SINCLAIR BROADCAST GROUP INC
Form 10-Q
November 04, 2011
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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, 2011

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

10706 Beaver Dam Road

Hunt Valley, Maryland 21030

(Address of principal executive office, 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 x 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 share 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 October 28, 2011**
Class A Common Stock	52,021,859
Class B Common Stock	28,933,859

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SINCLAIR BROADCAST GROUP, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2011

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PART 1. 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, 2011	As of December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 61,367	$ 21,974
Current portion of restricted cash		5,058
Accounts receivable, net of allowance for doubtful accounts of $2,918 and $3,242, respectively	114,771	121,283
Affiliate receivable	79	88
Current portion of program contract costs	48,458	37,000
Prepaid expenses and other current assets	8,244	6,064
Deferred barter costs	3,068	3,156
Deferred tax assets	9,658	9,658
Total current assets	245,645	204,281
PROGRAM CONTRACT COSTS, less current portion	19,063	8,729
PROPERTY AND EQUIPMENT, net	276,670	272,231
RESTRICTED CASH, less current portion	20,224	223
GOODWILL	660,117	660,017
BROADCAST LICENSES	47,002	47,375
DEFINITE-LIVED INTANGIBLE ASSETS, net	178,030	184,652
OTHER ASSETS	117,099	108,416
Total assets	$ 1,563,850	$ 1,485,924
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 2,970	$ 5,952
Accrued liabilities	88,318	68,071
Income taxes payable	4,985	298
Current portion of notes payable, capital leases and commercial bank financing	26,559	19,556
Current portion of notes and capital leases payable to affiliates	2,926	3,196
Current portion of program contracts payable	71,394	68,301
Deferred barter revenues	2,747	2,522
Total current liabilities	199,899	167,896
LONG-TERM LIABILITIES:		
Notes payable, capital leases and commercial bank financing, less current portion	1,156,757	1,169,740
Notes payable and capital leases to affiliates, less current portion	17,330	19,573
Program contracts payable, less current portion	33,670	29,593
Deferred tax liabilities	235,413	210,335
Other long-term liabilities	46,139	45,869

Total liabilities		1,689,208		1,643,006
EQUITY (DEFICIT):				
SINCLAIR BROADCAST GROUP SHAREHOLDERS EQUITY (DEFICIT):				
Class A Common Stock, $.01 par value, 500,000,000 shares authorized, 52,005,622 and 50,284,052 shares issued and outstanding, respectively		520		503
Class B Common Stock, $.01 par value, 140,000,000 shares authorized, 28,933,859 and 30,083,819 shares issued and outstanding, respectively, convertible into Class A Common Stock		289		301
Additional paid-in capital		617,584		609,640
Accumulated deficit		(747,793)		(771,953)
Accumulated other comprehensive loss		(3,792)		(3,914)
Total Sinclair Broadcast Group shareholders deficit		(133,192)		(165,423)
Noncontrolling interests		7,834		8,341
Total deficit		(125,358)		(157,082)
Total liabilities and equity (deficit)	$	1,563,850	$	1,485,924

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, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
REVENUES:				
Station broadcast revenues, net of agency commissions	$ 151,701	$ 158,809	$ 466,819	$ 465,440
Revenues realized from station barter arrangements	17,512	17,812	53,232	50,573
Other operating divisions revenues	11,655	9,831	32,073	25,618
Total revenues	180,868	186,452	552,124	541,631
OPERATING EXPENSES:				
Station production expenses	41,493	38,619	126,755	113,182
Station selling, general and administrative expenses	31,341	32,230	92,095	93,426
Expenses recognized from station barter arrangements	15,815	15,716	48,073	44,695
Amortization of program contract costs and net realizable value adjustments	12,833	15,945	38,117	47,162
Other operating divisions expenses	9,369	7,902	26,102	22,259
Depreciation of property and equipment	7,602	9,022	23,523	27,744
Corporate general and administrative expenses	5,789	6,236	21,526	20,063
Amortization of definite-lived intangible assets	4,393	4,687	14,201	14,087
Total operating expenses	128,635	130,357	390,392	382,618
Operating income	52,233	56,095	161,732	159,013
OTHER INCOME (EXPENSE):				
Interest expense and amortization of debt discount and deferred financing costs	(24,463)	(31,349)	(78,564)	(88,700)
Loss from extinguishment of debt	(117)	(3,939)	(4,519)	(4,377)
Income (loss) from equity and cost method investments	2,080	(1,997)	2,906	(2,478)
Gain on insurance settlement			1,723	
Other income, net	583	557	1,658	1,767
Total other expense	(21,917)	(36,728)	(76,796)	(93,788)
Income from continuing operations before income taxes	30,316	19,367	84,936	65,225
INCOME TAX PROVISION	(10,875)	(5,154)	(31,701)	(22,932)
Income from continuing operations	19,441	14,213	53,235	42,293
DISCONTINUED OPERATIONS:				
Loss from discontinued operations, includes income tax provision of $110, $68, $300 and $202, respectively	(110)	(68)	(300)	(202)
NET INCOME	19,331	14,145	52,935	42,091
Net (income) loss attributable to the noncontrolling interests	(93)	131	161	978
NET INCOME ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP	$ 19,238	$ 14,276	$ 53,096	$ 43,069
Dividends declared per share	$ 0.12	$	$ 0.36	$
BASIC AND DILUTED EARNINGS PER COMMON SHARE ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP:				
Earnings per share from continuing operations	$ 0.24	$ 0.18	$ 0.66	$ 0.54
Earnings per share	$ 0.24	$ 0.18	$ 0.66	$ 0.54
Weighted average common shares outstanding	80,940	80,344	80,812	80,204
Weighted average common and common equivalent shares outstanding	81,195	80,627	81,068	80,480

AMOUNTS ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP COMMON SHAREHOLDERS:				
Income from continuing operations, net of tax	$ 19,348	$ 14,344	$ 53,396	$ 43,271
Loss from discontinued operations, net of tax	(110)	(68)	(300)	(202)
Net income	$ 19,238	$ 14,276	$ 53,096	$ 43,069

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands) (Unaudited)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net income	$ 19,331	$ 14,145	$ 52,935	$ 42,091
Amortization of net periodic pension benefit costs, net of taxes	41	72	122	217
Comprehensive income	19,372	14,217	53,057	42,308
Comprehensive (income) loss attributable to the noncontrolling interests	(93)	131	161	978
Comprehensive income attributable to Sinclair Broadcast Group	$ 19,279	$ 14,348	$ 53,218	$ 43,286

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(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	Total Equity (Deficit)
BALANCE, December 31, 2010	$ 503	$ 301	$ 609,640	$ (771,953)	$ (3,914)	$ 8,341	$ (157,082)
Dividends declared on Class A and Class B Common Stock				(28,936)			(28,936)
Class A Common Stock issued pursuant to employee benefit plans	5		5,465				5,470
Class B Common Stock converted into Class A Common Stock	12	(12)					
Class A Common Stock sold by variable interest entity			1,808				1,808
Tax benefit on share based awards			671				671
Distributions to noncontrolling interest						(346)	(346)
Amortization of net periodic pension benefit					122		122

costs, net of taxes							
Net income (loss)				53,096		(161)	52,935
BALANCE, September 30, 2011	$ 520	$ 289	$ 617,584	$ (747,793)	$ (3,792)	$ 7,834	$ (125,358)

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, 2011	2010
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income	$ 52,935	$ 42,091
Adjustments to reconcile net income to net cash flows from operating activities:		
Amortization of deferred financing cost	4,423	4,068
Stock based compensation	4,226	3,678
Depreciation of property and equipment	23,725	27,938
Recognition of deferred revenue	(14,662)	(18,039)
Amortization of definite-lived intangible and other assets	14,201	14,087
Amortization of program contract costs and net realizable value adjustments	38,117	47,162
Original debt issuance discount paid on extinguishment of debt	(13,662)	(4,148)
Deferred tax provision	25,299	21,749
Change in assets and liabilities:		
Decrease in accounts receivable, net	3,454	757
Increase in income taxes receivable		(499)
Increase in prepaid expenses and other current assets	(1,429)	(731)
(Increase) decrease in other assets	(353)	4,230
Increase in accounts payable and accrued liabilities	32,640	25,918
Increase in income taxes payable	5,359	
Increase (decrease) in other long-term liabilities	2,277	(57)
Payments on program contracts payable	(52,739)	(69,080)
Other, net	4,539	7,811
Net cash flows from operating activities	128,350	106,935
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of property and equipment	(26,794)	(9,798)
Acquisition of intangibles	(242)	
Purchase of alarm monitoring contracts	(6,930)	(7,656)
(Increase) decrease in restricted cash	(14,943)	59,539
Dividends and distributions from equity and cost method investees	2,632	894
Investments in equity and cost method investees	(9,414)	(10,509)
Purchase of investments	(4,820)	
Proceeds from insurance settlement	1,736	
Proceeds from the sale of assets	66	
Proceeds from sale of equity investment	1,166	
Loans to affiliates	(143)	(102)
Proceeds from loans to affiliates	152	115
Net cash flows (used in) from investing activities	(57,534)	32,483
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Proceeds from notes payable, commercial bank financing and capital leases	136,349	33,056
Repayments of notes payable, commercial bank financing and capital leases	(135,150)	(150,423)
Proceeds from exercise of stock options, including excess tax benefits of share based payments of $0.7 million and $0 million, respectively	1,730	
Dividends paid on Class A and Class B Common Stock	(28,936)	
Payments for deferred financing costs	(4,365)	(1,304)
Proceeds from Class A Common Stock sold by variable interest entity	1,808	
Noncontrolling interests distributions	(346)	(175)
Repayments of notes and capital leases to affiliates	(2,513)	(2,299)

Net cash flows used in financing activities		(31,423)		(121,145)
NET INCREASE IN CASH AND CASH EQUIVALENTS		39,393		18,273
CASH AND CASH EQUIVALENTS, beginning of period		21,974		23,224
CASH AND CASH EQUIVALENTS, end of period	$	61,367	$	41,497

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 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, 2011 and 2010 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 statement of the consolidated balance sheets, consolidated statements of operations, consolidated statements of comprehensive income and consolidated statements of cash flows for these periods as adjusted for the adoption of recent accounting pronouncements discussed below, as necessary.

As permitted under the applicable rules and regulations of the Securities and Exchange Commission (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, 2010 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.

Variable Interest Entities

In determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. We consolidate VIEs when we are the primary beneficiary. The assets of each of our consolidated VIEs can only be used to settle the obligations of such VIE. All the liabilities of, including debt held by, our VIEs are non-recourse to us. However, our senior secured credit facility (Bank Credit Agreement) contains cross-default provisions with the VIE debt of Cunningham Broadcasting Corporation (Cunningham). See *Note 5, Related Person Transactions* for more information.

We have entered into Local Marketing Agreements (LMAs) to provide programming, sales and managerial services for television stations of Cunningham, the license owner of seven television stations as of September 30, 2011. We pay LMA fees to Cunningham and also reimburse all operating expenses. We also have an acquisition agreement in which we have a purchase option to buy the license assets of the television stations which includes the Federal Communications Commission (FCC) license and certain other assets used to operate the station (License Assets). Our applications to acquire the FCC licenses are pending approval. We own the majority of the non-license assets of the Cunningham stations and our Bank Credit Agreement contains certain cross-default provisions with Cunningham whereby a default by Cunningham caused by insolvency would cause an event of default under our Bank Credit Agreement. We have determined that the Cunningham stations are VIEs and that based on the terms of the agreements, the significance of our investment in the stations and the cross-default provisions with our Bank Credit Agreement, we are the primary beneficiary of the variable interests because we have the power to direct the activities which significantly impact the economic performance of the VIE through the sales and managerial services we provide and we absorb losses and returns that would be considered significant to Cunningham. See *Note 5, Related Person Transactions* for more information on our arrangements with Cunningham. Included in the accompanying consolidated statements of operations for the three months ended September 30, 2011 and 2010 are net revenues of $20.9 million and $22.5 million, respectively, that relate to LMAs with Cunningham. For the nine months ended September 30, 2011 and 2010, Cunningham s stations provided us with approximately $66.8 million and $67.8 million, respectively, of total revenue.

We have outsourcing agreements with other license owners, under which we provide certain non-programming related sales, operational and administrative services. We pay a fee to the license owner based on a percentage of broadcast cash flow and we reimburse all operating expenses. We also have a purchase option to buy the License Assets. For the same reasons noted above regarding our LMAs, we have determined that the outsourced license station assets are VIEs and we are the primary beneficiary.

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As of the dates indicated, the carrying amounts and classification of the assets and liabilities of the VIEs mentioned above which have been included in our consolidated balance sheets were as follows (in thousands):

	As of September 30, 2011		As of December 31, 2010	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	2,730	$	5,319
Income taxes receivable		6		
Current portion of program contract costs		456		480
Prepaid expenses and other current assets		132		105
Total current asset		3,324		5,904
PROGRAM CONTRACT COSTS, less current portion		338		491
PROPERTY AND EQUIPMENT, net		6,885		7,461
GOODWILL		6,357		6,357
BROADCAST LICENSES		4,208		4,183
DEFINITE-LIVED INTANGIBLE ASSETS, net		6,685		6,959
OTHER ASSETS		5,691		914
Total assets	$	33,488	$	32,269
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	$	37	$	37
Accrued liabilities		268		773
Income taxes payable				44
Current portion of notes payable, capital leases and commercial bank financing		11,069		11,056
Current portion of program contracts payable		368		649
Total current liabilities		11,742		12,559
LONG-TERM LIABILITIES:				
Notes payable, capital leases and commercial bank financing, less current portion		5,181		13,484
Program contracts payable, less current portion		215		190
Total liabilities	$	17,138	$	26,233

The amounts above represent the consolidated assets and liabilities of the VIEs related to our LMA and outsourcing agreements and have been aggregated as they all relate to our broadcast business. Excluded from the amounts above are quarterly payments made to Cunningham under the LMA which are treated as a prepayment of the purchase price of the stations and capital leases between us and Cunningham which are eliminated in consolidation. The total payments made under the LMA as of September 30, 2011 and December 31, 2010 which are excluded from liabilities above were $19.9 million and $11.7 million, respectively. The total capital lease assets excluded from above were $7.7 million and $8.1 million as of September 30, 2011 and December 31, 2010, respectively. The total capital lease liabilities excluded from above were $11.8 million and $11.9 million as of September 30, 2011 and December 31, 2010, respectively. The risk and reward characteristics of the VIEs are similar.

We have investments in other real estate ventures and investment companies which are considered VIEs. However, we do not participate in the management of these entities including the day-to-day operating decisions or other decisions which would allow us to control the entity, and therefore, we are not considered the primary beneficiary of these VIEs. We account for these entities using the equity or cost method of accounting.

The carrying amounts of our investments in these VIEs for which we are not the primary beneficiary as of September 30, 2011 and December 31, 2010 were as follows (in thousands):

	As of September 30, 2011		As of December 31, 2010	
	Carrying amount	**Maximum exposure**	**Carrying amount**	**Maximum exposure**
Investments in real estate ventures	$ 8,241	$ 8,241	$ 7,769	$ 7,769
Investments in investment companies	25,815	25,815	24,872	24,872
Total	$ 34,056	$ 34,056	$ 32,641	$ 32,641

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The carrying amounts above are included in other assets in the consolidated balance sheets. The income and loss related to these investments are recorded in income from equity and cost method investments in the consolidated statement of operations. We recorded income of $1.3 million and $0.6 million in the quarters ended September 30, 2011 and 2010, respectively. We recorded income of $2.2 million and $1.1 million for the nine months ended September 30, 2011 and 2010, respectively.

Our maximum exposure is equal to the carrying value of our investments. As of September 30, 2011 and December 31, 2010, our unfunded commitments related to private equity investment funds totaled $12.9 million and $14.9 million, respectively.

Recent Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board (FASB) issued amended guidance with respect to goodwill impairment. The amended guidance requires that step two of the goodwill impairment test be performed if the carrying amount of a reporting unit is zero or negative and it is more likely than not that a goodwill impairment exists based on any adverse qualitative factors including an evaluation of the triggering circumstances noted in the guidance. The change is effective for fiscal years and interim periods within those years beginning after December 15, 2010. This guidance did not have a material impact on our consolidated financial statements.

In May 2011, the FASB issued new guidance for fair value measurements. The purpose of the new guidance is to have a consistent definition of fair value between U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). Many of the amendments to GAAP are not expected to have a significant impact on practice; however, the new guidance does require new and enhanced disclosure about fair value measurements. The amendments are effective for interim and annual periods beginning after December 15, 2011 and should be applied prospectively. We do not believe that this guidance will have a material impact on our consolidated financial statements but may require changes to our fair value disclosures.

In June 2011, the FASB issued new guidance on the presentation of comprehensive income in the financial statements. The new guidance does not make any changes to the components that are recognized in net income or other comprehensive income but rather allows an entity to choose whether to present items of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. Each component of net income and other comprehensive income along with their respective totals would need to be displayed under either alternative. The new guidance is effective for fiscal years beginning after December 15, 2011. We do not believe that this guidance will have a material impact on our consolidated financial statements.

In September 2011, the FASB issued the final Accounting Standards Update for goodwill impairment testing. The standard allows an entity to first consider qualitative factors when deciding whether it is necessary to perform the current two-step goodwill impairment test. An entity would need to perform step-one if it determines qualitatively that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. The changes are effective prospectively for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We plan to adopt this new guidance in the fourth quarter of 2011 when completing our annual impairment analysis. This guidance will impact how we perform our annual goodwill impairment testing and may change our related disclosures; however, we do not believe it will have a material impact 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.

Restricted Cash

In October 2009, we established a cash collateral account with the proceeds from the sale of 9.25% Senior Secured Second Lien Notes due 2017 (the 9.25% Notes). The cash collateral account restricted the use of cash therein to repurchase the 3.0% Convertible Senior Notes due 2027 (the 3.0% Notes) and our 4.875% Convertible Senior Notes due 2018 (the 4.875% Notes) upon, or prior to, the expiration of the put periods for such notes in May 2010 and January 2011, respectively. Upon expiration of the put period for the 4.875% Notes in January 2011, the unused cash was used to reduce our overall debt balance pursuant to our Bank Credit Agreement. During 2010, we used $53.6 million of restricted cash to repurchase a portion of the outstanding 3.0% and 4.875% Notes. As of December 31, 2010, all of the restricted cash classified as current related to the 4.875% Notes   January 2011 put option.

In September 2011, we entered into a definitive agreement to purchase the assets of Four Points Media Group LLC (Four Points) for $200.0 million. Four Points owns and operates seven stations in four markets. We expect the transaction to close in first quarter 2012 subject to the approval of the FCC. Pursuant to the Asset Purchase Agreement we were required to hold 10% of the purchase price in an escrow account. As of September 30, 2011, $20.0 million in restricted cash classified as noncurrent relates to the acquisition of Four Points.

Additionally, under the terms of certain lease agreements, as of September 30, 2011 and December 31, 2010, we were required to hold $0.2 million of restricted cash related to the removal of analog equipment from some of our leased towers.

Revenue Recognition

In first quarter 2011, we adopted the Emerging Issue Task Force s amended guidance on accounting for revenue arrangements with multiple deliverables. The amended guidance clarifies that each deliverable within our multiple-deliverable revenue arrangements is accounted for as a separate unit of accounting if the delivered item or items have value to the client on a standalone basis and for an arrangement that includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the company. The guidance requires us to determine an estimated selling price (ESP) for all deliverables within an arrangement if vendor-specific objective evidence (VSOE) or third-party evidence does not exist. Application of this guidance has not changed the allocation of the arrangement revenue to the elements in our multiple-deliverable arrangements.

We enter into multiple-deliverable revenue arrangements with multi-channel video programming distributors (MVPDs) that may include a combination of retransmission consent fees, advertising, and other marketing elements. We have determined that the retransmission consent fees and advertising elements have value on a standalone basis. The other marketing elements are not valued on a stand alone basis because they are immaterial to the overall arrangement. We include the value of other marketing elements with the retransmission consent fee element.

Due to the complexities and uniqueness of each arrangement, we have determined that our ESP for the retransmission consent fee element is based upon the market, the MVPD, the network affiliation, the number of subscribers, the length of the contract and other factors. We recognize the revenue applicable to the retransmission consent element of the arrangement ratably over the life of the agreement which is representative of the delivery of our television broadcast signal. Each arrangement s life varies, typically ranging one to five years in length.

The advertising element of our multiple-deliverable arrangements is recognized in the period during which the time spots are aired. The advertising revenue is valued using VSOE which is calculated using the average selling unit rate for the advertising spot in which the commercial aired.

Our arrangements generally do not include any performance, cancellation, or refund provisions. Under certain agreements, the counterparty may terminate the agreement if particular actions occur such as the transmission failure of our broadcast signal for a certain period of time.

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, 2011 and 2010 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 interests.

Our effective income tax rate for the three and nine months ended September 30, 2011 and the nine months ended September 30, 2010 approximated the statutory rate. Our effective income tax rate for the three months ended September 30, 2010 was lower than the statutory rate primarily due to a $2.3 million benefit predominantly resulting from a change in estimate related to an increased deduction for the recovery of historical losses attributable to a disposition that took place in 2009.

Reclassifications

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

It is no longer our intent to divest a portion of Alarm Funding Associates, LLC (Alarm Funding) and therefore all of the operations and net assets of Alarm Funding have been classified as continuing operations in our consolidated financial statements as of September 30, 2011. We have reclassified the net assets previously reported as held for sale in our December 31, 2010 consolidated balance sheet and the operations of Alarm Funding are classified as continuing operations in the consolidated statements of operations for the three and nine months ended September 30, 2010.

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Subsequent events

In November 2011, we entered into a definitive agreement to purchase the broadcast assets of Freedom Communications (Freedom) for $385.0 million. Freedom owns and operates eight stations in seven markets. We expect the transaction to close late in the first quarter or early in the second quarter of 2012 subject to Freedom s shareholder approval which must be obtained by November 8, 2011, approval by the FCC, and customary antitrust clearance. Following receipt of antitrust approval of the transaction, which is expected to occur within thirty days, and prior to closing of the acquisition, we will operate the stations pursuant to an LMA.

2. COMMITMENTS AND CONTINGENCIES:

Litigation

We are 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, consolidated statements of comprehensive income or consolidated statements of cash flows.

Various parties have filed petitions to deny or informal objections against our applications for the following stations license renewals: KGAN, Cedar Rapids, Iowa; WTTO, Birmingham, Alabama; WBFF, Baltimore, Maryland; WVAH, Charleston, West Virginia; WTTE, Columbus, Ohio; WRGT, Dayton, Ohio; WXLV-TV, Winston-Salem, North Carolina; WMYV-TV, Greensboro, North Carolina; WLFL-TV, Raleigh/Durham, North Carolina; WRDC-TV, Raleigh/Durham, North Carolina; WLOS-TV, Asheville, North Carolina; WMMP-TV, Charleston, South Carolina; WTAT-TV, Charleston, South Carolina; WMYA-TV, Anderson, South Carolina; WICS-TV Springfield, Illinois and WCGV-TV Milwaukee, Wisconsin. The FCC is in the process of considering the renewal applications and we believe the petitions have no merit.

3. NOTES PAYABLE AND COMMERCIAL BANK FINANCING

Bank Credit Agreement

On January 15, 2011, the put right period for the 4.875% Notes, which mature on July 15, 2018, expired and no holders exercised their put rights. Pursuant to our Bank Credit Agreement, the $5.1 million in restricted cash held to pay for the put of any 4.875% Notes was used towards reducing our debt balance in March 2011. On January 15, 2011, the 4.875% Notes cash interest rate of 4.875% changed to 2.0% through maturity with the difference of 2.875% being accrued and then paid at maturity. As of September 30, 2011, the face amount of the outstanding 4.875% Notes was $5.7 million.

On March 15, 2011, we entered into an amendment (the Amendment) of our Bank Credit Agreement. The final terms of the Amendment are as follows:

- A new Term Loan A facility (Term Loan A) of $115.0 million. The Term Loan A bears interest at LIBOR plus 2.25%. The Term Loan A is repayable in quarterly installments, amortizing as follows:

- 1.875% per quarter commencing March 31, 2012 to December 31, 2012
- 2.50% per quarter commencing March 31, 2013 to December 31, 2013
- 3.125% per quarter commencing March 31, 2014 to December 31, 2015
- remaining unpaid principal due at maturity on March 15, 2016

- We paid down $45.0 million of the outstanding $270.0 million Term Loan B facility (Term Loan B). Interest on the Term Loan B was reduced to LIBOR plus 3.00% with a 1.0% LIBOR floor. Principal will continue to amortize at a rate of $825,000 per quarter through September 30, 2016 ending with a final payment of the remaining unpaid principal due at maturity on October 29, 2016.

- Other amended terms provide us with incremental term loan capacity of $300.0 million and more flexibility to use our cash balances and the revolving credit facility for restricted payments and television acquisitions, including in certain circumstances the ability to make up to $100.0 million in unrestricted annual cash payments including but not limited to dividends and other strategic investments.

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6.0% Convertible Subordinated Debentures due 2012

On April 15, 2011, we completed the redemption of all $70.0 million of the 6.0% Convertible Subordinated Debentures, due 2012 (the 6.0% Notes) at 100% of the face value of such notes plus accrued and unpaid interest. The redemption of the 6.0% Notes was effected in accordance with the terms of the indenture governing the 6.0% Notes and was funded from the net proceeds of our new Term Loan A. As a result of this redemption, we recorded a loss on extinguishment of debt of $3.5 million for the quarter ended June 30, 2011.

8.375% Senior Notes due 2018

In September 2011, we repurchased, in the open market, $3.9 million principal amount of the 8.375% Senior Notes, due 2018 (the 8.375% Notes). We recognized a loss on these extinguishments of $0.1 million. As of September 30, 2011, the principal amount of the outstanding 8.375% Notes was $246.1 million.

4. EARNINGS PER SHARE

The following table reconciles income (numerator) and shares (denominator) used in our computations of diluted earnings per share for the three and nine months ended September 30, 2011 and 2010 (in thousands):

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Income (Numerator)				
Income from continuing operations	$ 19,441	$ 14,213	$ 53,235	$ 42,293
Income impact of assumed conversion of the 4.875% Notes, net of taxes	42	42	125	125
Net (income) loss attributable to noncontrolling interests included in continuing operations	(93)	131	161	978
Numerator for diluted earnings per common share from continuing operations	19,390	14,386	53,521	43,396
Loss from discontinued operations	(110)	(68)	(300)	(202)
Numerator for diluted earnings attributable to Sinclair Broadcast Group	$ 19,280	$ 14,318	$ 53,221	$ 43,194
Shares (Denominator)				
Weighted-average common shares outstanding	80,940	80,344	80,812	80,204
Dilutive effect of stock-settled appreciation rights and stock options	1	28	2	21
Dilutive effect of 4.875% Notes	254	255	254	255
Weighted-average common and common equivalent shares outstanding	81,195	80,627	81,068	80,480

Potentially dilutive securities representing 1.0 million and 7.0 million shares of common stock for each of the three and nine months ended September 30, 2011 and 2010, respectively, were excluded from the computation of diluted earnings per common share for these periods because their effect would have been antidilutive. The decrease in potentially dilutive securities is primarily related to the full redemption of our 6.0% Notes. The net income per share amounts are the same for Class A and Class B Common Stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

5. 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 end of our last fiscal year, we engaged in the following transactions with them and/or entities in which they have substantial interests.

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 the controlling shareholders). Lease payments made to these entities were $1.2 million and $1.5 million for the three months ended September 30,

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2011 and 2010, respectively. Lease payments made to these entities were $3.3 million and $3.8 million for the nine months ended September 30, 2011 and 2010, respectively.

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/St. Petersburg, Florida market. Our controlling shareholders own a substantial portion of the equity of Bay TV. Payments made to Bay TV were $0.5 million for each of the three months ended September 30, 2011 and 2010 and $1.7 million and $1.2 million for the nine months ended September 30, 2011 and 2010, respectively. We received $0.1 million and $0.4 million for the three and nine months ended September 30, 2010 from Bay TV for certain equipment leases, which expired in 2010.

Cunningham Broadcasting Corporation. We have options from trusts established by Carolyn C. Smith, the mother 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 or 100% of the capital stock or assets of Cunningham s individual subsidiaries. As of September 30, 2011, 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; WTTE-TV in Columbus, Ohio; and WDBB-TV in Birmingham, Alabama.

In addition to the option agreement, we provide programming under LMA s to Cunningham for airing on WNUV-TV, WRGT-TV, WVAH-TV, WTAT-TV, WMYA-TV, WTTE-TV and WDBB-TV. In February 2011, Cunningham purchased the FCC license for WDBB-TV. We have an LMA with WDBB-TV, which our counterparty assigned to Cunningham in conjunction with Cunningham s purchase.

We made payments to Cunningham under the LMAs and other agreements of $4.1 million and $4.4 million for the three months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, we made payments to Cunningham of $12.5 million and $13.2 million, respectively, related to the LMAs.

Our Bank Credit Agreement contains certain cross-default provisions with certain material third-party licensees. As of September 30, 2011, Cunningham was the sole material third-party licensee.

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. We received payments for advertising time totaling less than $0.1 million for each of the three months ended September 30, 2011 and 2010. We received payments for advertising time of $0.1 million and $0.2 million for the nine months ended September 30, 2011 and 2010, respectively. We paid $0.4 million and $0.2 million for vehicles and related vehicle services from Atlantic Automotive during the three months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, we paid fees of $1.0 million and $0.5 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. (Thomas & Libowitz), a law firm providing legal services to us on an ongoing basis. We paid fees of $0.1 million to Thomas & Libowitz for each of the three months ended September 30, 2011 and 2010. For each of the nine months ended September 30, 2011 and 2010, we paid fees of $0.4 million to Thomas & Libowitz.

6. SEGMENT DATA:

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. Our other operating divisions segment primarily earned revenues from 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 approximately $170.0 million and $166.4 million of intercompany loans between the broadcast segment, operating divisions segment and corporate as of September 30, 2011 and 2010, respectively. We had $5.0 million and $4.9 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, 2011, and 2010, respectively. For the nine months ended September 30, 2011 and 2010, we had $14.7 million and $14.4 million, respectively, in intercompany interest expense. Intercompany loans and interest expense are excluded from the tables below. All other intercompany transactions are immaterial.

A portion of the operating results of Alarm Funding were previously included in discontinued operations in our consolidated results of operations. It is no longer our intent to divest a portion of Alarm Funding and therefore all of the operations and net assets of Alarm Funding have been classified as continuing operations in our consolidated financial statements as of September 30, 2011.

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Financial information for our operating segments are included in the following tables for the three and nine months ended September 30, 2011 and 2010 (in thousands).

For the three months ended September 30, 2011	**Broadcast**	**Other Operating Divisions**	**Corporate**	**Consolidated**
Revenue	$ 169,213	$ 11,655	$	$ 180,868
Depreciation of property and equipment	6,874	331	397	7,602
Amortization of definite-lived intangible assets and other assets	3,474	919		4,393
Amortization of program contract costs and net realizable value adjustments	12,833			12,833
General and administrative overhead expenses	5,019	265	505	5,789
Operating income (loss)	52,407	728	(902)	52,233
Interest expense		634	23,829	24,463
Income from equity and cost method investments		2,080		2,080

For the three months ended September 30, 2010	**Broadcast**	**Other Operating Divisions**	**Corporate**	**Consolidated**
Revenue	$ 176,621	$ 9,831	$	$ 186,452
Depreciation of property and equipment	8,220	321	481	9,022
Amortization of definite-lived intangible assets and other assets	3,961	726		4,687
Amortization of program contract costs and net realizable value adjustments	15,945			15,945
General and administrative overhead expenses	5,508	232	496	6,236
Operating income (loss)	56,468	605	(978)	56,095
Interest expense		551	30,798	31,349
Loss from equity and cost method investments		(1,997)		(1,997)

For the nine months ended September 30, 2011	**Broadcast**	**Other Operating Divisions**	**Corporate**	**Consolidated**
Revenue	$ 520,051	$ 32,073	$	$ 552,124
Depreciation of property and equipment	21,357	961	1,205	23,523
Amortization of definite-lived intangible assets and other assets	11,568	2,633		14,201
Amortization of program contract costs and net realizable value adjustments	38,117			38,117
General and administrative overhead expenses	18,837	863	1,826	21,526
Operating income (loss)	163,315	1,452	(3,035)	161,732
Interest expense		1,893	76,671	78,564
Income from equity and cost method investments		2,906		2,906

For the nine months ended September 30, 2010	**Broadcast**	**Other Operating Divisions**	**Corporate**	**Consolidated**
Revenue	$ 516,013	$ 25,618	$	$ 541,631
Depreciation of property and equipment	25,460	942	1,342	27,744
Amortization of definite-lived intangible assets and other assets	12,017	2,070		14,087

Amortization of program contract costs and net realizable value adjustments	47,162			47,162
General and administrative overhead expenses	17,771	675	1,617	20,063
Operating income (loss)	162,508	(530)	(2,965)	159,013
Interest expense		1,299	87,401	88,700
Loss from equity and cost method investments		(2,478)		(2,478)

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7. FAIR VALUE MEASUREMENTS:

Accounting guidance provides for 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). A fair value hierarchy using three broad levels prioritizes the inputs to valuation techniques used to measure fair value. 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, 2011 and December 31, 2010 were as follows (in thousands):

	September 30, 2011		December 31, 2010	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
6.0% Convertible Subordinated Debentures due 2012 (a)	$	$	$ 66,019	$ 70,385
4.875% Convertible Senior Notes due 2018	5,801	5,801	5,685	5,685
3.0% Convertible Senior Notes due 2027	5,400	5,400	5,400	5,400
8.375% Senior Notes due 2018	242,873	244,239	246,493	258,750
9.25% Senior Secured Second Lien Notes due 2017	488,705	525,520	487,724	544,690
Bank Credit Agreement, Term Loan A	115,000	114,713		
Bank Credit Agreement, Term Loan B	217,597	219,187	264,352	273,240
Cunningham Bank Credit Facility	13,708	13,893	21,933	22,452
Active program contracts payable	105,064	96,967	97,894	89,145
Future program liabilities (b)	116,707	91,566	88,510	72,823

(a) On April 15, 2011, we completed the redemption of all $70.0 million of these debentures at face value. We used the proceeds from the Term Loan A issuance to pay for the redemption.

(b) 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.

The fair value of our 8.375% Notes and 9.25% Notes is determined using quoted prices. The carrying value of our 3.0% and 4.875% Notes approximates their fair value. Our Term Loan A, Term Loan B and Cunningham s bank credit facility are fair valued using Level 2 hierarchy inputs described above.

Our estimates of active program contracts payable and future program liabilities were based on discounted cash flows using Level 3 inputs described above. The discount rate represents an estimate of a market participants return and risk applicable to program contracts.

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8. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

Sinclair Television Group, Inc. (STG), a wholly-owned subsidiary and the television operating subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under the Bank Credit Agreement, the 8.375% Notes and the 9.25% Notes and was the primary obligor under the 8.0% Senior Subordinated Notes due 2012 (the 8.0% Notes) until they were fully redeemed in 2010. Our Class A Common Stock, Class B Common Stock, the 4.875% Notes and the 3.0% Notes, as of September 30, 2011 were obligations or securities of SBG and not obligations or securities of STG. SBG was the obligor of the 6.0% Notes until they were fully redeemed in 2011. SBG is a guarantor under the Bank Credit Agreement, the 9.25% Notes and the 8.375% Notes. As of September 30, 2011 our consolidated total debt of $1,179.3 million included $1,125.2 million of debt related to STG and its subsidiaries of which SBG guaranteed $1,075.3 million.

SBG, KDSM, LLC, a wholly-owned subsidiary of SBG, and STG s wholly-owned subsidiaries (guarantor subsidiaries), have fully and unconditionally guaranteed, subject to certain customary release provisions, 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, 2011

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 45,690	$ 453	$ 15,224	$	$ 61,367
Accounts and other receivables	36	131	109,670	5,155	(142)	114,850
Other current assets	2,087	5,133	58,109	4,370	(271)	69,428
Total current assets	2,123	50,954	168,232	24,749	(413)	245,645
Property and equipment, net	8,651	2,577	174,008	98,056	(6,622)	276,670
Investment in consolidated subsidiaries		572,787			(572,787)	
Restricted cash long-term		20,001	223			20,224
Other long-term assets	84,691	335,056	20,586	96,130	(400,301)	136,162
Total other long-term assets	84,691	927,844	20,809	96,130	(973,088)	156,386
Acquired intangible assets			826,815	69,582	(11,248)	885,149
Total assets	$ 95,465	$ 981,375	$ 1,189,864	$ 288,517	$ (991,371)	$ 1,563,850
Accounts payable and accrued liabilities	$ 307	$ 35,534	$ 49,930	$ 7,703	$ (2,186)	$ 91,288
Current portion of long-term debt	405	9,769	541	15,844		26,559
Current portion of affiliate long-term debt	965		1,961	45	(45)	2,926
Other current liabilities	(10)		78,741	395		79,126
Total current liabilities	1,667	45,303	131,173	23,987	(2,231)	199,899
Long-term debt	12,879	1,054,406	37,668	51,804		1,156,757
Affiliate long-term debt	7,663		9,668	241,735	(241,736)	17,330
Dividends in excess of investment in consolidated subsidiaries	159,804				(159,804)	
Other liabilities	46,644	1,598	439,090	55,489	(227,599)	315,222
Total liabilities	228,657	1,101,307	617,599	373,015	(631,370)	1,689,208
Common stock	809		10		(10)	809
Additional paid-in capital	617,584	19,663	291,988	50,030	(361,681)	617,584
Accumulated (deficit) earnings	(747,793)	(137,279)	281,941	(133,446)	(11,216)	(747,793)
Accumulated other comprehensive (loss) income	(3,792)	(2,316)	(1,674)	(1,082)	5,072	(3,792)
Total Sinclair Broadcast Group (deficit) equity	(133,192)	(119,932)	572,265	(84,498)	(367,835)	(133,192)
Noncontrolling interests in consolidated subsidiaries					7,834	7,834
Total liabilities and equity (deficit)	$ 95,465	$ 981,375	$ 1,189,864	$ 288,517	$ (991,371)	$ 1,563,850

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CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2010

(in thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 5,071	$ 1,022	$ 15,881	$	$ 21,974
Restricted cash - current		5,058				5,058
Accounts and other receivables	43	99	115,615	5,765	(151)	121,371
Other current assets	1,477	5,492	46,231	2,962	(284)	55,878
Total current assets	1,520	15,720	162,868	24,608	(435)	204,281
Property and equipment, net	9,856	2,669	169,260	97,219	(6,773)	272,231
Investment in consolidated subsidiaries		609,737			(609,737)	
Restricted cash long term			223			223
Other long-term assets	79,184	318,137	10,207	89,956	(380,339)	117,145
Total other long-term assets	79,184	927,874	10,430	89,956	(990,076)	117,368
Acquired intangible assets			829,884	64,694	(2,534)	892,044
Total assets	$ 90,560	$ 946,263	$ 1,172,442	$ 276,477	$ (999,818)	$ 1,485,924
Accounts payable and accrued liabilities	$ 512	$ 19,733	$ 46,734	$ 8,110	$ (1,066)	$ 74,023
Current portion of long-term debt	363	3,300	391	15,502		19,556
Current portion of affiliate long-term debt	870		2,326	113	(113)	3,196
Other current liabilities			70,428	693		71,121
Total current liabilities	1,745	23,033	119,879	24,418	(1,179)	167,896
Long-term debt	79,091	995,269	38,098	57,282		1,169,740
Affiliate long-term debt	8,403		11,170	224,207	(224,207)	19,573
Dividends in excess of investment in consolidated subsidiaries	122,994				(122,994)	
Other liabilities	43,750	1,709	394,192	47,154	(201,008)	285,797
Total liabilities	255,983	1,020,011	563,339	353,061	(549,388)	1,643,006
Common stock	804		10	282	(292)	804
Additional paid-in capital	609,640	123,695	445,577	78,637	(647,909)	609,640
Accumulated (deficit) earnings	(771,953)	(195,049)	165,316	(154,656)	184,389	(771,953)
Accumulated other comprehensive (loss) income	(3,914)	(2,394)	(1,800)	(847)	5,041	(3,914)
Total Sinclair Broadcast Group shareholders (deficit) equity	(165,423)	(73,748)	609,103	(76,584)	(458,771)	(165,423)
Noncontrolling interests in consolidated subsidiaries					8,341	8,341
Total liabilities and equity (deficit)	$ 90,560	$ 946,263	$ 1,172,442	$ 276,477	$ (999,818)	$ 1,485,924

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 169,499	$ 13,583	$ (2,214)	$ 180,868
Program and production		331	43,062	83	(1,983)	41,493
Selling, general and administrative	505	5,178	30,546	1,058	(157)	37,130
Depreciation, amortization and other operating expenses	397	121	38,432	11,030	32	50,012
Total operating expenses	902	5,630	112,040	12,171	(2,108)	128,635
Operating (loss) income	(902)	(5,630)	57,459	1,412	(106)	52,233
Equity in earnings of consolidated subsidiaries	19,456	35,862			(55,318)	
Interest expense	(355)	(21,942)	(1,228)	(6,154)	5,216	(24,463)
Other income (expense)	1,563	5,285	(5,169)	928	(61)	2,546
Total other income (expense)	20,664	19,205	(6,397)	(5,226)	(50,163)	(21,917)
Income tax (provision) benefit	(523)	3,894	(14,457)	211		(10,875)
Loss from discontinued operations		(110)				(110)
Net income (loss)	19,239	17,359	36,605	(3,603)	(50,269)	19,331
Net income attributable to the noncontrolling interests					(93)	(93)
Net income (loss) attributable to Sinclair Broadcast Group	$ 19,239	$ 17,359	$ 36,605	$ (3,603)	$ (50,362)	$ 19,238

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 176,892	$ 12,023	$ (2,463)	$ 186,452
Program and production		214	40,551	104	(2,250)	38,619
Selling, general and administrative	498	5,444	31,649	1,006	(131)	38,466

Depreciation, amortization and other operating expenses	481	105	43,255	9,422	9	53,272
Total operating expenses	979	5,763	115,455	10,532	(2,372)	130,357
Operating (loss) income	(979)	(5,763)	61,437	1,491	(91)	56,095
Equity in earnings of consolidated subsidiaries	16,409	32,631			(49,040)	
Interest expense	(3,560)	(25,969)	(1,265)	(5,667)	5,112	(31,349)
Other income (expense)	882	2,086	(5,224)	(3,091)	(32)	(5,379)
Total other income (expense)	13,731	8,748	(6,489)	(8,758)	(43,960)	(36,728)
Income tax benefit (provision)	1,524	13,215	(21,475)	1,582		(5,154)
Loss from discontinued operations			(68)			(68)
Net income (loss)	14,276	16,200	33,405	(5,685)	(44,051)	14,145
Net loss attributable to the noncontrolling interests					131	131
Net income (loss) attributable to Sinclair Broadcast Group	$ 14,276	$ 16,200	$ 33,405	$ (5,685)	$ (43,920)	$ 14,276

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 520,893	$ 37,958	$ (6,727)	$ 552,124
Program and production						