c) | 247,313 | 1.1% | | |
| O. Reid Ashe, Jr., Executive Vice President and Chief Operating Officer and Director (d) | 148,196 | | | |
| H. Graham Woodlief, Vice President (e) | 113,030 | | | |
| John A. Schauss, Vice President-Finance and Chief Financial Officer (f) | 29,737 | | | |
| *Outside Directors (g)* | | | | |
| Diana F. Cantor | 1,971 | | | |
| Charles A. Davis | 39,630 | | | |
| Thompson L. Rankin | 13,514 | | | |
| Rodney A. Smolla | 761 | | | |
| Walter E. Williams | 10,133 | | | |
| Coleman Wortham, III | 14,961 | | | |

* Percentages of stock ownership less than one percent are not shown.

(a) Includes shares held in the 401(k) Plan as of January 31, 2007.

(b) For further information as to stock held by Mr. Bryan, see Note 1 above.

(c) Shares listed for Mr. Morton include 136,801 shares subject to currently exercisable options and 85,600 shares registered in his name under the Restricted Stock Plan.

(d) Shares listed for Mr. Ashe include 84,000 shares subject to currently exercisable options and 59,800 shares registered in his name under the Restricted Stock Plan. Mr. Ashe is co-trustee, along with his wife, of 2,840 shares held in a revocable trust.

(e) Shares listed for Mr. Woodlief include 65,167 shares subject to currently exercisable options and 41,700 shares registered in his name under the Restricted Stock Plan.

(f) Shares listed for Mr. Schauss include 15,500 shares subject to currently exercisable options and 13,000 shares registered in his name under the Restricted Stock Plan.

(g) Includes deferred Class A Stock units credited, as of December 31, 2006, to non-employee Directors accounts pursuant to the Media General, Inc., Directors Deferred Compensation Plan as indicated in Director Compensation.

**Board of Directors and Committees of the Board**

The Board of Directors held six meetings during 2006. The Company s non-management Directors meet in executive session (that is, without Messrs. Ashe, Bryan and Morton) following regularly scheduled Board meetings. The chair is rotated alphabetically for each executive session.

The standing committees of the Board of Directors are the Executive Committee, the Audit Committee, the Compensation Committee and the Nominating & Governance Committee. The charters of these committees are available on the Company s website, *www.mediageneral.com*, and in print from the Investor Relations Department.

The Executive Committee presently consists of Messrs. Ashe, Bryan, Morton and Wortham. The Executive Committee is empowered, with certain limitations, to exercise all of the powers of the Board of Directors when the full Board is not in session. The Executive Committee did not meet in 2006.

The Audit Committee presently consists of Mrs. Cantor and Messrs. Rankin and Williams, each of whom is independent under the rules of the Securities and Exchange Commission and the New York Stock Exchange and, as detailed later, each of whom additionally is an audit committee financial expert. This committee, established in accordance with the Securities Exchange Act of 1934 (Exchange Act), oversees the audit function of the Company, both with regard to its internal auditors and its independent registered public accounting firm. In this capacity, the committee meets with these internal and independent auditors, has sole authority to retain and terminate the Company s independent auditors and reviews all quarterly and annual SEC filings made by the Company. The Audit Committee met five times during 2006.

The Compensation Committee presently consists of Messrs. Davis, Smolla and Wortham. All of the members of the Committee are, and during 2006 were, independent under the rules of the NYSE. This committee has general responsibility for employee compensation and makes recommendations to the Board with respect to the compensation of all Directors, officers and other key executives, including incentive-compensation plans and equity-based plans. In fulfilling its responsibilities, the Committee receives recommendations from the Chief Executive Officer, and, based on project-specific instructions, it receives from Towers Perrin, the compensation consultants it has retained directly, reports and recommendations on both short-term and long-term executive and Director compensation matters as well as on special subjects such as compensation issues associated with the Company s CEO transition from Mr. Bryan to Mr. Morton. The Committee s responsibilities, which are more fully described in its Charter, may not be delegated. The Compensation Committee met two times during 2006.

The Nominating & Governance Committee was established in 2007 and consists of Mrs. Cantor and Messrs. Smolla and Wortham. All of the members of the Committee are independent under the rules of the NYSE. The Committee assists the Board with the identification and consideration of, and recommends to the Board, candidates qualified to become nominees for election as Directors of the Company. It additionally is responsible for developing policies and practices relating to corporate governance, including the Company s Principles of Corporate Governance and its Code of Business Conduct and Ethics.

**Director Independence**

The Board affirmatively has determined that each of its current non-management members has no material relationship with the Company and qualifies as independent under both the NYSE rules and the Company s Director Independence Standards, which are categorical standards utilized by the Board in determining whether a Director has such a relationship with the Company. In making its independence determinations, the Board was not aware of any transactions, relationships or arrangements between the Company and the Directors it determined to be independent. Specifically, the Board has determined that Diana F. Cantor, Charles A. Davis, Thompson L. Rankin, Rodney A. Smolla, Walter E. Williams and Coleman Wortham III are independent. The Board s policy on related person transactions is attached hereto as Appendix A, and the Company s Director Independence standards are available at the Company website, *www.mediageneral.com.*

By virtue of Mr. Bryan s voting control over approximately 84% of the Class B Stock, the Board could determine, and in prior years has determined, that the Company constitutes a controlled company under the rules of the NYSE, meaning that the Company would not be required to have a majority of independent directors, nor would it be required to maintain compensation and nominating committees comprised solely of independent directors. The Board, however, has chosen a different approach; instead, a significant majority of the Company s Directors are independent, and as described previously, the Board maintains Audit, Compensation and Nominating & Governance Committees comprised solely of independent Directors.

**Audit Committee Financial Experts**

The Board of Directors has determined that all of the members of the Audit Committee are audit committee financial experts in accordance with applicable SEC rules. In reaching this conclusion, the Board considered each Audit Committee member s qualifications in the aggregate, including the following relevant experience.

Mrs. Cantor has served as a Director of the Company since 2005 and has been a member of the Audit Committee for each of those years. For the last eleven years, she has been the Executive Director of the Virginia College Savings Plan, an independent agency of the Commonwealth of Virginia, and in that capacity actively supervises those charged with the preparation of that agency s financial statements. She also works closely with the agency s independent auditors in the preparation, audit, analysis and evaluation of the agency s financial and actuarial statements, which are included in the Commonwealth of Virginia s financial reports. She has degrees from the University of Florida (B.S. in Accounting), the University of Miami (M.B.A) and New York University (J.D.). She formerly was an active Certified Public Accountant and is a member of the Virginia, New York and Florida bar associations. She previously was an associate at Kaye, Scholer, Fierman, Hays & Handler and held several positions, including Vice President, at Goldman, Sachs & Co. Mrs. Cantor additionally serves as a director and member of the audit committee of Domino s Pizza, Inc.

Mr. Rankin has served as a Director of the Company from 1985-1994 and since 2001 and has been a member of the Audit Committee for each of those years. He also has been the chief operating officer, president and chief executive officer of Lykes Bros., Inc., and chairman and chief executive officer of Lykes Energy, Inc., and in such capacities has actively supervised those companies principal financial officers, principal accounting officers, controllers, internal auditors and the services of its independent public accountants. He additionally serves as a director of TECO Energy, Inc., where he is a member of that company s audit committee and its finance committee.

Mr. Williams has served as a Director of the Company since 2001 and has been the Chairman of the Audit Committee since 2003. He has degrees in economics from California State University (B.A.) and UCLA (M.A. and Ph.D.). He has served for over 20 years on the faculty of George Mason University, where he is the John M. Olin Distinguished Professor of Economics and was the department chairman from 1995 to 2001. He is also an author, columnist and frequent television and radio commentator.

**Audit Committee Report**

The Audit Committee oversees the Company s financial reporting process on behalf of the Board of Directors and operates under a written charter adopted by the Board. Company management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling these oversight responsibilities, the Committee has reviewed and discussed the audited financial statements in the Annual Report with management including a discussion of the suitability, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

In addition, the Committee has discussed with the Company s independent registered public accounting firm its judgments as to the suitability, not just the acceptability, of the accounting principles adopted by the Company as well as such other matters as are required to be discussed with the Committee under the standards of the Public Company Accounting Oversight Board (PCAOB). The Committee also has discussed with the independent auditors the auditors independence from management and the Company, including matters in the written disclosures and letter required by the PCAOB and received by the Committee, and it has considered whether the auditors provision of non-audit services is compatible with the auditors independence. It also reviewed the Company s compliance with the internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002.

The Committee discussed with the Company s internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal auditors and the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls and the overall quality of the Company s financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements at, and for the three years ended December 31, 2006, be included in the Annual Report on Form 10-K for filing with the SEC.

**The Audit Committee**

Walter E. Williams, *Chairman*

Diana F. Cantor

Thompson L. Rankin

**Audit and Non-Audit Fees**

*A copy of the Audit Committee s Pre-Approval Policy and Procedures is attached hereto as Appendix B.*

The following table presents fees billed by Ernst & Young LLP for services provided during fiscal 2006 and 2005. All services reflected in the fees below were pre-approved by the Audit Committee in accordance with its established procedures.

| | **2006** | **2005** |
|---|---|---|
| Audit Fees (a) | $ 1,240,000 | $ 1,266,000 |
| Audit-Related Fees (b) | 31,000 | 56,000 |
| Tax Fees (c) | | 69,000 |
| All Other Fees | | |
| Total | $ 1,271,000 | $ 1,391,000 |

(a) Audit Fees include professional services provided for the audit of the Company s annual financial statements as well as reviews of the Company s quarterly reports on Form 10-Q and fees for professional services for the audit of the Company s internal controls under Section 404 of the Sarbanes-Oxley Act.

(b) Audit-Related Fees include audits of the Company s employee benefit plans in both years and due diligence procedures in 2005.

(c) Tax Fees in 2005 included fees for professional services for tax-related advice and compliance including reviewing federal and state tax returns and executive tax services for the 2004 calendar year. Executive tax services are no longer provided to the Company by Ernst & Young.

## EXECUTIVE AND DIRECTOR COMPENSATION

### Compensation Discussion and Analysis

*Overview of the Company s Executive Compensation Philosophy*

Media General s compensation system is a management tool that is used to support and reinforce key operating and strategic goals. It is applied consistently to all salaried employees.

The Company s compensation programs for management employees are designed to build a strong link between an individual s performance and his or her related compensation opportunities as well as to align the interests of key employees with those of the stockholders. These two elements induce eligible employees to be more responsive to the needs of the Company. Periodically, the Company reviews its compensation programs with independent consultants who report directly to the Compensation Committee of the Board of Directors to ensure that the compensation program is competitive and is designed to increase shareholder value.

The Compensation Committee feels that a tightly administered program that rewards eligible managers for appropriate performance is a constructive way to attract and retain talented personnel.

*Specific Components of the Executive Compensation Program and Approach to Determining Compensation Levels and Allocations*

There are three components to total executive compensation at Media General: base salary and short- and long-term incentives. Using both general and specific media industry surveys targeted to the Company s size along with published data on executive compensation levels, the Compensation Committee has established second quartile ($51^{st}$-$75^{th}$ percentile) targets for each component. The number of companies participating in such surveys varies but provides for a statistically meaningful group in any given year.

While the Company does not have a specific policy regarding either the allocation of compensation among cash and non-cash or current and long-term components, the Company has an established compensation practice for the allocation of such components. Base salary levels are determined with reference to external competitive levels (as described previously) in addition to other factors including individual and company performance. Pay and performance then are linked through the use of the two incentive programs described more fully below. Eligibility to participate in the Company s annual and long-term incentive programs is determined by the Compensation Committee assisted by recommendations from the Chief Executive Officer.

The short-term incentive program combines specific threshold, target and maximum performance goals established at the beginning of the measurement year with award targets. Goals are based on profit and asset utilization levels and are established individually for each business unit and for the Company as a whole. No incentive awards are paid until an aggregate corporate cash flow threshold (which is reset annually) is attained. Cash awards are paid based on the accomplishment of these goals. Maximum awards for operating units are attained at 150% of the performance goal, with a maximum payout at 250% of the targeted incentive award. At the corporate level, maximum awards are attained at 120% of the performance goal with a maximum payout at 200% of the targeted incentive award.

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Over the past five years, performance goal achievement for the named executive officers has been within a range of 89% to 103%. Performance goals for 2007 were established using a similar methodology. Barring exceptional circumstances, which, in the Compensation Committee s opinion, were not under operating control, no bonuses are paid at either the operating or corporate level for performance that is less than 80% of the performance goals.

A long-term incentive program is used to reward sustained stock price growth and/or achievement of long-term, pre-established earnings per share growth targets. Awards in this program historically have been made in the form of stock options (typically awarded to eligible participants annually at fair market value on the grant date, vesting annually over a three-year period) and Performance-Accelerated Restricted Stock (such PARS awards were typically granted to selected executive officers in odd-numbered years with ten-year restrictions on sale that could be lifted earlier if pre-established earnings per share growth targets were met). The combined expected value of stock-based awards has been targeted to achieve competitive levels of total compensation; for those selected executive officers who have been eligible to receive both PARS and stock options, annual grants have been awarded on the basis that 60% of the competitive long-term incentive target would be delivered through PARS. In this fashion, the relative value of a given award at the end of a measurement period has been heavily dependent on the growth in value of the common stock of the Company over the period during which vesting occurs. The vesting and ten-year trading restrictions have emphasized the long-term nature of these awards and have encouraged eligible employees to remain in the employ of the Company.

Additionally, qualified and non-qualified retirement plans, as well as an executive life insurance program, are designed to provide retirement income to executives (and their beneficiaries) who have contributed to the long-term success of the Company. Qualified retirement plans (i.e., Media General Advantage Retirement Plan and 401(k) Plan) are available to all employees, including named executive officers. Non-qualified retirement plans (i.e., Supplemental Executive Retirement Plan, 1985 Deferred Compensation Plan, Deferred Compensation Plan, and Supplemental 401(k) Plan) are generally designed to provide benefits where federal benefit and compensation limitations would adversely affect the executive s ability to fully participate in the qualified retirement plans.

At the Company s April 27, 2006, Annual Meeting, Stockholders did not approve amendments to the Media General, Inc. Long-Term Incentive Plan, that, among other things, would have reserved additional shares of Class A Common Stock available for awards under that Plan. The Company s Board of Directors believes it is important to maintain, to the greatest extent possible, the same long-term compensation objectives described above for 2007 and beyond. Accordingly, on January 31, 2007, on the recommendation of the Compensation Committee, the Board adopted the Stock Appreciation Rights Plan (SARs Plan) and approved grants of individual awards thereunder.

The SARs Plan allows the Company to maintain its long-term compensation objectives with an incentive that aligns the recipient s interests with those of the Company and its shareholders. A SAR, which is settled in cash, provides the grantee the ability to derive benefit from appreciation in the value of the Company s Class A Common Stock. The amount realized upon exercise of a SAR is the difference between the fair market value of Class A Common Stock on the date of grant and the fair market value of Class A Common Stock on the date of exercise, subject to a maximum increase in value (100% for awards granted in 2007). SARs vest ratably over a three-year period from the date of grant and have a maximum five-year term. SARs vest immediately upon the grantee s death or disability during employment or upon retirement after age 63 with 10 years of service provided that the grantee is employed on December 31 of the year in which the SAR was granted. Upon termination of employment, the grantee has up to 12 months thereafter to exercise any vested SAR.

*Role of Executive Officers in the Compensation Process*

When determining executive compensation, the CEO (with the assistance of the VP, Human Resources) is responsible for compensation recommendations for named executive officers (other than the CEO and Chairman positions) and presents these recommendations to the Compensation Committee. The CEO s and Chairman s compensation packages are determined by the Compensation Committee in consultation with independent advisers and are approved by independent members of the Board during executive session.

*Total Compensation Benchmarking Approach*

The Company s Human Resources Department, assisted by compensation consultants, periodically reviews and summarizes for the Compensation Committee, published survey and proxy data related to specific media industry companies targeted to the Company s size (in 2006, over 100 companies were included in the survey). As mentioned previously, guidelines for base salaries, annual incentives and long-term incentive grants are targeted between the $51^{st}$ and $75^{th}$ percentile of the survey data for each component of compensation. The Company may provide compensation above or below this targeted range based on such factors as the executive s operating responsibilities, management level, experience, and performance in the position.

*Factors That May Trigger Material Increases or Decreases in Compensation*

Several factors are utilized in determining increases or decreases in compensation levels. These may include promotions, performance-based increases to base salary, market-based compensation trends such as changes in typical target annual incentive levels or changes in market long-term incentive values, internal considerations such as changes in an executive s responsibility, and actual performance achieved compared to performance targets.

*Structure of Compensation Elements and Link to Company and Individual Performance*

Base salary levels for officers are determined based on factors including: company performance, individual performance, market salary data and internal equity considerations.

For annual incentives, the payout level is based on overall Company and business unit results in relation to the minimum, target, and maximum performance goals established for the year. Bonuses paid to individual executives are based on the actual financial results in relation to the target goals established under the plan. The weighting between total company and business unit performance is summarized for each named executive officer in the following table:

| Executive | Total Company Weighting | Business Unit Weighting |
|---|---|---|
| J. Stewart Bryan, Chairman | 100% | |
| Marshall N. Morton, CEO | 100% | |
| O. Reid Ashe, Jr., COO | 100% | |
| John A. Schauss, CFO | 100% | |
| H. Graham Woodlief, Vice President | 20% | 80% |

*Relevance of Corporate Performance*

The Company believes that individual performance of senior executives can have significant impact on overall Company results. Therefore, overall corporate and media industry financial and stock price performance, along with other factors, is considered in the base salary decisions for the subsequent year.

Corporate and business unit profit and asset utilization performance as well as overall corporate cash flow are considered in the determination of annual incentives, as mentioned previously.

In the case of stock options and SARs, the executive is rewarded as the Company s stock price increases above the price of the award at the time it was granted.

As indicated previously, restrictions on PARS awards lapse in ten years but can lapse on an accelerated basis if pre-established earnings per share (EPS) growth targets are met. Compound EPS growth targets are established at the time of grant for three, five, and seven years. If average annual EPS growth from the grant date exceeds these pre-set targets for that period, then restrictions lapse on all shares. The calculation of EPS excludes the impact of accounting changes and gains or losses on sales of significant assets. The executive must remain with the Company for the specified period of time. The realized value from the grant is tied to the Company s stock price. PARS awards entitle executives to receive dividends on the shares.

*Stock Ownership Guidelines*

The Company believes ownership of stock aligns executives interests with those of the stockholders and signals executives continued and growing commitment to the Company. As such, the Company has the following stock retention and ownership guidelines for select executives, including the named executive officers and all executive officers:

On exercise of stock options or upon the release of restrictions on PARS, after shares have been sold to cover the cost of exercise and any taxes due, executives in the groups mentioned above are strongly encouraged to retain at least 50% of the remaining shares. Prospectively, upon exercise of a SAR and payment of the applicable income taxes, the same executives are strongly encouraged to use at least 50% of the remaining proceeds to purchase (and retain) shares of Class A Common Stock from the Company.

*Allocation Among Different Forms of Long-term Incentive Awards*

Prior to 2007, the overall target long-term incentive value for the named executive officers was allocated between PARS grants (60%) and stock options (40%). The fair market value of PARS, at the date of the grant, was used to determine the number of shares to be granted to deliver 60% of the overall long-term incentive value. A pricing model was used to determine the number of options to be granted to deliver 40% of the overall long-term incentive value. In January 2007, all long-term incentive awards were granted in the form of SARs.

*Timing of Equity-Based Compensation Awards*

Until 2007, PARS awards were granted in January of odd-numbered years, and stock options were typically granted in January each year at the Compensation Committee s meeting which occurs on the day the Company releases earnings for the year. Grants were made during the same meeting at which the Compensation Committee determined all elements of officers compensation for the year, except salary (which was and is determined at the Committee s November meeting). Equity awards were based on an average of the high and low stock prices on the day of the grant. Initial grants for newly hired executives and those executives promoted during the course of the year did not occur until the subsequent January s Compensation Committee meeting. Awards under the SARs Plan were made at the Committee s January 2007 meeting. SARs awards were based on the closing price on the day of grant.

*Consideration of Compensation or Amounts Realizable From Prior Compensation in Setting Other Elements of Compensation*

The Compensation Committee can consider compensation realized or potentially realizable from prior compensation awards when setting current year s compensation levels.

*Triggering Events that Provide for Termination Payments*

The Company provides payments upon retirement through its qualified and non-qualified retirement benefit programs. The rationale for providing non-qualified retirement income benefits is based on competitive market practice and to restore benefits that otherwise would be provided under the qualified retirement plans were it not for federal benefit and compensation limitations. The Company has not entered into any other termination payment agreements with any of the named executive officers.

*Accounting and Tax Issue Effects on Executive Compensation*

Accounting and tax issues are explicitly considered in setting compensation policies, especially with regard to the Company s choice of long-term incentive types. The Company utilized FASB Statement No. 123R *Share-Based Payment* (FAS 123R) to record the expense of both stock options and PARS due in part to the fixed plan accounting treatment prescribed by that standard. For both vehicles, the expense per share granted is substantially fixed at grant although actual forfeitures that differ from estimates can cause adjustment. The Company s performance relative to the pre-set EPS targets under the PARS plan is reviewed each reporting period. Any necessary adjustments are recog -

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nized prospectively, based on the remaining term over which the restrictions are expected to lapse. In addition to the impact accounting treatment has had in the selection of long-term incentive types, the Company also regularly quantifies the overall expense arising from the compensation program.

SARs awards are also subject to FAS 123R but due to the fact that the awards are settled in cash, compensation expense is adjusted each quarter to reflect the current fair value of the awards. Although the expense is variable, the Compensation Committee elected to maintain the long-term incentive objectives previously offered by stock options and PARS.

With regard to policies on IRS limits (Section 162(m)) on the deductibility of compensation, the Compensation Committee generally seeks to maximize the deductibility of compensation paid to executive officers. However, it also recognizes that the payment of non-deductible compensation under 162(m) may at times be in the best interests of the Company and therefore the Committee maintains flexibility regarding compensation that is non-deductible.

*CEO Compensation*

On July 1, 2005, Marshall N. Morton assumed the responsibilities of the Company s Chief Executive Officer from J. Stewart Bryan III, pursuant to an established transition plan; he was formerly Vice Chairman and Chief Financial Officer. Mr. Bryan continues to serve as Chairman of the Company s Board of Directors.

The Compensation Committee considered CEO compensation issues over several meetings before and after the effective date for this transition. Guided by studies conducted by its independent compensation consultants both with respect to CEO compensation at peer companies and other companies that recently had experienced similar transitions, the Committee determined and recommended to the Board of Directors that only compensation level adjustments rather than structural changes were necessary in connection with this transition.

The Board of Directors believes that compensation adjustments for Mr. Bryan and Mr. Morton during the transition should reflect each executive s level of involvement in the transition, Mr. Morton s familiarity with the industry and the Company and, finally, the pace of the transition. It was decided that a measured approach would be appropriate over a several-step transition period beginning with Mr. Morton s assumption of chief executive responsibilities on July 1, 2005. Taking the first step, the Board adopted a July 1, 2005, increase in Mr. Morton s base compensation. At the beginning of 2006, the Board reduced Mr. Bryan s annual base compensation and annual and long-term incentive award multiples and increased Mr. Morton s annual and long-term incentive award multiples. Effective January 1, 2007, the Board again reduced Mr. Bryan s annual base compensation and increased Mr. Morton s annual base compensation.

## Summary Compensation Table

The following table sets forth total compensation for 2006 for the Company s Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers.

| Name and Principal Position | Year | Salary | Stock Awards (1) | Option Awards (2) | Non-Equity Incentive Plan Compensation (3) | Change in Pension Value and Non-qualified Deferred Compensation Earnings (4) | All Other Compensation (5) | Total |
|---|---|---|---|---|---|---|---|---|
| J. Stewart Bryan III, Chairman | 2006 | $ 730,000 | $ 828,213 | $ 397,791 | $ 324,332 | $ 242,345 | $ 642,541 | $ 3,165,222 |
| Marshall N. Morton, President and Chief Executive Officer | 2006 | 785,000 | 497,694 | 317,919 | 475,592 | 886,406 | 319,503 | 3,282,114 |
| O. Reid Ashe, Jr., Executive Vice President and Chief Operating Officer | 2006 | 550,000 | 380,335 | 396,338 | 199,931 | 816,770 | 178,815 | 2,522,189 |
| H. Graham Woodlief, Jr., Vice President | 2006 | 510,000 | 233,556 | 126,827 | 171,051 | 528,250 | 149,962 | 1,719,646 |
| John A. Schauss, Vice President-Finance and Chief Financial Officer | 2006 | 344,000 | 84,097 | 110,060 | 97,259 | 148,233 | 94,558 | 878,207 |

(1) Stock awards represent the value of shares expensed pursuant to Financial Accounting Standard Board Statement 123(R), *Shared-Based Payment* (FAS 123R) during the year under the Performance-Accelerated Restricted Stock (PARS) program. Reference is also made to page 45 of the 2006 Annual Report to Stockholders, which is incorporated herein by reference, for the grant date fair values of unvested shares used in determining aggregate compensation cost.

(2) Option awards represent the aggregate compensation cost, exclusive of estimated forfeitures, determined in accordance with FAS 123R. Reference is also made to pages 44-45 of the 2006 Annual Report to Stockholders, which is incorporated herein by reference, for assumptions made in the valuation of stock options.

(3) Amounts classified as Bonus in previous Summary Compensation Tables are presented in the Non-Equity Incentive Plan Compensation column as they are paid only when certain performance targets are achieved (refer to the Grants of Plan-Based Awards Table for further discussion). The Company has not historically awarded discretionary bonuses.

(4) The amount disclosed under this column for 2006 consists of the following:

| Name | Above-Market Amounts Earned on Non-qualified Deferred Compensation During the Fiscal Year | Change in Present Value of Accumulated Benefits under Retirement Plan | Change in Present Value of Accumulated Benefits under Supplemental Retirement Plan (a) | Total |
|---|---|---|---|---|
| J. Stewart Bryan III | $ 18,231 | $ 21,102 | $ 203,012 | $ 242,345 |
| Marshall N. Morton | | 51,592 | 834,814 | 886,406 |
| O. Reid Ashe, Jr. | | 32,083 | 784,687 | 816,770 |
| H. Graham Woodlief, Jr. | 9,243 | 101,526 | 417,481 | 528,250 |
| John A. Schauss | | 15,821 | 132,412 | 148,233 |

(a) Mr. Bryan s change in present value of accumulated benefits under the Supplemental Retirement Plan excludes the effect of his in-service distribution of $297,558 in 2006.

(5) The amounts disclosed under this column for the most recent fiscal year (2006) consist of the following:

| Name | Annual Company Contributions to Qualified and Non-qualified Defined Contribution Plans | Dollar Value of Insurance Premiums Paid by the Company With Respect to Variable Universal Life Insurance for the Benefit of the Named Executive Officer | Tax Gross Up Associated with Variable Universal Life Insurance for the Benefit of the Named Executive Officer | Perquisites | Total |
|---|---|---|---|---|---|
| J. Stewart Bryan III | $ 47,259 | $ 349,800 | $ 245,482 | $ | $ 642,541 |
| Marshall N. Morton | 46,025 | 149,061 | 104,610 | 19,807 | 319,503 |
| O. Reid Ashe, Jr. | 32,800 | 47,850 | 33,580 | 64,585 | 178,815 |
| H. Graham Woodlief, Jr. | 28,700 | 58,350 | 40,951 | 21,961 | 149,962 |
| John A. Schauss | 17,384 | 39,190 | 27,505 | 10,479 | 94,558 |

Perquisites for Mr. Bryan were less than $10,000 in aggregate and thus are excluded from total compensation. Perquisites include the incremental cost to the Company, for Mr. Morton, Mr. Ashe, Mr. Woodlief, and Mr. Schauss, of the personal usage of Company-owned automobiles; the officer is responsible for paying the associated income taxes. The Company pays for the cost of certain club memberships for Mr. Morton, Mr. Ashe, Mr. Woodlief, and Mr. Schauss primarily to facilitate business relationships; however an officer is not prohibited from using the club for non-business purposes. In addition, Mr. Morton, Mr. Ashe, and Mr. Woodlief were reimbursed for spousal travel costs on certain business trips. The Company also paid for tax preparation and financial planning services (the officer pays the associated income taxes related to these services) and annual physical examination costs for Mr. Morton, Mr. Ashe, and Mr. Woodlief. Mr. Ashe was reimbursed for costs ($48,236) incurred when he utilized his personal aircraft for business purposes. The Company reimbursed Mr. Morton for the cost of home security services. Perquisites for Mr. Morton, Mr. Woodlief, and Mr. Schauss include the ascribed value of tickets and refreshments related to usage of Company-leased stadium boxes. Stadium boxes are primarily used by the Company to entertain certain customers, vendors and their spouses; the presence of spouses and other family members of officers is not prohibited.

**Grants of Plan-Based Awards Table**

The following table sets forth information regarding grants of annual incentive awards and stock options for 2006 for each named executive officer.

| Name | Grant Date | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards Threshold | Target | Maximum | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards | Closing Market Price on Grant Date | Grant Date Fair Value of Option Awards |
|---|---|---|---|---|---|---|---|---|
| J. Stewart Bryan III | 1/26/2006 | $ 200,750 | $ 401,500 | $ 803,000 | 24,300 | $ 49.66 | $ 49.84 | $ 397,791 |
| Marshall N. Morton | 1/26/2006 | 294,375 | 588,750 | 1,177,500 | 52,300 | 49.66 | 49.84 | 847,783 |
| O. Reid Ashe, Jr. | 1/26/2006 | 123,750 | 247,500 | 495,000 | 23,400 | 49.66 | 49.84 | 379,314 |
| H. Graham Woodlief, Jr. | 1/26/2006 | 114,750 | 229,500 | 573,750 | 16,300 | 49.66 | 49.84 | 264,223 |
| John A. Schauss | 1/26/2006 | 60,200 | 120,400 | 240,800 | 9,200 | 49.66 | 49.84 | 149,132 |

*Annual Incentive Plan Awards*

Annual incentive payouts are based on financial targets established by the Compensation Committee each January with a minimum attainment of at least 80% of the financial target (the Threshold ) to trigger any payout and a maximum possible payout at 120% of the financial target (150% of the financial target for Mr. Woodlief).

At its January 2007 meeting, the Compensation Committee made a final determination of annual incentive payouts as shown in the Summary Compensation Table.

Executive officers who terminate employment or who are terminated by the Company prior to the end of the fiscal year are not eligible to receive an annual incentive payout for that fiscal year. Executive officers who retire and are at least 55 years of age, with five years of service, are typically eligible to receive a prorated annual incentive based on the full year s targeted attainment results; the same provision is applicable in the event of death or disability.

*Stock Option Awards*

All Other Option Awards represent the number of options of Class A Common Stock granted under the provisions of the Plan. Options have historically been awarded each January and expire 10 years after the grant date. Vesting occurs annually over a three-year period. Options granted prior to 2006 vest immediately upon an optionee s death or disability during employment or upon retirement after age 55 with 10 years of service. Options granted in 2006 vest immediately upon retirement after age 63 with 10 years of service provided that the grantee was employed on December 31. Upon termination of employment, the employee has up to 12 months thereafter to exercise the vested option.

The exercise price of an option was calculated as the average of the high and low prices of Class A Common Stock on the date of grant. The grant date typically occurs on the day of the Compensation Committee and Board of Director meetings which are historically scheduled on the day the Company issues its fourth-quarter and full-year earnings release.

**Outstanding Equity Awards Table**

The following table provides a detail of outstanding stock options and PARS awards for each named executive officer as of December 31, 2006.

| | | Option Awards | | | | Stock Awards | |
|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Number of Securities Underlying Unexercised Options Exercisable (#)** | **Number of Securities Underlying Unexercised Options Unexercisable (#) (1)** | **Option Exercise Price ($)** | **Option Expiration Date** | **Number of Shares or Units of Stock that Have Not Vested (#) (3)** | **Market Value of Shares or Units of Stock that Have Not Vested as of 12/31/06 ($)** |
| J. Stewart Bryan III | 8/21/1987 | 12,000 | | $ 46.5000 | (2) | | |
| | 11/17/1989 | 15,000 | | 32.5000 | (2) | | |
| | 1/28/1998 | 14,400 | | 46.3750 | 1/28/2008 | | |
| | 1/28/1999 | 15,300 | | 47.9062 | 1/28/2009 | 24,200 | $ 899,514 |
| | 1/27/2000 | 29,900 | | 52.0625 | 1/27/2010 | | |
| | 1/30/2001 | 38,100 | | 51.4050 | 1/30/2011 | 50,000 | 1,858,500 |
| | 12/31/2001 | 8,900 | | 50.4150 | 12/31/2011 | | |
| | 1/31/2002 | 39,600 | | 50.3550 | 1/31/2012 | | |
| | 1/29/2003 | 35,100 | | 56.0250 | 1/29/2013 | 45,500 | 1,691,235 |
| | 1/28/2004 | 20,933 | 10,467 | 63.2300 | 1/28/2014 | | |
| | 1/27/2005 | 11,134 | 22,266 | 63.1800 | 1/27/2015 | 41,500 | 1,542,555 |
| | 1/26/2006 | | 24,300 | 49.6600 | 1/26/2016 | | |
| Marshall N. Morton | 11/17/1989 | 8,000 | | $ 32.5000 | (2) | | |
| | 1/28/1998 | 5,800 | | 46.3750 | 1/28/2008 | | |
| | 1/28/1999 | 6,200 | | 47.9062 | 1/28/2009 | 9,800 | $ 364,266 |
| | 1/27/2000 | 8,700 | | 52.0625 | 1/27/2010 | | |
| | 1/30/2001 | 11,400 | | 51.4050 | 1/30/2011 | 15,600 | 579,852 |
| | 12/31/2001 | 5,400 | | 50.4150 | 12/31/2011 | | |
| | 1/31/2002 | 12,500 | | 50.3550 | 1/31/2012 | | |
| | 1/29/2003 | 22,800 | | 56.0250 | 1/29/2013 | 29,600 | 1,100,232 |
| | 1/28/2004 | 14,733 | 7,367 | 63.2300 | 1/28/2014 | | |
| | 1/27/2005 | 8,234 | 16,466 | 63.1800 | 1/27/2015 | 30,600 | 1,137,402 |
| | 1/26/2006 | | 52,300 | 49.6600 | 1/26/2016 | | |
| O. Reid Ashe, Jr. | 1/29/1997 | 1,600 | | $ 31.4375 | 1/29/2007 | | |
| | 1/28/1998 | 2,200 | | 46.3750 | 1/28/2008 | | |
| | 1/28/1999 | 2,300 | | 47.9062 | 1/28/2009 | 3,700 | $ 137,529 |
| | 1/27/2000 | 3,100 | | 52.0625 | 1/27/2010 | | |
| | 1/30/2001 | 4,100 | | 51.4050 | 1/30/2011 | 5,600 | 208,152 |
| | 12/31/2001 | 4,300 | | 50.4150 | 12/31/2011 | | |
| | 1/31/2002 | 8,200 | | 50.3550 | 1/31/2012 | | |
| | 1/29/2003 | | | | | | |