SINCLAIR BROADCAST GROUP INC
Form 10-Q
November 06, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

OR

o 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: 000-26076

SINCLAIR BROADCAST GROUP, INC.

(Exact name of Registrant as specified in its charter)

Maryland	**52-1494660**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

10706 Beaver Dam Road

Hunt Valley, Maryland 21030

(Address of principal executive offices, zip code)

(410) 568-1500

(Registrant s telephone number, including area code)

None

(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 x No o

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 file). Yes o No o

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 definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock as of the latest practicable date.

Title of each class	Number of shares outstanding as of November 2, 2009
Class A Common Stock	47,375,437
Class B Common Stock	32,453,859

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SINCLAIR BROADCAST GROUP, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2009

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data) (Unaudited)

	As of September 30, 2009	As of December 31, 2008 (See Note 1)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,224	$ 16,470
Accounts receivable, net of allowance for doubtful accounts of $2,972 and $3,327, respectively	96,122	107,376
Affiliate receivable	49	65
Current portion of program contract costs	54,948	55,751
Income taxes receivable	318	2,334
Prepaid expenses and other current assets	7,993	9,453
Deferred barter costs	4,366	2,654
Deferred tax assets	9,022	9,022
Total current assets	183,042	203,125
PROGRAM CONTRACT COSTS, less current portion	21,141	27,548
PROPERTY AND EQUIPMENT, net	303,868	336,964
GOODWILL	754,727	824,188
BROADCAST LICENSES	76,235	132,422
DEFINITE-LIVED INTANGIBLE ASSETS, net	194,707	205,743
OTHER ASSETS	95,428	86,417
Total assets	$ 1,629,148	$ 1,816,407
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 3,882	$ 4,817
Accrued liabilities	48,692	79,584
Current portion of notes payable, capital leases and commercial bank financing	35,549	67,066
Current portion of notes and capital leases payable to affiliates	2,903	2,845
Current portion of program contracts payable	105,005	91,366
Deferred barter revenues	4,997	2,657
Total current liabilities	201,028	248,335
LONG-TERM LIABILITIES:		
Notes payable, capital leases and commercial bank financing, less current portion	1,235,127	1,261,506
Notes payable and capital leases to affiliates, less current portion	25,496	30,861
Program contracts payable, less current portion	57,291	81,315
Deferred tax liabilities	194,989	204,051
Other long-term liabilities	47,391	49,039
Total liabilities	1,761,322	1,875,107

EQUITY (DEFICIT):				
SINCLAIR BROADCAST GROUP SHAREHOLDERS EQUITY (DEFICIT):				
Class A Common Stock, $.01 par value, 500,000,000 shares authorized, 47,322,031 and 46,510,647 shares issued and outstanding, respectively		473		465
Class B Common Stock, $.01 par value, 140,000,000 shares authorized, 32,453,859 and 34,453,859 shares issued and outstanding, respectively, convertible into Class A Common Stock		325		345
Additional paid-in capital		605,387		605,865
Accumulated deficit		(746,116)		(678,182)
Other comprehensive loss		(3,337)		(3,495)
Total Sinclair Broadcast Group shareholders deficit		(143,268)		(75,002)
Noncontrolling interest		11,094		16,302
Total deficit		(132,174)		(58,700)
Total liabilities and equity (deficit)	$	1,629,148	$	1,816,407

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data) (Unaudited)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008 (See Note 1)	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008 (See Note 1)
REVENUES:				
Station broadcast revenues, net of agency commissions	$ 136,427	$ 150,119	$ 400,740	$ 474,758
Revenues realized from station barter arrangements	13,010	14,562	38,827	45,048
Other operating divisions revenues	10,690	13,510	33,570	38,657
Total revenues	160,127	178,191	473,137	558,463
OPERATING EXPENSES:				
Station production expenses	34,368	38,959	106,200	118,226
Station selling, general and administrative expenses	28,484	33,867	91,387	102,498
Expenses recognized from station barter arrangements	11,164	12,760	32,685	40,394
Amortization of program contract costs and net realizable value adjustments	17,021	21,744	57,644	63,247
Other operating divisions expenses	11,280	13,397	34,422	40,076
Depreciation of property and equipment	9,995	11,700	32,456	33,812
Corporate general and administrative expenses	6,109	5,919	18,485	20,123
Amortization of definite-lived intangible assets and other assets	6,230	4,606	17,683	13,692
Gain on asset exchange	(500)	(2,163)	(3,016)	(2,163)
Impairment of goodwill, intangible and other assets	243		130,341	1,626
Total operating expenses	124,394	140,789	518,287	431,531
Operating income (loss)	35,733	37,402	(45,150)	126,932
OTHER INCOME (EXPENSE):				
Interest expense and amortization of debt discount and deferred financing costs	(17,466)	(21,568)	(53,486)	(66,183)
Interest income	3	224	40	599
Gain (loss) from sale of assets	49	(3)	126	48
Gain from extinguishment of debt		432	18,986	146
(Loss) gain from derivative instruments	(50)		(102)	999
Income (loss) from equity and cost method investments	453	658	471	(118)
Other income, net	446	451	1,497	1,262
Total other expense	(16,565)	(19,806)	(32,468)	(63,247)
Income (loss) from continuing operations before income taxes	19,168	17,596	(77,618)	63,685
INCOME TAX (PROVISION) BENEFIT	(3,313)	(8,359)	9,129	(28,304)
Income (loss) from continuing operations	15,855	9,237	(68,489)	35,381
DISCONTINUED OPERATIONS:				
Income (loss) from discontinued operations, net of related income tax provision of $24, $187, $241, and $232 respectively	245	(38)	28	9
NET INCOME (LOSS)	16,100	9,199	(68,461)	35,390
Net (income) loss attributable to the noncontrolling interest	(1,162)	991	527	1,571

NET INCOME (LOSS) ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP	$	14,938	$	10,190	$	(67,934)	$	36,961
Dividends declared per share	$		$	0.20	$		$	0.60
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP:								
Earnings (loss) per share from continuing operations	$	0.18	$	0.12	$	(0.85)	$	0.42
Earnings per share from discontinued operations	$		$		$		$	
Earnings (loss) per share	$	0.19	$	0.12	$	(0.85)	$	0.42
Weighted average common shares outstanding		79,739		86,315		80,036		87,088
Weighted average common and common equivalent shares outstanding		86,155		86,315		80,036		87,092
AMOUNTS ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP COMMON SHAREHOLDERS:								
Income (loss) from continuing operations, net of tax	$	14,693	$	10,228	$	(67,962)	$	36,952
Income (loss) from discontinued operations, net of tax		245		(38)		28		9
Net income (loss)	$	14,938	$	10,190	$	(67,934)	$	36,961

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(In thousands) (Unaudited)

	Sinclair Broadcast Group Shareholders						
	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Loss	Noncontrolling Interests (See Note 1)	Total Equity (Deficit) (See Note 1)
BALANCE, December 31, 2008	$ 465	$ 345	$ 605,865	$ (678,182)	$ (3,495)	$ 16,302	$ (58,700)
Class A Common Stock issued pursuant to employee benefit plans	3		1,181				1,184
Class B Common Stock converted into Class A Common Stock	20	(20)					
Contribution from noncontrolling interests, net of distributions						126	126
Purchase of subsidiary shares from noncontrolling interest			(220)			(4,807)	(5,027)
Repurchase of 1,536,633 shares of Class A Common Stock	(15)		(1,439)				(1,454)
Amortization of net periodic pension benefit costs					158		158
Net loss				(67,934)		(527)	(68,461)
BALANCE, September 30, 2009	$ 473	$ 325	$ 605,387	$ (746,116)	$ (3,337)	$ 11,094	$ (132,174)

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands) (Unaudited)

	For the three months ended September 30, 2009	For the three months ended September 30, 2008 (See Note 1)	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008 (See Note 1)
Net income (loss)	$ 16,100	$ 9,199	$ (68,461)	$ 35,390
Amortization of net periodic pension benefit costs	53	48	158	247
Comprehensive income (loss)	16,153	9,247	(68,303)	35,637
Comprehensive (income) loss attributable to the noncontrolling interest	(1,162)	991	527	1,571
Comprehensive income (loss) attributable to Sinclair Broadcast Group	$ 14,991	$ 10,238	$ (67,776)	$ 37,208

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008 (See Note 1)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net (loss) income	$ (68,461)	$ 35,390
Adjustments to reconcile net (loss) income to net cash flows from operating activities:		
Amortization of debt discount, net of debt premium	8,346	9,982
Depreciation of property and equipment	32,713	34,004
Gain on asset exchange	(3,016)	(2,163)
Recognition of deferred revenue	(19,538)	(24,058)
Accretion of capital leases	102	648
(Income) loss from equity and cost method investments	(471)	118
Gain on sale of property	(126)	(48)
Loss (gain) from derivative instruments	102	(999)
Impairment of goodwill, intangible and other assets	130,341	1,626
Amortization of definite-lived intangible assets and other assets	17,683	13,692
Amortization of program contract costs and net realizable value adjustments	57,644	63,247
Amortization of deferred financing costs	2,630	2,896
Stock-based compensation	889	5,454
Excess tax benefit for stock options exercised		(34)
(Gain) loss on extinguishment of debt, non-cash portion	(18,986)	1,160
Amortization of derivative instruments		(423)
Amortization of net periodic pension benefit costs	263	144
Deferred tax (benefit) provision related to operations	(9,100)	27,947
Net effect of change in deferred barter revenues and deferred barter costs	628	(111)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Decrease in accounts receivable, net	12,515	25,677
Decrease (increase) in income taxes receivable	2,016	(2,986)
Decrease in prepaid expenses and other current assets	1,460	3,840
Increase in other assets	(123)	(1,410)
(Decrease) increase in accounts payable and accrued liabilities	(2,019)	6,382
Decrease in other long-term liabilities	(466)	(1,028)
Dividends and distributions from equity and cost method investees	834	1,146
Payments on program contracts payable	(60,822)	(61,111)
Real estate held for development and sale	(1,463)	(398)
Net cash flows from operating activities	83,575	138,584
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of property and equipment	(7,023)	(21,684)
Consolidation of variable interest entity		1,328
Purchase of alarm monitoring contracts	(8,876)	(6,080)
Payments for acquisition of television stations		(17,123)
Payments for acquisitions of other operating divisions companies		(53,487)
Dividends and distributions from cost method investees	1,460	1,575
Investments in equity and cost method investees	(9,361)	(31,183)
Proceeds from the sale of assets	102	177
Loans to affiliates	(123)	(136)
Proceeds from loans to affiliates	153	135
Net cash flows used in investing activities	(23,668)	(126,478)

CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:				
Proceeds from notes payable, commercial bank financing and capital leases		131,767		233,227
Repayments of notes payable, commercial bank financing and capital leases		(169,959)		(192,996)
Purchase of subsidiary shares from noncontrolling interest		(4,000)		
Repurchase of Class A Common Stock		(1,454)		(16,279)
Dividends paid on Class A and Class B Common Stock		(16,038)		(49,874)
Payments for deferred financing costs		(4,419)		(520)
Proceeds from derivative terminations				8,001
Noncontrolling interest contributions (distributions)		126		(488)
Repayments of notes and capital leases to affiliates		(2,176)		(2,511)
Net cash flows used in financing activities		(66,153)		(21,440)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,246)		(9,334)
CASH AND CASH EQUIVALENTS, beginning of period		16,470		20,980
CASH AND CASH EQUIVALENTS, end of period	$	10,224	$	11,646

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

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SINCLAIR BROADCAST GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements include our accounts and those of our wholly-owned and majority-owned subsidiaries and variable interest entities (VIEs) for which we are the primary beneficiary. Noncontrolling interest represents a minority owner s proportionate share of the equity in certain of our consolidated entities. All significant intercompany transactions and account balances have been eliminated in consolidation.

Interim Financial Statements

The consolidated financial statements for the three and nine months ended September 30, 2009 and 2008 are unaudited. In the opinion of management, such financial statements have been presented on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows for these periods as adjusted for the adoption of recent accounting pronouncements discussed below. We have evaluated subsequent events for recognition or disclosure through November 6, 2009, which was the date we filed this Form 10-Q with the Securities and Exchange Commission (SEC).

As permitted under the applicable rules and regulations of the SEC, the consolidated financial statements do not include all disclosures normally included with audited consolidated financial statements and, accordingly, should be read together with the audited consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC. The consolidated statements of operations presented in the accompanying consolidated financial statements are not necessarily representative of operations for an entire year.

Debt

As of September 30, 2009, we had $10.2 million in cash and cash equivalent balances and negative working capital of approximately $18.0 million. Cash generated by our operations and availability under our revolving credit facility (the Revolving Credit Facility) under our senior secured bank credit agreement (the Bank Credit Agreement) are used as our primary source of liquidity. As of September 30, 2009, we had drawn $88.3 million on our Revolving Credit Facility and $83.1 million of borrowing capacity was available. We anticipate that cash flow from our operations and borrowing capacity under the Revolving Credit Facility will be sufficient to satisfy our debt service obligations, capital expenditure requirements, certain committed strategic investments and working capital needs.

On October 8, 2009, we commenced tender offers to purchase for cash any and all of the outstanding 3.0% Convertible Senior Notes, due 2027 (the 3.0% Notes) and 4.875% Convertible Senior Notes, due 2018 (the 4.875% Notes). We offered to purchase each of the 3.0% Notes and the 4.875% Notes at a purchase price of $980 per $1,000 principal amount, plus accrued and unpaid interest, to, but excluding, the settlement date. The tender offers expired on November 5, 2009. The tender offers were conditioned on, among other things, receipt of sufficient proceeds from the unregistered, private placement of the Senior Secured Second Lien Notes, due 2017 (the 9.25% Notes) discussed below, to fund the tender offers and an amendment of our Bank Credit Agreement to allow the issuance of the 9.25% Notes. Approximately $266.6 million and $106.5 million principal amount of the 3.0% Notes and 4.875% Notes, respectively were tendered.

On October 29, 2009, we issued $500.0 million aggregate principal amount of the 9.25% Notes that mature on November 1, 2017, pursuant to an indenture, dated as of October 29, 2009 (the Indenture). The 9.25% Notes were priced at 97.264% of their par value and accrue interest at a rate of 9.25% beginning on the issue date. Interest on the 9.25% Notes will be paid on May 1 and November 1 of each year, beginning May 1, 2010. Prior to November 1, 2013, we may redeem the 9.25% Notes in whole, but not in part, at any time or from time to time at a price equal to 100% of the principal amount of the 9.25% Notes plus accrued and unpaid interest, plus a make-whole premium as set forth in the Indenture. Beginning on November 1, 2013, we may redeem some or all of the 9.25% Notes at any time or from time to time at the redemption prices set forth in the Indenture. In addition, on or prior to November 1, 2012, we may redeem up to 35.0% of the 9.25% Notes using the proceeds of certain equity offerings. Upon the sale of certain of our assets or certain changes of control, the holders of the 9.25% Notes may require us to repurchase some or all of the 9.25% Notes.

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The net proceeds from the offering of the 9.25% Notes will be used to fund the tender offers for our 3.0% Notes and 4.875% Notes, to pay amounts outstanding under the Bank Credit Agreement and to pay fees and expenses related to the amendment and restatement of the Bank Credit Agreement (as amended and restated, the New Bank Credit Agreement), as discussed below, and the transactions we entered into, as contemplated by the non-binding Memorandum of Understanding (the MOU) with Cunningham Broadcasting Corporation (Cunningham) discussed in Note 6, *Related Party Transactions*. Approximately $435.5 million of the net proceeds from the offering will be held in a cash collateral account and will be released only to fund the purchase of the 3.0% Notes and 4.875% Notes pursuant to the tender offers or, for any 3.0% Notes or 4.875% Notes remaining after consummation of the tender offers, upon exercise of the put rights by the holders of such notes in May 2010 and January 2011, respectively. Any unused funds held in the cash collateral account will be released to us to be used for general corporate purposes.

Concurrently with the closing of the offering of the 9.25% Notes, we entered into a New Bank Credit Agreement by amending and restating the Bank Credit Agreement. The final terms of the New Bank Credit Agreement are set forth below. The closing of the offering and the consummation of the tender offer were both conditioned upon closing of this New Bank Credit Agreement. The New Bank Credit Agreement includes the following facilities:

- A new six year term loan facility (Term Loan B) of $330.0 million, the net proceeds of which were used to prepay the outstanding term loans and a portion of the Revolving Credit Facility under the Bank Credit Agreement. The Term Loan B will initially bear interest at LIBOR plus 4.50% with a 2.0% LIBOR floor and amortize principal at a rate of 0.25% per quarter commencing on March 31, 2011, continuing until the scheduled final payment on October 29, 2015, with 95.25% due at maturity, or upon earlier termination of the Term Loan B pursuant to the terms in the New Bank Credit Agreement. We have the right to prepay the Term Loan B at any time without prepayment penalty.

- An amended and restated revolving credit facility (as amended and restated, the Amended Revolver), which we drew upon to repay amounts outstanding under the existing Revolving Credit Facility under the Bank Credit Agreement following the closing of the New Bank Credit Agreement, and thereafter is available for general corporate purposes. Under the terms of the Amended Revolver, $60.5 million in existing commitments will remain in place under the previous Revolving Credit Facility pricing, which as of September 30, 2009 was LIBOR plus 0.75% and will mature June 2011. In addition, $75.4 million in commitments under the previous Revolving Credit Facility were extended until December 31, 2013 at an initial price of LIBOR plus 4.00% with a 2.0% LIBOR floor. We have the right to prepay the Amended Revolver at any time without prepayment penalty.

- Provision for one or more incremental term loans, which may be drawn upon from time to time to meet working capital needs.

As of June 30, 2009, we had classified the 3.0% Notes as a current liability due to the 3.0% Notes holders ability to exercise their contractual rights to put the debt to us within 12 months of the balance sheet date. Based upon the closing of the debt offering and the New Bank Credit Agreement we have concluded we meet the criteria of having the ability and intent to refinance short-term debt on a long-term basis. Accordingly the 3.0% Notes and the current portion of the term loans which were refinanced on a long-term basis were reclassified to long-term debt as of September 30, 2009.

Our ability to finance working capital needs, capital expenditures and general corporate needs from the public and private markets, as well as the associated cost of funding is dependent, in part, on our credit ratings. As of the filing date, our credit ratings, as assigned by Moody s Investor Services (Moody s) and Standard & Poor s Ratings Services (S&P) were:

	Moody s	**S&P**
Corporate Credit	B2	B

Senior Subordinated Notes	Caa1	CCC+
4.875% and 3.0% Notes	Caa1	CCC+
9.25% Notes	B2	B-
New Bank Credit Agreement	Ba2	BB-

On June 16, 2009 and June 19, 2009, Moody s and S&P, respectively, reduced the rating of the 4.875% Notes two notches. As a result, any holder of the 4.875% Notes may surrender all or any portion of their notes for a conversion into our Class A Common Stock at any time at the then-applicable conversion rate. As of September 30, 2009, holders of the 4.875% Notes have the option to convert each $1,000 of principal amount of the 4.875% Notes held into 44.7015 shares of common stock at a conversion price of approximately $22.37 per share. On July 13, 2009, Moody s and S&P further reduced our credit ratings by two notches. On October 13, 2009, Moody s issued proposed ratings on our 9.25% Notes and New Bank Credit Agreement. On November 5, 2009 and November 6, 2009, S&P and Moody s, respectively, issued revised ratings in response to our closing of the 9.25% Notes and entry into the New Bank Credit Agreement.

As of September 30, 2009 our debt totaled $1,299.1 million, of which $432.4 million related to our 3.0% Notes and 4.875% Notes, face value $294.3 million and $143.5 million, respectively, and $383.6 million related to our Bank Credit Agreement. After giving effect of the tender offers, the offering of the 9.25% Notes and the New Bank Credit Agreement, as of the filing date of this quarterly report on Form 10-Q we will have approximately $27.7 million and $37.0 million aggregate principal amount of 3.0% Notes

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and 4.875% Notes, respectively, $342.0 million outstanding under the New Bank Credit Agreement and $500.0 million aggregate principal amount of 9.25% Notes.

We filed a $500.0 million universal shelf registration statement with the SEC which became effective April 22, 2009. We may use the universal shelf registration statement to issue common and preferred equity, debt securities and securities convertible into equity.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued new accounting guidance that requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the noncontrolling interest is included in consolidated net income on the face of the statement of operations. Changes in a parent s ownership interest that result in deconsolidation of a subsidiary will result in the recognition of a gain or loss in net income when the subsidiary is deconsolidated. The guidance also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We applied the requirements of this guidance to our consolidated financial statements resulting in a change to the presentation of loss attributable to noncontrolling interest and net income (loss) attributable to Sinclair Broadcast Group on the face of the income statement for the three months and nine months ended September 30, 2008 and 2009. We also reclassified minority interest in consolidated entities at December 31, 2008 to the equity (deficit) section of the balance sheet and renamed it noncontrolling interest.

In May 2008, the FASB issued new accounting guidance that requires issuers of convertible debt instruments that may be settled in cash upon conversion to account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. Issuers were required to determine the carrying value of just the liability portion of the debt by measuring the fair value of a similar liability (including any embedded features other than the conversion option) that does not have an associated equity component. The excess of the initial proceeds received from the debt issuance and the fair value of the liability component are recorded as a debt discount with the offset recorded to equity. The discount is amortized to interest expense using the interest method over the life of a similar liability that does not have an associated equity component. Transaction costs incurred with third parties shall be allocated between the liability and equity components in proportion to the allocation of proceeds and accounted for as debt issuance costs and equity issuance costs, respectively, with the debt issuance costs amortized to interest expense. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. In 2009, we recorded the impact of this guidance retrospectively by recording additional interest expense on our 3.0% Notes related to the amortization of the debt discount and deferred financing costs of approximately $2.5 million for the three months ended September 30, 2008 and approximately $7.4 million for the nine months ended September 30, 2008. As of December 31, 2008 accumulated deficit increased, net of taxes, $8.8 million and additional paid in capital increased $17.5 million as a result of the retrospective impact of this guidance. In addition, the adjusted net income attributable to Sinclair Broadcast Group for the three months and nine months ended September 30, 2008 decreased $1.5 million and $4.4 million, respectively, with a resulting decrease to earnings per share of $0.02 and $0.06, respectively. For the three months ended September 30, 2009, the application of this new guidance decreased our net income attributable to Sinclair Broadcast Group by approximately $1.0 million and resulted in an approximate decrease to earnings per share of $0.01. For the nine months ended September 30, 2009, the application of this new guidance increased our net loss attributable to Sinclair Broadcast Group approximately $3.5 million and resulted in an approximate increase to loss per share of $0.04.

As of September 30, 2009 and December 31, 2008, the carrying amount of the equity component of the 3.0% Notes was $30.4 million. As of September 30, 2009 the net carrying amount of the liability component was $289.0 million which is comprised of the principal amount of $294.3 million and the unamortized discount of $5.3 million. As of December 31, 2008 the net carrying amount of the liability component was $331.2 million which is comprised of the principal amount of $345.0 million and the unamortized discount of $13.8 million. The unamortized discount of $5.3 million as of September 30, 2009 will be amortized through May 15, 2010 which is the first date at which the holders of the 3.0% Notes have the right to require us to repurchase the notes for cash at par. The 3.0% Notes have call and put options features, therefore at the 3.0% Notes issuance date it was probable that they would be extinguished or refinanced by May 2010. If any of the 3.0% Notes are tendered pursuant to the tender offer mentioned above, the respective portion of the unamortized discount may be written off at that time. Any remaining unamortized discount related to the Notes not tendered will continue to be amortized through May 15, 2010. During the nine months ended September 30, 2009, we repurchased, in the open market, $50.7 million face value of the 3.0% Notes for $30.0 million. For the nine months ended September 30, 2009 we recognized a gain on these extinguishments of $18.5 million.

As of September 30, 2009, the conversion price of the 3.0% Notes was $19.65 per share and the number of shares of Class A Common Stock that would be delivered upon conversion was 14,975,929.

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The effective interest rate on the 3.0% Notes at September 30, 2009 and 2008 was 6.35%. For the three months ended September 30, 2009 and 2008, we recorded interest expense related to the contractual coupon on the debt of $2.2 million and $2.6 million, respectively and interest expense related to the amortization of the discount of $2.2 million and $2.5 million, respectively. For the nine months ended September 30, 2009 and 2008, we recorded interest expense related to the contractual coupon on the debt of $6.8 million and $7.8 million, respectively and interest expense related to the amortization of the discount of $6.6 million and $7.6 million, respectively.

In March 2009, the FASB issued amended guidance related to the accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies. The guidance requires that an asset or liability arising from a contingency in a business combination be recognized at fair value if fair value can be reasonably determined. If the fair value cannot be reasonably determined, the asset or liability should be accounted for in accordance with other GAAP, specifically the current accounting guidance related to accounting for contingencies. This guidance requires that assets and liabilities arising from contingencies be subsequently measured and accounted for using a systematic and rational basis depending on their nature. The amended guidance is effective for acquisitions that occur on January 1, 2009 or later. We did not make any acquisitions during 2009. This guidance could have a material effect on our consolidated financial statements if we make future acquisitions.

In April 2008, the FASB issued amended guidance for determining the useful life of an intangible asset. The guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under the accounting guidance for goodwill and other intangible assets. This guidance applies to (1) intangible assets that are acquired individually or with a group of other assets and (2) intangible assets acquired in both business combinations and asset acquisitions. Historical experience renewing or extending similar arrangements or in the absence of such experience, assumptions that market participants would use about renewal or extension adjusted for entity specific factors should be considered. This guidance includes expanded disclosure requirements that enable users of financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity s intent and/or ability to renew or extend the arrangement. This guidance is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. The guidance for determining the useful life of a recognized intangible asset shall be applied prospectively to intangible assets acquired after the effective date. The disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. This guidance could have a material effect on our consolidated financial statements if we make future acquisitions.

In April 2009, the FASB issued amended guidance which identifies the factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for an asset or liability when compared with normal market activity for the asset or liability and factors to consider related to whether a transaction is orderly. When there has been a significant decrease in the volume of activity or the transaction is not orderly, a significant adjustment to the transaction or quoted prices may be necessary to estimate fair value in accordance with the accounting guidance for fair value measurements. This amended guidance is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for the quarter ended after March 15, 2009. This guidance does not have a material impact on our consolidated financial statements.

In April 2009, the FASB issued amended guidance that requires fair value disclosures of financial instruments in both interim and annual financial statements. This guidance is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. In periods after the initial adoption, this guidance requires comparative disclosures only for periods ending subsequent to the initial adoption. We have added the required disclosures to our consolidated financial statements beginning with the quarter ended June 30, 2009.

In May 2009, the FASB issued new guidance on subsequent events. This guidance establishes general standards of accounting for and disclosure of events that occur subsequent to the balance sheet date but before financial statements are issued or are available to be issued. This guidance does not result in significant changes in the subsequent events that an entity reports in its financial statements. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date financial statements were issued or were available to be issued. This disclosure would alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. The guidance is effective for periods ending after June 15, 2009. We have added this disclosure to our consolidated financial statements beginning with the quarter ended June 30, 2009.

In June 2009, the FASB issued amended guidance on the consolidation of variable interest entities. The intent of this guidance is to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. The new guidance will require a number of new disclosures and companies are required to perform ongoing reassessments of whether they are the primary beneficiary of a variable interest entity. This guidance is effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. We have not determined the impact that this guidance will have on our consolidated financial statements.

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In June 2009, the FASB issued the FASB Accounting Standards Codification (the Codification) as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (U.S. GAAP). The Codification significantly changes the way that accounting literature is organized but does not change U.S. GAAP. The Codification completely replaces the existing accounting standards and therefore it will affect the way U.S. GAAP is referenced by companies in their existing financial statements and accounting policies. The Codification is effective for interim and annual reporting periods ending after September 15, 2009. The Codification does not have an impact on our consolidated financial statements.

In September 2009, the FASB ratified the Emerging Issues Task Force s amended guidance on accounting for revenue arrangements with multiple deliverables. The amended guidance allows the use of an estimated selling price for the undelivered units of accounting in transactions in which vendor-specific objective evidence (VSOE) or third-party evidence (TPE) does not exist. The amended guidance no longer allows the use of the residual method when allocating arrangement consideration between the delivered and undelivered units of accounting if VSOE and TPE of selling price does not exist for all units of accounting. Entities are required to estimate the selling price of the deliverables, when VSOE and TPE are not available, and then allocate the consideration based on the relative selling prices of the deliverables. This guidance also requires additional disclosures including the amount of revenue recognized each reporting period and the amount of deferred revenue as of the end of each reporting period under this guidance. This guidance is effective for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010 and should be applied on a prospective basis. We have not determined the impact that this guidance will have on our consolidated financial statements.

In September 2009, the FASB updated the Codification to provide further guidance on how to measure the fair value of a liability. The updated guidance sets forth the types of valuation techniques to be used to value a liability when a quoted price in an active market for the identical liability is not available. It clarifies that a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. It clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The update is effective for the first reporting period (including interim periods) beginning after issuance. This guidance does not have a material impact on our consolidated financial statements.

In September 2009, the FASB proposed to amend the guidance on fair value measurements and disclosures to add three new disclosure provisions to the current fair value disclosure guidance, including (1) a sensitivity analysis for level 3 measurements, (2) details of transfers in and out of level 1 and level 2 measurements, and (3) gross presentation of activity within the level 3 roll forward. The proposal also amends two existing fair value disclosure requirements so that entities are required to disclose (1) the valuation techniques and inputs used to develop fair value measurements for assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition and (2) the effect of fair value measurements on earnings for the period and the total effect(s) of changes in reasonably possible alternative inputs for recurring measurements that use significant unobservable inputs (level 3). Once finalized, the guidance would be immediately effective except for the sensitivity disclosures which are effective for interim and annual reporting periods ending after March 15, 2010. We have not determined the impact of this proposed guidance on our consolidated financial statements.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the consolidated financial statements and in the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Other Operating Divisions Segment Acquisitions

During the nine months ended September 30, 2009, we purchased an additional interest in Bay Creek South, LLC for $5.0 million of which $4.0 million has been paid to date. The remaining $1.0 million due will be paid in the fourth quarter of 2009.

Investments

During the nine months ended September 30, 2009, we made add-on cash investments of $5.5 million in our real estate ventures and $3.1 million in private investment funds.

Income Taxes

Our income tax provision for all periods consists of federal and state income taxes. The tax provision for the three and nine months ended September 30, 2009, respectively, is based on the estimated effective tax rate applicable for the full year after taking into account discrete tax items and the effects of the noncontrolling interest.

Our effective income tax rate for the three months ended September 30, 2009 was lower than the statutory rate primarily due to a partial reversal of valuation allowance previously provided for our deferred tax asset related to our federal net operating loss forecasted for 2009. Our 2009 federal net operating loss is expected to be less and led to a reduction in the related valuation allowance.

Our effective income tax rate for the nine months ended September 30, 2009 is lower than the statutory rate primarily due to impairments of certain indefinite-lived intangible assets recorded in the first quarter of 2009 that are not deductible for income tax purposes. We recorded $130.1 million in impairment charges related to our goodwill, broadcast licenses and other assets. Impairment of $51.6 million is permanently not deductible for income tax purposes and was treated as a discrete item thereby reducing our effective tax rate.

Reclassifications

Certain reclassifications have been made to prior years consolidated financial statements to conform to the current year s presentation.

2. COMMITMENTS AND CONTINGENCIES:

Litigation

We are a party to lawsuits and claims from time to time in the ordinary course of business. Actions currently pending are in various preliminary stages and no judgments or decisions have been rendered by hearing boards or courts in connection with such actions. After reviewing developments to date with legal counsel, our management is of the opinion that the outcome of our pending and threatened matters will not have a material adverse effect on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

FCC License Renewals

In April 2009, the Federal Communications Commission (FCC) granted the license renewal applications of WICD-TV in Springfield, Illinois; WPMY-TV in Pittsburgh, Pennsylvania and WUHF-TV in Rochester, New York.

The FCC has found that some network programming broadcast contains indecent material, including partial nudity or unacceptable language. We believe the FCC standards relating to indecency have been inconsistently applied. The FCC is currently withholding action on a number of station renewal applications due to indecency complaints, and in other cases has taken action only after licensees, including us, have entered into agreements tolling the statute of limitations on such matters. A number of appeals of the FCC s indecency rulings are currently being contested. On April 28, 2009 the Supreme Court overturned a decision of the U.S. Court of Appeals for the Second Circuit and held that the FCC s indecency policy regarding fleeting expletives was not arbitrary and capricious. However, the Supreme Court did not rule on whether or not the FCC s fleeting expletives policy violated the First Amendment, and remanded the case to the Second Circuit to rule on the constitutional issue. At this time, the matter remains pending. This decision and the FCC s unclear policy make it difficult for us to determine what may be indecent programming, and makes it difficult to air live programming.

Other Litigation

On October 22, 2009, Mediacom Communications Corporation (Mediacom) filed with the FCC a Retransmission Consent Complaint and other associated pleadings alleging that we engaged in unfair competition and failed to negotiate retransmission consent for cable carriage in good faith as required by applicable federal communications laws, in connection with negotiations with Mediacom for carriage of the signals of 22 stations. The proceeding is currently pending before the FCC. We have filed a response with the FCC denying any wrongdoing and providing evidence that we negotiated in good faith in accordance with the law. We believe this complaint has no merit.

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Network Affiliation Agreements

As of September 30, 2009, we had 20 MyNetworkTV affiliates, including three affiliates operating on a digital sub-channel only. On February 9, 2009, MyNetworkTV announced that it was moving to a new program services model pursuant to which it would obtain for its affiliates popular programming that has previously aired on other networks, rather than continuing to provide first-run programming as is generally the case in a typical network model. MyNetworkTV advised us that in connection with this change to what it refers to as a hybrid model it believes it had the right to terminate all of its existing affiliate agreements and negotiate new agreements for this programming service with the television stations that have been MyNetworkTV affiliates. On March 3, 2009, we received notice from MyNetworkTV claiming that it had ceased to exist as a network and therefore, was terminating each of our affiliation agreements effective September 26, 2009. On March 25, 2009, each of our subsidiaries that owned or operated stations which were affiliated with MyNetworkTV entered into an agreement, effective September 28, 2009 with a party related to MyNetworkTV to provide such stations with programming during the following year for the time periods previously programmed by MyNetworkTV, excluding programming for Saturday night. We cannot predict the likelihood of success of the new model being proposed by MyNetworkTV and the impact that this change will have on the performance of our stations. The amortization related to our network affiliation intangible assets associated with MyNetworkTV stations was accelerated during 2009, resulting in no asset balances remaining as of September 30, 2009.

On October 30, 2009, options were exercised to extend the affiliation agreements of the stations owned, programmed and/or to which we provide services that are affiliated with the CW for an additional year to expire August 31, 2011.

Outsourcing Agreements

Our outsourcing agreements in WYZZ-TV in Peoria, Illinois and WUHF-TV in Rochester, New York with Nexstar Broadcasting are scheduled to terminate April 1, 2010.

3. GOODWILL, BROADCAST LICENSES AND OTHER INTANGIBLE ASSETS:

Goodwill and broadcast licenses are required to be tested for impairment at least annually. We test our broadcast licenses and goodwill annually during the fourth quarter each year and between annual evaluations if events occur or circumstances change that indicate that the fair value of our reporting units or licenses may be below their carrying amount. Due to the severity of the economic downturn and the decrease in our market capitalization in the first quarter of 2009, we tested our goodwill and broadcast licenses for impairment in the first quarter of 2009 similar to the testing performed in the fourth quarter of 2008.

When evaluating whether goodwill is impaired, we aggregate our stations by market for purposes of our goodwill impairment testing. We believe that our markets are most representative of our broadcast reporting units because we view, manage and evaluate our stations on a market basis. Furthermore, in our markets operated as duopolies, certain costs of operating the stations are shared including the use of buildings and equipment, the sales force and administrative personnel. We then compare the fair value of the reporting unit to which the goodwill is assigned to the reporting unit s carrying amount, including goodwill. We estimate the fair market value of our reporting units using a combination of quoted market prices, observed earnings/cash flow multiples paid for comparable television stations, and discounted cash flow models. Our discounted cash flow model is based on our judgment of future market conditions within each designated market area, as well as discount rates that would be used by market participants in an arms-length transaction. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss is calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. In calculating the implied fair value of reporting unit goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized to the extent that the carrying amount of goodwill exceeds its implied fair value.

When evaluating our broadcast licenses for impairment, the testing is done at the unit of accounting level using the income approach method. The income approach method involves an eight-year model that incorporates several variables, including, but not limited to, discounted cash flows of a typical market participant, market revenue and long term growth projections, estimated market share for the typical participant and estimated profit margins based on market size and station type. The model also assumes outlays for capital expenditures, future terminal values, an effective tax rate assumption and a discount rate based on the weighted-average cost of capital of the television broadcast industry.

The impairment charge taken in the first quarter of 2009 was primarily due to the severe economic downturn and continued decrease in our market capitalization at that time and, as a result, we made further revisions to our forecasted cash flows, cash flow multiples and discount rates. Broadcast licenses were impaired in 28 of 35 markets. The fair value of the broadcast licenses was $85.3 million. We recorded goodwill impairment in three markets including Cedar Rapids, Iowa; Charleston, West Virginia; and Madison, Wisconsin. The implied fair value of the goodwill assigned to these three markets for which we were required to calculate this amount was $10.8 million. The fair value measurements for both our implied goodwill and broadcast licenses use significant

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unobservable Level 3 inputs which reflect our own assumptions about the assumptions that market participants would use in measuring fair value including assumptions about risk. The key assumptions used to determine the fair value of our reporting units to test our goodwill for impairment and to determine the fair value of our broadcast licenses in the first quarter of 2009 were as follows:

	Goodwill	Broadcast Licenses
Revenue annual growth rate	2.0% - 5.0%	1.8% - 3.5%
Expense annual growth rate	2.0% - 2.5%	1.7% - 3.4%
Discount rate	11.3%	11.9%
Comparable business multiple/Constant growth rate	7.5 times cash flow	1.8% - 3.5%

There was no impairment related to broadcast assets recorded for the quarters ended June 30 and September 30, 2009. During the three months ended September 30, 2008, certain events led us to test our goodwill associated with an other operating division company, Acrodyne Communications, Inc. As a result of this testing, we recorded a $1.6 million impairment charge in our consolidated statements of operations.

As of September 30, 2009, the carrying amount of our broadcast licenses related to continuing operations was as follows (in thousands):

		As of September 30, 2009
Beginning balance	$	132,422
Broadcast license impairment charge (a)		(56,187)
Ending balance (b)	$	76,235

(a) An impairment of $4.4 million was recorded against purchase option assets included in other assets in the consolidated balance sheet. These purchase options give us the right to purchase the license assets of certain stations.

(b) Approximately $6.0 million of broadcast licenses relate to consolidated variable interest entities as of September 30, 2009.

The change in the carrying amount of goodwill related to continuing operations was as follows (in thousands):

		As of September 30, 2009
Beginning balance	$	824,188
Goodwill impairment charge		(69,461)
Ending balance	$	754,727

Definite-lived intangible assets and other assets subject to amortization are being amortized on a straight-line basis over periods of 5 to 25 years. These amounts result from the acquisition of certain television station non-license assets. We analyze specific definite-lived intangibles for impairment when events occur that may impact their carrying values.

4. DERIVATIVE INSTRUMENTS:

We enter into derivative instruments primarily to reduce the impact of changing interest rates on our floating rate debt and to reduce the impact of changing fair market values on our fixed rate debt.

In February 2008, the counterparty to two of our then existing interest rate swap agreements, elected to change the termination dates of the $180.0 million and $120.0 million swaps to March 25, 2008 and March 26, 2008, respectively. We received a termination fee of $3.2 million from the counterparty for the early termination of the $120.0 million swap. After the removal of the related $2.4 million derivative asset from our consolidated balance sheet, the resulting $0.8 million, along with $0.2 million of interest was recorded in gain from derivative instruments in the consolidated statements of operations. We received a termination fee of $4.8 million from the counterparty for the early termination of the $180.0 million swap. The carrying value of the underlying debt was adjusted to reflect the $4.8 million termination fee and that amount is treated as a premium on the underlying debt that was being hedged and is amortized over its remaining life as a reduction to interest expense. The total termination fees received of $8.0 million are included in the cash flows from financing activities section of the consolidated statement of cash flows for the nine months ended September 30, 2008.

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In March 2009, a company in our other operating divisions segment was required to enter into an interest rate swap agreement pursuant to its underlying credit agreement. The swap fixes the interest rate on its variable rate debt which is non-recourse to us. The notional amount of the swap is $10.0 million and the expiration date is February 28, 2011. The interest we pay on the swap is fixed at 1.59% and we receive interest based on three-month LIBOR. The swap is accounted for as a derivative and changes in the fair market value are reflected as an adjustment to income. For each of the three and nine months ending September 30, 2009, we recorded $0.1 million as loss on derivative instrument related to this swap agreement.

5. EARNINGS (LOSS) PER SHARE:

The following table reconciles income (loss) (numerator) and shares (denominator) used in our computations of earnings (loss) per share for the three and nine months ended September 30, 2009 and 2008 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Income (Loss) (Numerator)				
Income (loss) from continuing operations	$ 15,855	$ 9,237	$ (68,489)	$ 35,381
Income impact of assumed conversion of the 4.875% Notes, net of taxes	1,049			
Net (income) loss attributable to noncontrolling interests included in continuing operations	(1,162)	991	527	1,571
Numerator for diluted earnings (loss) per common share from continuing operations available to common shareholders	15,742	10,228	(67,962)	36,952
Income (loss) from discontinued operations, net of taxes	245	(38)	28	9
Numerator for diluted earnings (loss) available to common shareholders	$ 15,987	$ 10,190	$ (67,934)	$ 36,961
Shares (Denominator)				
Weighted-average common shares outstanding	79,739	86,315	80,036	87,088
Dilutive effect of outstanding stock options				4
Dilutive effect of 4.875% Notes	6,416			
Weighted-average common and common equivalent shares outstanding	86,155	86,315	80,036	87,092

We applied the treasury stock method to measure the dilutive effect of our outstanding stock options awards and include the respective common share equivalents in the denominator of the diluted EPS computation. For the three and nine months ended September 30, 2009 and 2008, our 6.0% Convertible Debentures, due 2012 (the 6.0% Debentures), our 3.0% Notes and our outstanding stock-settled appreciation rights were excluded from our diluted EPS computation because their effects were anti-dilutive. For the three months ended September 30, 2008 and the nine months ended September 30, 2009 and 2008, our 4.875% Notes were excluded from our diluted EPS computation because their effects were anti-dilutive. For the three months ended September 30, 2009 and 2008 and the nine months ended September 30, 2009 our outstanding stock options were excluded from our diluted EPS computation because their effects were anti-dilutive.

6. RELATED PERSON TRANSACTIONS:

David, Frederick, Duncan and Robert Smith (collectively, the controlling shareholders) are brothers and hold substantially all of the Class B Common Stock and some of our Class A Common Stock. Since the beginning of our last fiscal year, we engaged in the following transactions with them and/or entities in which they have substantial interests.

Cunningham Broadcasting Corporation. Concurrently with our initial public offering, we acquired options from trusts established by Carolyn C. Smith, a parent of our controlling shareholders, for the benefit of her grandchildren that will grant us the right to acquire, subject to applicable FCC rules and regulations, 100% of the capital stock of Cunningham Broadcasting Corporation (Cunningham). The Cunningham option exercise price is based on a formula that provides a 10% annual return to Cunningham. Cunningham is the owner-operator and FCC licensee of: WNUV-TV in Baltimore, Maryland; WRGT-TV in Dayton, Ohio; WVAH-TV in Charleston, West Virginia; WTAT-TV in Charleston, South Carolina; WMYA-TV in Anderson, South Carolina; and WTTE-TV in Columbus, Ohio. The financial statements for Cunningham are included in our consolidated financial statements for all periods presented.

In addition to the option agreement, we entered into five-year LMA agreements (with five-year renewal terms at our option) with Cunningham pursuant to which we provide programming to Cunningham for airing on WNUV-TV, WRGT-TV, WVAH-TV, WTAT-TV, WMYA-TV and WTTE-TV. In November 2008, we amended the terms of the LMA and option agreements. The

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amendment includes a monthly payment of $50,000. We made payments to Cunningham under LMA agreements of $1.5 million and $1.9 million for the three months ended September 30, 2009 and 2008, respectively. For the nine months ended September 30, 2009 and 2008, we made payments to Cunningham of $4.6 million and $5.7 million, respectively, relating to LMA agreements. A portion of the monthly payment is allocated as a reduction to the Cunningham option exercise price. The amended LMA and option agreements have been approved pursuant to the current related person transaction policy.

Cunningham holds a $33.5 million term loan facility originally entered into on March 20, 2002, with an unrelated third party. Primarily all of Cunningham s assets are collateral for its term loan facility, which is non-recourse to us. On June 5, 2009, the administrative agent under Cunningham s bank credit facility declared an event of default under the facility for failure to timely deliver certain annual financial statements as required. As of such date, a rate of interest of LIBOR plus 5%, which rate includes a 2% default rate of interest, was instituted on all outstanding borrowings under the Cunningham bank credit facility. On June 30, 2009, the default was waived and the termination date of the Cunningham bank credit facility was extended to July 31, 2009, subject to certain conditions, including maintaining the default interest rate. On July 31, 2009, the Cunningham bank credit facility was further extended to October 30, 2009. The extension required that Cunningham make $0.2 million principal payments on its term loan facility as of the first day of each of August, September and October with the balance due on October 30, 2009. To delay or avoid any potential bankruptcy of Cunningham, the lenders under Cunningham s existing credit facility indicated their willingness to replace such credit facility with a new credit facility, which was conditioned upon Cunningham s demonstration that it can repay the outstanding principal balance due under the facility within three years. As a result, Cunningham asked us to restructure certain of its arrangements with us, including the LMAs, which negotiations led to the execution of the Memorandum of Understanding (the MOU).

In accordance with the terms of the MOU, amendments and/or restatements of the following agreements between Cunningham and us were entered into on October 28, 2009: (i) the LMAs, (ii) option agreements to acquire Cunningham stock and (iii) certain acquisition or merger agreements relating to television stations owned by Cunningham (Cunningham stations). Such amendments and/or restatements were effective at the expiration of the tender offers for the 3.0% Notes and 4.875% Notes.

In consideration of the new terms of the LMAs and other agreements and the extension options, beginning on January 1, 2010 and ending on July 1, 2012, we will be obligated to pay Cunningham the sum of approximately $29.1 million in 10 quarterly installments of $2.75 million and one quarterly payment of approximately $1.6 million, which amounts will be used to pay off Cunningham s bank credit facility and which amounts will be credited toward the purchase price for each Cunningham Station. An additional $3.9 million, approximately, will be paid in two installments on July 1, 2012 and October 1, 2012 as an additional LMA fee. The aggregate purchase price of the television stations, $78.5 million as of September 30, 2009, will be decreased by each payment made by us to Cunningham up to $33.0 million in the aggregate, pursuant to the foregoing transactions with Cunningham as such payments are made. We expect to record a loss included in net (income) loss attributable to noncontrolling interest in our fourth quarter financial statements upon the effective date of the MOU equal to the excess of the $29.1 million payment over the Cunningham assets at that time. Beginning on October 1, 2012, we will be obligated to pay Cunningham an annual LMA fee for the television stations equal to the greater of (i) 3% of each station s annual net broadcast revenue and (ii) $5.0 million.

We will continue to reimburse Cunningham for 100% of its operating costs. In addition, we will continue to pay Cunningham a monthly payment of $50,000 through December 2012.

Pursuant to the foregoing transactions between us and Cunningham, Cunningham amended and restated its bank credit facility on October 29, 2009.

For the nine months ended September 30, 2009, Cunningham s stations provided us with approximately $58.7 million of total revenue.

Related Person Leases. Certain assets used by us and our operating subsidiaries are leased from Cunningham Communications, Inc., Keyser Investment Group, Gerstell Development Limited Partnership and Beaver Dam, LLC (entities owned by some or all of the controlling shareholders). Lease payments made to these entities were $1.2 million and $1.3 million for the three months ended September 30, 2009 and 2008, respectively. Lease payments made to these entities were $3.5 million and $3.6 million for the nine months ended September 30, 2009 and 2008, respectively.

In October 2009, Bagby s Bistro, LLC, a company owned by David Smith and one of his sons, entered into a restaurant lease agreement with Skylar Development LLC (Skylar), a subsidiary of one of our real estate ventures.

Bay TV. In January 1999, we entered into a LMA with Bay Television, Inc. (Bay TV), which owns the television station WTTA-TV in Tampa, Florida. Our controlling shareholders own a substantial portion of the equity of Bay TV. Lease payments made to Bay TV were $0.5 million for each of the three months ended September 30, 2009 and 2008 and $1.3 million for each of the nine months ended September 30, 2009 and 2008. Additional payments were made of $1.3 million and $1.5 million for the nine months ended September 30, 2009 and 2008 related to the excess adjusted broadcast cash flow for the years ended December 31, 2008 and 2007, respectively. We received $0.1 million for each of the three months ended September 30, 2009 and 2008 and $0.4 million for each of the nine months ended September 30, 2009 and 2008 from Bay TV for certain equipment leases.

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Atlantic Automotive Corporation. We sold advertising time to and purchased vehicles and related vehicle services from Atlantic Automotive Corporation (Atlantic Automotive), a holding company which owns automobile dealerships and an automobile leasing company. David Smith, our President and Chief Executive Officer, has a controlling interest in, and is a member of the Board of Directors of Atlantic Automotive. Our stations in Baltimore, Maryland and Norfolk, Virginia received payments for advertising time totaling less than $0.1 million and $0.1 million for the three months ended September 30, 2009 and 2008. For the nine months ended September 30, 2009 and 2008, we received payments for advertising time totaling $0.2 million and $0.5 million, respectively. We paid $0.1 million and $0.2 million for vehicles and related vehicle services from Atlantic Automotive during the three months ended September 30, 2009 and 2008, respectively. For the nine months ended September 30, 2009 and 2008, we paid $0.3 million and $0.7 million, respectively, for vehicles and related vehicle services.

Thomas & Libowitz P.A. Basil A. Thomas, a member of our Board of Directors, is the father of Steven A. Thomas, a partner and founder of Thomas & Libowitz, P.A., a law firm providing legal services to us on an ongoing basis. We paid fees of $0.4 million and $0.2 million to Thomas & Libowitz during the three months ended September 30, 2009 and 2008, respectively. For the nine months ended September 30, 2009 and 2008, we paid fees of $1.0 million and $0.8 million to Thomas & Libowitz, respectively.

7. SEGMENT DATA:

During 2008, we determined we have two reportable operating segments, broadcast and other operating divisions that are disclosed separately from our corporate activities. We have restated prior period information to reflect our new segments. We measure segment performance based on operating income (loss). Our broadcast segment includes stations in 35 markets located predominately in the eastern, mid-western and southern United States. Currently, our other operating divisions segment primarily earns revenues from information technology staffing, consulting and software development; transmitter manufacturing; sign design and fabrication; regional security alarm operating and bulk acquisitions; and real estate ventures. All of our other operating divisions are located within the United States. Corporate costs primarily include our costs to operate as a public company and to operate our corporate headquarters location. Corporate is not a reportable segment. We had $179.1 million and $114.5 million of intercompany loans between the broadcast segment, operating divisions segment and corporate as of September 30, 2009 and 2008, respectively. We had $12.3 million and $3.0 million in intercompany interest expense related to intercompany loans between the broadcast segment, other operating divisions segment and corporate for the three months ended September 30, 2009 and 2008, respectively. For the nine months ended September 30, 2009 and 2008, we had $18.5 million and $6.8 million in intercompany interest expense. All other intercompany transactions are immaterial.

Financial information for our operating segments are included in the following tables for the three and nine months ended September 30, 2009 and 2008 (in thousands):

For the three months ended September 30, 2009	**Broadcast**	**Other Operating Divisions**	**Corporate**	**Consolidated**
Revenue	$ 149,437	$ 10,690	$	$ 160,127
Depreciation of property and equipment	9,242	280	473	9,995
Amortization of definite-lived intangible assets and other assets	5,659	571		6,230
Amortization of program contract costs and net realizable value adjustments	17,021			17,021
Impairment of goodwill, intangible and other assets			243	243
General and administrative expenses	1,809	237	4,063	6,109
Operating income (loss)	42,401	(1,682)	(4,986)	35,733

Interest expense		376	17,090	17,466
Income from equity and cost method investments		453		453

For the three months ended September 30, 2008	**Broadcast**	**Other Operating Divisions**	**Corporate**	**Consolidated**
Revenue	$ 164,681	$ 13,510	$	$ 178,191
Depreciation of property and equipment	10,735	472	493	11,700
Amortization of definite-lived intangible assets and other assets	4,274	332		4,606
Amortization of program contract costs and net realizable value adjustments	21,744			21,744
General and administrative expenses	1,735	355	3,829	5,919
Operating income (loss)	42,837	(1,020)	(4,415)	37,402
Interest expense		242	21,326	21,568
Income from equity and cost method investments		658		658

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For the nine months ended September 30, 2009	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$ 439,567	$ 33,570	$	$ 473,137
Depreciation of property and equipment	30,275	755	1,426	32,456
Amortization of definite-lived intangible assets and other assets	16,172	1,511		17,683
Amortization of program contract costs and net realizable value adjustments	57,644			57,644
Impairment of goodwill, intangible and other assets	130,098		243	130,341
General and administrative expenses	5,523	823	12,139	18,485
Operating loss	(27,152)	(3,978)	(14,020)	(45,150)
Interest expense		994	52,492	53,486
Income from equity and cost method investments		471		471

For the nine months ended September 30, 2008	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$ 519,806	$ 38,657	$	$ 558,463
Depreciation of property and equipment	31,199	1,126	1,487	33,812
Amortization of definite-lived intangible assets and other assets	12,795	897		13,692
Amortization of program contract costs and net realizable value adjustments	63,247			63,247
Impairment of goodwill, intangible and other assets		1,626		1,626
General and administrative expenses	5,301	982	13,840	20,123
Operating income (loss)	148,566	(5,970)	(15,664)	126,932
Interest expense		712	65,471	66,183
Loss from equity and cost method investments		(118)		(118)

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8. FAIR VALUE MEASUREMENTS:

In the first quarter of 2008, the FASB issued a statement that defines fair value, provides guidance for measuring fair value and requires certain disclosures. This statement does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements.

This statement discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The statement utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- *Level 1:* Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

- *Level 2:* Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

- *Level 3:* Unobservable inputs that reflect the reporting entity s own assumptions.

The carrying value and fair value of our notes, debentures, program contracts payable and non-cancelable commitments as of September 30, 2009 were as follows (in thousands):

	Carrying Value	Fair Value
8.0% Notes	$ 225,582	$ 201,073
6.0% Debentures	121,546	84,496
4.875% Notes	143,519	125,579
3.0% Notes	288,928	268,528
Active program contracts payable	162,304	131,023
Future program liabilities (a)	73,885	51,017
Total fair value	$ 1,015,764	$ 861,716

(a) Future program liabilities reflect a license agreement for program material that is not yet available for its first showing or telecast and is, therefore, not recorded as an asset or liability on our balance sheet. Pursuant to the accounting guidance for the broadcasting industry, an asset and a liability for the rights acquired and obligations incurred under a license agreement are reported on the balance sheet when the cost of each program is known or reasonably determinable, the program material has been accepted by the licensee in accordance with the conditions of the license agreement and the program is available for its first showing or telecast.

Our notes and debentures payable are fair valued using Level 1 hierarchy inputs described above. Our estimates of active program contracts payable and future program liabilities were based on future cash payments discounted at our current borrowing rate using Level 3 inputs described above.

9. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

Sinclair Television Group, Inc. (STG), a wholly-owned subsidiary and the television operating subsidiary of Sinclair Broadcast Group, Inc. (SBG), was the primary obligor under the Bank Credit Agreement, as amended and the 8.0% Senior Subordinated Notes, due 2012 (the 8.0% Notes) as of September 30, 2009. As of the date of filing this Form 10-Q, STG is the primary obligor under the New Bank Credit Agreement, the 8.0% Notes and the 9.25% Notes. Our Class A Common Stock, Class B Common Stock, the 6.0% Debentures, the 4.875% Notes and the 3.0% Notes remain obligations or securities of SBG and are not obligations or securities of STG.   As of September 30, 2009 our consolidated total debt of $1,299.1 million included $667.6 million of debt related to STG and its subsidiaries of which SBG guaranteed $383.6 million.

SBG, KDSM, LLC, a wholly-owned subsidiary of SBG, and STG s wholly-owned subsidiaries (guarantor subsidiaries), have fully and unconditionally guaranteed all of STG s obligations. Those guarantees are joint and several. There are certain contractual restrictions on the ability of SBG, STG or KDSM, LLC to obtain funds from their subsidiaries in the form of dividends or loans.

The following condensed consolidating financial statements present the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows of SBG, STG, KDSM, LLC and the guarantor subsidiaries, the direct and indirect non-guarantor subsidiaries of SBG and the eliminations necessary to arrive at our information on a consolidated basis. These statements are presented in accordance with the disclosure requirements under SEC Regulation S-X, Rule 3-10.

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CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2009

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 4,187	$ 823	$ 5,214	$	$ 10,224
Accounts and other receivables	7	9,270	90,663	6,161	(9,612)	96,489
Other current assets	1,187	1,114	70,077	4,253	(302)	76,329
Total current assets	1,194	14,571	161,563	15,628	(9,914)	183,042
Property and equipment, net	12,035	2,051	200,879	98,374	(9,471)	303,868
Investment in consolidated subsidiaries	362,887	780,294			(1,143,181)	
Other long-term assets	82,189	243,670	30,774	75,728	(315,792)	116,569
Total other long-term assets	445,076	1,023,964	30,774	75,728	(1,458,973)	116,569
Acquired intangible assets			960,189	56,317	9,163	1,025,669
Total assets	$ 458,305	$ 1,040,586	$ 1,353,405	$ 246,047	$ (1,469,195)	$ 1,629,148
Accounts payable and accrued liabilities	$ 6,595	$ 5,053	$ 31,064	$ 19,134	$ (9,272)	$ 52,574
Current portion of long-term debt	1,026		2,425	43,820	(8,819)	38,452
Other current liabilities			109,376	626		110,002
Total current liabilities	7,621	5,053	142,865	63,580	(18,091)	201,028
Long-term debt	565,892	611,332	53,848	216,141	(186,590)	1,260,623
Other liabilities	28,060	1,387	376,500	37,415	(143,691)	299,671
Total liabilities	601,573	617,772	573,213	317,136	(348,372)	1,761,322
Common stock	798		11	761	(772)	798
Additional paid-in capital	605,387	643,899	702,150	86,986	(1,433,035)	605,387
Accumulated (deficit) earnings	(746,116)	(219,059)	79,237	(155,806)	295,628	(746,116)
Other comprehensive loss	(3,337)	(2,026)	(1,206)	(3,030)	6,262	(3,337)
Total Sinclair Broadcast Group (deficit) equity	(143,268)	422,814	780,192	(71,089)	(1,131,917)	(143,268)
Noncontrolling interest in consolidated subsidiaries					11,094	11,094
Total liabilities and equity (deficit)	$ 458,305	$ 1,040,586	$ 1,353,405	$ 246,047	$ (1,469,195)	$ 1,629,148

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CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2008

(in thousands) (Unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 9,649	$ 227	$ 6,594	$	$ 16,470
Accounts and other receivables	4,719	135	100,272	9,658	(5,009)	109,775
Other current assets	741	1,419	68,728	6,827	(835)	76,880
Total current assets	5,460	11,203	169,227	23,079	(5,844)	203,125
Property and equipment, net	13,676	1,565	234,851	98,013	(11,141)	336,964
Investment in consolidated subsidiaries	574,071	977,074			(1,551,145)	
Other long-term assets	68,422	171,238	29,632	71,433	(226,760)	113,965
Total other long-term assets	642,493	1,148,312	29,632	71,433	(1,777,905)	113,965
Acquired intangible assets			1,111,616	51,208	(471)	1,162,353
Total assets	$ 661,629	$ 1,161,080	$ 1,545,326	$ 243,733	$ (1,795,361)	$ 1,816,407
Accounts payable and accrued liabilities	$ 22,581	$ 10,297	$ 39,725	$ 57,556	$ (45,758)	$ 84,401
Current portion of long-term debt	3,550	26,250	2,479	38,462	(830)	69,911
Other current liabilities			93,372	651		94,023
Total current liabilities	26,131	36,547	135,576	96,669	(46,588)	248,335
Long-term debt	604,568	602,027	67,839	140,775	(122,842)	1,292,367
Other liabilities	57,765	537	364,476	4,908	(93,281)	334,405
Total liabilities	688,464	639,111	567,891	242,352	(262,711)	1,875,107
Common stock	810		10	761	(771)	810
Additional paid-in capital	605,865	677,142	821,336	140,694	(1,639,172)	605,865
Accumulated (deficit) earnings	(633,510)	(153,046				