SINCLAIR BROADCAST GROUP INC
Form 10-Q
November 09, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
ý	**For the quarterly period ended September 30, 2005**

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)

(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 ý No o

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ý No 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 ý

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 3, 2005**
Class A Common Stock	46,871,918
Class B Common Stock	38,587,571

SINCLAIR BROADCAST GROUP, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2005

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	September 30, 2005 (Unaudited)	December 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 18,126	$ 10,491
Accounts receivable, net of allowance for doubtful accounts of $4,292 and $4,518, respectively	113,407	132,062
Current portion of program contract costs	58,711	48,805
Income taxes receivable		624
Prepaid expenses and other current assets	9,869	17,509
Deferred barter costs	2,384	2,173
Assets held for sale	3,683	103,523
Deferred tax assets	11,653	20,354
Total current assets	217,833	335,541
PROGRAM CONTRACT COSTS, less current portion	42,459	26,951
LOANS TO AFFILIATES	15	13
PROPERTY AND EQUIPMENT, net	312,002	336,538
GOODWILL, net	1,047,958	1,041,452
BROADCAST LICENSES, net	409,620	405,416
DEFINITE-LIVED INTANGIBLE ASSETS, net	229,550	237,324
OTHER ASSETS	53,104	82,428
Total assets	$ 2,312,541	$ 2,465,663
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 3,922	$ 7,056
Income taxes payable	19,291	
Accrued liabilities	66,992	77,291
Current portion of notes payable, capital leases and commercial bank financing	33,775	43,737
Current portion of notes and capital leases payable to affiliates	4,218	5,209
Current portion of program contracts payable	103,797	112,471
Deferred barter revenues	2,660	2,655
Deferred gain on sale of broadcast assets	3,249	26,129
Liabilities held for sale	1,460	14,698
Total current liabilities	239,364	289,246
LONG-TERM LIABILITIES:		
Notes payable, capital leases and commercial bank financing, less current portion	1,427,810	1,571,346
Notes and capital leases payable to affiliates, less current portion	16,120	19,323
Program contracts payable, less current portion	69,123	60,197
Deferred tax liabilities	263,833	216,937
Other long-term liabilities	59,507	80,796

Total liabilities		2,075,757		2,237,845
MINORITY INTEREST IN CONSOLIDATED ENTITIES		5,782		1,267
SHAREHOLDERS EQUITY:				
Series D Preferred Stock, $0.01 par value, 3,450,000 shares authorized, 0 and 3,337,033 issued and outstanding, respectively				33
Class A Common Stock, $0.01 par value, 500,000,000 shares authorized, 46,853,634 and 46,018,574 shares issued and outstanding, respectively		469		460
Class B Common Stock, $0.01 par value, 140,000,000 shares authorized, 38,587,671 and 39,150,828 shares issued and outstanding, respectively, convertible into Class A Common Stock		385		391
Additional paid-in capital		590,158		752,130
Accumulated deficit		(360,010)		(526,463)
Total shareholders equity		231,002		226,551
Total liabilities and shareholders equity	$	2,312,541	$	2,465,663

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

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
REVENUES:				
Station broadcast revenues, net of agency commissions	$ 149,027	$ 151,648	$ 456,572	$ 463,874
Revenues realized from station barter arrangements	12,039	13,617	41,551	43,388
Other operating divisions revenues	4,724	2,845	15,160	10,779
Total revenues	165,790	168,110	513,283	518,041
OPERATING EXPENSES:				
Station production expenses	35,486	37,147	112,170	114,551
Station selling, general and administrative expenses	34,218	35,319	103,123	106,691
Expenses recognized from station barter arrangements	11,158	12,619	38,447	40,147
Amortization of program contract costs and net realizable value adjustments	18,587	23,840	52,131	70,217
Stock-based compensation expense	502	293	1,160	1,207
Other operating divisions expenses	3,699	3,506	14,000	12,656
Depreciation and amortization of property and equipment	12,175	11,859	38,337	36,038
Corporate general and administrative expenses	5,199	4,559	15,180	15,494
Amortization of definite-lived intangible assets and other assets	4,475	4,621	13,529	13,955
Total operating expenses	125,499	133,763	388,077	410,956
Operating income	40,291	34,347	125,206	107,085
OTHER INCOME (EXPENSE):				
Interest expense and amortization of debt discount and deferred financing costs	(30,446)	(29,889)	(88,159)	(91,575)
Interest income	187	23	416	140
Loss from sale of assets	(69)	(12)	(69)	(45)
Loss from extinguishment of debt			(1,631)	(2,453)
Unrealized gain from derivative instruments	5,761	1,602	17,487	20,576
Income (loss) from equity and cost investees	24	(3,124)	(389)	255
Other income, net	206	183	755	572
Total other expense	(24,337)	(31,217)	(71,590)	(72,530)
Income from continuing operations before income taxes	15,954	3,130	53,616	34,555
INCOME TAX PROVISION	(2,585)	(1,196)	(16,454)	(13,914)
Income from continuing operations	13,369	1,934	37,162	20,641
DISCONTINUED OPERATIONS:				
Income from discontinued operations, net of related income tax provision of $343, $1,133, $2,413 and $3,893, respectively	701	1,574	4,841	5,967
Gain from sale of discontinued operations, net of related income tax provision of $10,494 and $80,002, respectively	17,508		146,024	
NET INCOME	31,578	3,508	188,027	26,608
PREFERRED STOCK DIVIDENDS		2,503	5,004	7,678

NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$	31,578	$	1,005	$	183,023	$	18,930
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:								
Earnings (loss) per share from continuing operations	$	0.16	$	(0.01)	$	0.38	$	0.15
Earnings per share from discontinued operations	$	0.21	$	0.02	$	1.76	$	0.07
Earnings per common share	$	0.37	$	0.01	$	2.14	$	0.22
Weighted average common shares outstanding		85,428		85,311		85,353		85,733
Weighted average common and common equivalent shares outstanding		85,448		85,311		85,360		85,883
Dividends per common share	$	0.075	$	0.025	$	0.200	$	0.050

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

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

(in thousands) (Unaudited)

	Series D Preferred Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total Shareholders Equity
BALANCE, December 31, 2004	$ 33	$ 460	$ 391	$ 752,130	$ (526,463)	$ 226,551
Dividends declared on common stock					(16,987)	(16,987)
Dividends paid on Series D Preferred Stock					(4,587)	(4,587)
Class A Common Stock issued pursuant to employee benefit plans and stock options exercised		3		2,207		2,210
Class B Common Stock converted into Class A Common Stock		6	(6)			
Series D Preferred Stock converted into debt	(33)			(164,184)		(164,217)
Amortization of deferred compensation				5		5
Net income					188,027	188,027
BALANCE, September 30, 2005	$	$ 469	$ 385	$ 590,158	$ (360,010)	$ 231,002

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands) (Unaudited)

	Nine Months Ended September 30, 2005	2004
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income	$ 188,027	$ 26,608
Adjustments to reconcile net income to net cash flows from operating activities:		
Amortization of debt premium	(811)	(811)
Depreciation and amortization of property and equipment	38,879	38,073
Recognition of deferred revenue	(3,706)	(3,693)
Accretion of capital leases	529	532
(Income) loss from equity and cost investees	389	(255)
Loss on sale of property	69	45
Gain on sale of broadcast assets related to discontinued operations	(226,026)	
Amortization of deferred compensation	1,160	125
Unrealized gain from derivative instruments	(17,487)	(20,576)
Amortization of definite-lived intangible assets and other assets	13,551	14,369
Amortization of program contract costs and net realizable value adjustments	52,737	74,406
Amortization of deferred financing costs	2,039	2,185
Extinguishment of debt, non-cash portion	1,079	1,289
Amortization of derivative instruments	404	963
Deferred tax provision related to operations	24,822	17,115
Deferred tax provision related to discontinued operations	31,874	
Net effect of change in deferred barter revenues and deferred barter costs	(247)	(278)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in minority interest	(334)	(183)
Decrease in accounts receivables, net	13,280	15,065
Decrease in taxes receivable	624	1,541
Decrease in prepaid expenses and other current assets	7,101	4,367
Decrease in other long term assets	5,221	514
Decrease in accounts payable and accrued liabilities	(22,083)	(9,134)
Increase in income taxes payable	17,627	
Decrease in other long-term liabilities	(1,272)	(1,029)
Dividends and distributions from equity and cost investees	1,608	1,320
Payments on program contracts	(79,103)	(83,186)
Net cash flows from operating activities	49,951	79,372
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of property and equipment	(12,240)	(36,529)
Payment for acquisition of television stations	(11,040)	
Consolidation of variable interest entity		239
Distribution from equity investments	99	
Contributions in equity and cost investees	(970)	(4,620)
Proceeds from the sale of property	59	23
Proceeds from the sale of broadcast assets related to discontinued operations	295,190	
Proceeds from the sale of equity investees	21,500	
Proceeds from insurance settlement	404	
Loans to affiliates	(95)	(828)
Proceeds from loans to affiliates	93	2,182
Net cash flows from (used in) investing activities	293,000	(39,533)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Repayments of notes payable, commercial bank financing and capital leases	(346,279)	(543,400)
Proceeds from commercial bank financing and notes payable	35,500	511,000
Proceeds from exercise of stock options	73	1,152
Payments for deferred financing costs	(1,913)	(953)

Dividends paid on Series D Convertible Preferred Stock		(5,004)		(7,678)
Dividends paid on Class A Common Stock		(12,803)		(2,143)
Repurchase of Series D Convertible Preferred Stock				(4,752)
Repurchase of Class A Common Stock				(9,550)
Repayments of notes and capital leases to affiliates		(4,890)		(3,149)
Net cash flows used in financing activities		(335,316)		(59,473)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		7,635		(19,634)
CASH AND CASH EQUIVALENTS, beginning of period		10,491		28,730
CASH AND CASH EQUIVALENTS, end of period	$	18,126	$	9,096

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

SINCLAIR BROADCAST GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The accompanying unaudited consolidated financial statements include the accounts of Sinclair Broadcast Group, Inc. and those of our wholly-owned and majority-owned subsidiaries and variable interest entities.

Discontinued Operations

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we reported the financial position and results of operations of KOVR-TV in Sacramento, California, KSMO-TV in Kansas City, Missouri and WEMT-TV in Tri-Cities, Tennessee as discontinued operations in the accompanying consolidated balance sheets and consolidated statements of operations. Discontinued operations have not been segregated in the consolidated statements of cash flows and, therefore, amounts for certain captions will not agree with the accompanying consolidated balance sheets and consolidated statements of operations. The operating results of KOVR, KSMO and WEMT are not included in our consolidated results from continuing operations for the three and nine months ended September 30, 2005 and 2004. In accordance with Emerging Issues Task Force (EITF) Issue No. 87-24, *Allocation of Interest to Discontinued Operations*, we have allocated $2.0 million of interest expense to discontinued operations for the three months ended September 30, 2004 and $3.6 million and $5.4 million for the nine months ended September 30, 2005 and 2004, respectively. No interest was allocated for the three months ended September 30, 2005. This represents interest on the amount of debt that has been paid down under the Bank Credit Agreement with the proceeds from the sales of KOVR, KSMO and WEMT. See Note 7. *Discontinued Operations* for additional information.

Interim Financial Statements

The consolidated financial statements for the three and nine months ended September 30, 2005 and 2004 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 financial position, consolidated results of operations and consolidated cash flows for these periods.

As permitted under the applicable rules and regulations of the Securities and Exchange Commission, 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, as amended, for the year ended December 31, 2004 filed with the Securities and Exchange Commission. The consolidated results of operations presented in the accompanying consolidated financial statements are not necessarily representative of operations for an entire year.

Retransmission Revenue

During the third quarter of 2005, as a result of recently renegotiated retransmission agreements, we recorded approximately $2.9 million in additional net broadcast revenue, reflecting a one-time adjustment to previously estimated retransmission revenue.

Recent Accounting Pronouncements

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R (SFAS 123R), *Share-Based Payment* as a revision to FASB Statement No. 123, *Accounting for Stock-Based Compensation*. We will adopt SFAS 123R on January 1, 2006. SFAS 123R supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends FASB Statement No. 95, *Statement of Cash Flows*. This standard requires that all share-based payments, including grants of employee stock options and our employee stock purchase plan, be recognized in the income statement as compensation expense based on their fair values. On April 21, 2005, we accelerated the vesting of 390,039 stock options, which was all of our outstanding unvested options at that time. The acceleration of the vesting effectively resulted in a modification to the original options. In accordance with FASB Interpretation No.44*, Accounting for Certain Transactions Involving Stock Based Compensation,* we recorded an immaterial compensation charge based on the intrinsic value of the awards as measured on the modification date. The acceleration of vesting will reduce our future compensation expense related to these options by $0.8 million (pre-tax), in aggregate, for the years 2006 through 2008, the original remaining vesting period. SFAS 123R will require us to recognize a compensation charge for our Employee Stock Purchase Plan. For the year ended December 31, 2004, we estimate that this amount would have been $0.3 million and we expect to incur similar amounts in 2005 and in future years.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations, an Interpretation of FASB Statement No. 143*, (FIN 47) which clarifies the term conditional asset retirement obligation as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*. FIN 47 provides that an asset retirement obligation is conditional when either the timing and (or) method of settling the obligation is conditioned on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. This interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective for fiscal years ending after December 15, 2005. We do not expect the adoption of FIN 47 to have a material impact on our consolidated financial position, consolidated results of operations and consolidated cash flows.

Other Recent Developments

On June 30, 2005, the Governor of the state of Ohio signed the Ohio Biennial Budget Bill. The bill replaces the Ohio income and franchise tax with a commercial activity tax, among other changes in Ohio law. During the three months ended September 30, 2005, we recorded a deferred tax benefit of $5.0 million for continuing operations to reflect an adjustment to our net deferred tax liabilities as a result of this tax law change.

Liquidity Assurance

On May 26, 2005, we entered into a twelve-month limited scope liquidity assurance with Acrodyne Communications, Inc. (Acrodyne), one of our majority-owned subsidiaries. Pursuant to this agreement, we will provide to them sufficient funding to cover any necessary working capital needs through May 25, 2006 should Acrodyne not be able to provide that funding on its own. The exposure to us in this liquidity assurance cannot be estimated nor can its probability of occurrence be estimated. In connection with this liquidity assurance, we established a $0.5 million line of credit for Acrodyne. Interest on any unpaid indebtedness will be calculated on a daily basis at LIBOR plus 225 basis points per annum. As of September 30, 2005, Acrodyne had borrowed $0.1 million under this line of credit. In October 2005, Acrodyne borrowed an additional $0.2 million. We do not believe the liquidity assurance will have a material impact to our consolidated financial position, consolidated results of operations or consolidated cash flows and, therefore, we have not recorded any liability related to it.

Variable Interest Entities

We have determined that we have a variable interest in WTXL-TV in Tallahassee, Florida as a result of the terms of the outsourcing agreement with the unrelated third-party owner of WTXL. However, we have determined that we are not the primary beneficiary of the variable interests and, therefore, we are not required to consolidate WTXL under the provisions of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51*. We believe that we do not have a material exposure to loss as a result of our involvement with WTXL.

Pro Forma Information Related To Stock-Based Compensation

As permitted under SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), we measure compensation expense for our stock-based employee compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and provide pro forma disclosures of income and earnings per share as if the fair value-based method prescribed by SFAS 123 had been applied in measuring compensation expense.

Had compensation expense related to our grants for stock-based compensation plans been determined consistent with SFAS 123, our net income available to common shareholders for the three and nine months ended September 30, 2005 and 2004, respectively, would approximate the pro forma amounts below (in thousands, except per share data):

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Income available to common shareholders	$ 31,578	$ 1,005	$ 183,023	$ 18,930
Add: Stock-based employee compensation expense included in net income, net of related tax effects	502	293	1,160	1,207
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(548)	(689)	(2,219)	(2,852)
Net income, pro forma	$ 31,532	$ 609	$ 181,964	$ 17,285
Earnings per share:				
Basic as reported	$ 0.37	$ 0.01	$ 2.14	$ 0.22
Diluted as reported	$ 0.37	$ 0.01	$ 2.14	$ 0.22
Basic pro forma	$ 0.37	$ 0.01	$ 2.13	$ 0.20
Diluted pro forma	$ 0.37	$ 0.01	$ 2.13	$ 0.20

We have computed for pro forma disclosure purposes the value of all options granted during the three and nine months ended September 30, 2005 and 2004, respectively, using the Black-Scholes option pricing model as prescribed by SFAS 123 using the following weighted average assumptions:

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Risk-free interest rate	N/A	3.57%	3.10%	3.08%
Expected lives	N/A	5 years	5 years	5 years
Expected volatility	N/A	44%	48%	44%
Dividend yield	N/A		2.2%	
Weighted average fair value	N/A	$4.07	$5.48	$5.63

Adjustments are made for options forfeited prior to vesting. No options were granted during the three months ended September 30, 2005 and all options were vested as of April 21, 2005. Therefore, there are not any applicable assumptions to be listed for the three months ended September 30, 2005.

Reclassifications

Certain reclassifications have been made to the prior periods consolidated financial statements to conform with the current period 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 financial position, consolidated results of operations or consolidated cash flows.

Operating Leases

As of September 30, 2005, we had outstanding letters of credit of $1.1 million under our revolving credit facility. The letters of credit act as guarantees of lease payments for the property occupied by WTTA-TV in Tampa, Florida pursuant to the terms and conditions of the lease agreement and as support of the purchase of the license assets of WNYS-TV in Syracuse, New York pursuant to an Asset Purchase Agreement.

Network Affiliation Agreements

Fifty-eight of the 60 television stations that we own and operate, or to which we provide programming services or sales services, currently operate as affiliates of FOX (20 stations), WB (18 stations), ABC (11 stations), UPN (6 stations), CBS (2 stations) and NBC (1 station). The remaining two stations are independent. The networks produce and distribute programming in exchange for each station s commitment to air the programming at specified times and for commercial announcement time during the programming.

On June 30, 2005, the affiliation agreements for our FOX affiliates expired. On August 22, 2005, we entered into an agreement that caused these expired agreements to continue in full force and effect until terminated by either party. We are currently in negotiations to renew with long-term FOX affiliation agreements. At this time, we cannot predict the final outcome of these negotiations and any impact they may have on our consolidated financial position, consolidated results of operations or consolidated cash flows. As of September 30, 2005, the aggregate net book value of these affiliation agreements were $37.9 million.

On October 24, 2005, NBC informed us that they intend to terminate our affiliation with WTWC-TV in Tallahassee, Florida. This notice is contractually required to avoid automatic renewal of the existing agreement which expires January 1, 2007. NBC has stated it is willing to continue its affiliation with WTWC if revised terms and conditions can be agreed upon. As of September 30, 2005, the net book value of this affiliation agreement was $2.3 million. We plan to enter into negotiations with NBC regarding our affiliation and at this time, we cannot predict the final outcome of these negotiations and any impact they may have on our consolidated financial position, consolidated results of operations and consolidated cash flows.

The non-renewal or termination of any of our network affiliation agreements would prevent us from being able to carry programming of the relevant network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and which may not be as attractive to our target audiences, resulting in reduced revenues. Upon the termination of any of the above affiliation agreements, we would be required to establish a new affiliation agreement with another network or operate as an independent station. At such time, the remaining value of the network affiliation asset could become impaired and we would be required to write down the value of the asset.

Changes in the Rules on Television Ownership and Local Marketing Agreements

In 1999, the Federal Communications Commission (FCC) decided to attribute Local Marketing Agreements (LMAs) for ownership purposes but grandfathered LMAs that were entered into prior to November 5, 1996, permitting the LMAs to continue pending the FCC s case-by-case review of each LMA. The FCC has neither begun its review of grandfathered LMAs nor indicated when it will begin that review.

Under the FCC s 2003 ownership rules, we would be allowed to continue to program most of the stations with which we have an LMA. However, the FCC s 2003 ownership rules have been stayed by the U.S. Court of Appeals for the Third Circuit and are still on remand to the FCC. The petitions by several parties, including us, seeking review of the Third Circuit decision were recently denied by the Supreme Court of the United States. The FCC announced that it is considering a Further Notice of Proposed Rulemaking concerning the broadcast ownership rules, but it has not yet commenced any such proceeding. Accordingly, it is not clear if we will be required to terminate or modify our LMAs in markets where we have such arrangements.

If we are required by the FCC to terminate or modify our LMAs, our business could be affected in the following ways:

Losses on investments. As part of our LMA arrangements, we own the non-license assets used by the stations with which we have LMAs. If certain of these LMA arrangements are no longer permitted, we could be forced to sell these assets, restructure our agreements or find another use for them. If this happens, the market for such assets may not be as strong as when we purchased them and, therefore, we cannot be certain that we will recoup our original investments.

Termination penalties. If the FCC requires us to modify or terminate our existing LMAs before the terms of the LMAs expire, or under certain circumstances, we elect not to extend the term of the LMAs, we may be forced to pay termination penalties under the terms of some of our LMAs. Any such termination penalty could be material to our consolidated financial position.

WNAB Options

In 2003, we entered into option agreements with an unrelated third party to purchase certain license and non-license television broadcast assets of WNAB-TV in Nashville, Tennessee. On March 25, 2005, we exercised the option agreements to acquire certain license and non-license assets for $5.0 million and $8.3 million, respectively. On May 31, 2005, we completed the purchase of the non-license broadcast assets. The closing on the license assets is pending approval by the FCC. If the FCC has not granted approval by December 23, 2005, we will be required to pay $4.5 million of the exercise price and if approval is not granted by December 22, 2006, we will be required to pay the remaining $0.5 million to the unrelated third party. On August 25, 2005, the Rainbow/PUSH Coalition filed a petition with the FCC to deny the transfer of the WNAB broadcast license to us. The FCC is currently in the process of considering the transfer of the broadcast license and we believe the Rainbow/PUSH petition has no merit.

We have determined that WNAB continues to be a variable interest entity (VIE) and that we remain the primary beneficiary of the variable interests as a result of the terms of our outsourcing agreement and the remaining option. As a result, we continue to consolidate the assets and liabilities of WNAB at their fair values, which have been adjusted to reflect an appraisal prepared in connection with the closing of the non-license assets. Goodwill and FCC license book values were increased by $5.9 million and $4.2 million upon the closing of the non-license assets, respectively.

FCC License Renewals

On August 1, 2005, we filed applications with the FCC requesting renewal of the broadcast licenses for WICS-TV and WICD-TV in Springfield/Champaign, Illinois. Subsequently, various viewers filed informal objections requesting that the FCC deny these renewal applications. Also on August 1, 2005, we filed applications with the FCC requesting renewal of the broadcast licenses for WCGV-TV and WVTV-TV in Milwaukee, Wisconsin. On November 1, 2005, the Milwaukee Public Interest Media Coalition filed a petition with the FCC to deny these renewal applications. The FCC is currently in the process of considering all of these renewal applications and we believe the objections and petition requesting denial have no merit.

3. SUPPLEMENTAL CASH FLOW INFORMATION (in thousands):

During the nine months ended September 30, 2005 and 2004, our supplemental cash flow information was as follows:

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Income taxes paid from continuing operations	$ 678	$ 1,737

Income taxes paid related to discontinued operations	$	23,256	$	256
Income tax refunds received	$	383	$	1,340
Interest payments	$	90,312	$	99,289

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.

Our losses resulting from prior year terminations of fixed to floating interest rate agreements are reflected as a discount on our fixed rate debt and are being amortized to interest expense through December 15, 2007, the original expiration date of the terminated swap agreements. For the nine months ended September 30, 2005 and 2004, amortization of the discount of $0.4 million was recorded as interest expense.

As of September 30, 2005, we held the following derivative instruments (in millions):

Notional Amount	Expiration Date	Interest Payable			Interest Receivable	FMV Asset (Liability)(4)
$375.0(1)	June 5, 2006	6.25		7.00%	LIBOR(3)	$(4.6)
$200.0(1)	June 5, 2006	6.25		7.00%	LIBOR(3)	$(2.6)
$300.0(2)	March 12, 2012	LIBOR	+	2.28%(3)	8.00%	$7.3
$100.0(2)	March 15, 2012	LIBOR	+	3.095%(3)	8.00%	$(1.0)
						$(0.9)

(1) These swap agreements do not qualify for hedge accounting treatment under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133); therefore, changes in their fair market values are reflected currently in earnings as an unrealized gain from derivative instruments. We recorded an unrealized gain related to these instruments of $5.8 million and $1.6 million for the three months ended September 30, 2005 and 2004, respectively, and $17.5 million and $20.6 million for the nine months ended September 30, 2005 and 2004, respectively.

(2) These swaps are accounted for as hedges in accordance with SFAS 133; therefore, changes in their fair market values are reflected as adjustments to the carrying value of the underlying debt being hedged.

(3) Represents a floating rate based on the three-month London Interbank Offered Rate (LIBOR).

(4) The fair market value (FMV) of the interest rate swap agreements is estimated by obtaining quotations from the international financial institutions party to each derivative contract. The fair value is an estimate of the net amount that we would (pay) receive on September 30, 2005, if we cancelled the contracts or transferred them to other parties.

During May 2003, we completed an issuance of $150.0 million aggregate principal amount of 4.875% Convertible Senior Notes. Under certain circumstances, we will pay contingent cash interest to the holder of the convertible notes during any six month period from January 15 to July 14 and from July 15 to January 14, commencing with the six month period beginning January 15, 2011. The contingent interest feature is an embedded derivative which had a negligible fair value as of September 30, 2005.

5. EARNINGS PER SHARE:

The following table reconciles income (numerator) and shares (denominator) used in our computations of earnings (loss) per share for the three and nine months ended September 30, 2005 and 2004 (in thousands, except per share data):

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Income (Numerator)				
Income from continuing operations	$ 13,369	$ 1,934	$ 37,162	$ 20,641
Income from discontinued operations	701	1,574	4,841	5,967
Gain on sale of discontinued operations	17,508		146,024	
Net income	31,578	3,508	188,027	26,608
Preferred stock dividends paid		2,503	5,004	7,678
Net income available to common shareholders	$ 31,578	$ 1,005	$ 183,023	$ 18,930
Shares (Denominator)				
Weighted-average number of common shares	85,428	85,311	85,353	85,733
Dilutive effect of outstanding stock options	20		7	150
Weighted-average number of common equivalent shares outstanding	85,448	85,311	85,360	85,883

Basic earnings per share (EPS) represents the portion of our net income allocated to each outstanding share of common stock. EPS is calculated by subtracting dividends paid on our preferred stock from our net income and dividing that amount by the weighted shares outstanding during the reporting period.

Diluted earnings per share (diluted EPS) represents what the EPS would be if all convertible securities were exercised, unless they are anti-dilutive (defined below). In other words, diluted EPS takes into account all stock options and convertible bonds as if they were exercised for, or converted into, shares of common stock, unless they are anti-dilutive. Anti-dilutive securities are those that cause EPS to increase if they were converted into shares of common stock. Therefore, when all dilutive securities are considered, the number of shares outstanding increases, causing the EPS to decrease.

As of the three months ended September 30, 2005 and 2004, there were approximately 20,000 and 8,000 outstanding stock options, respectively, that could have been exercised for shares of common stock. The 8,000 outstanding stock options as of September 30, 2004 were not included in the EPS calculation because their effect would be anti-dilutive. As of the nine months ended September 30, 2005 and 2004, there were approximately 7,000 and 150,000 outstanding stock options, respectively, that could have been exercised for shares of common stock. All remaining options that were outstanding during the three and nine months ended September 30, 2005 and 2004 were not included in the computation of diluted EPS because the exercise prices were greater than the average market price of our common shares during the respective reporting periods.

As of the three and nine months ended September 30, 2005 and September 30, 2004, our Convertible Debentures and Convertible Senior Notes were anti-dilutive, and were therefore not included in the computation of diluted EPS.

6. RELATED PARTY TRANSACTIONS:

On May 31, 2005, we entered into an agreement with Auto Properties LLC, an affiliate of Atlantic Automotive Corporation (Atlantic Automotive, formerly Summa Holdings, Ltd.), pursuant to which we had agreed to sell our 17.5% equity interest, or 21.22 shares, in Atlantic Automotive to Auto Properties LLC for approximately $21.5 million in cash. David D. Smith, our President, Chief Executive Officer and Director, has a controlling interest in Atlantic Automotive Corporation and a 50% interest in Auto Properties LLC. On May 31, 2005, we recorded a loss from equity investees of $0.7 million on our consolidated statements of operations for the difference between this sales price and the adjusted net book value of our equity investment, including an adjustment for accrued, but unpaid, dividends.

On August 2, 2005, the agreement between us and Auto Properties LLC was nullified and we entered into new stock purchase agreements with David D. Smith and Steven B. Fader, an unrelated third party, and entered into a stock redemption agreement with Atlantic Automotive, totaling approximately $21.5 million. Pursuant to the stock purchase agreements, 9.87 shares were sold to each party for $10.0 million in cash and pursuant to the stock redemption agreements, Atlantic Automotive redeemed the remaining 1.48 shares of our equity interest for $1.5 million in cash.

On July 1, 2005, Sinclair Communications, LLC (Sinclair Communications), a subsidiary of Sinclair Broadcast Group, Inc. (SBG), and Cunningham Communications, Inc. (Cunningham Communications) entered into Amendment No. 2 (the Amendment) to an original Lease Agreement (the Lease), dated July 1, 1987, as amended July 1, 1997. The Amendment became effective July 1, 2005 and expires on June 30, 2007. Cunningham Communications is owned by David D. Smith, SBG s President, Chief Executive Officer and Director, as well as Frederick Smith, J. Duncan Smith and Robert Smith, members of SBG s Board of Directors. The Smith brothers are the controlling shareholders of SBG. The Amendment includes the lease of tower and building space that Sinclair Communications utilizes for digital television transmission. The Lease was amended to increase the monthly rent by $25,357 for a total current monthly rent of $82,860. The monthly rent will increase by 5% in July of 2006. In addition, the Amendment required Sinclair Communications to make a lump sum payment of $565,800 to Cunningham Communications upon the execution of the Amendment.

In response to the disaster caused by hurricane Katrina, the Sinclair Relief Fund (the Fund) was formed by David D. Smith, Frederick Smith, J. Duncan Smith, each controlling shareholders, and Barry M. Faber, our Vice President and General Counsel. The Fund is a qualified charitable organization formed to provide monetary aid and relief to the victims of natural disasters. On September 21, 2005, we made a $50,000 contribution to the Fund. This contribution was ratified and authorized by the Audit Committee.

On September 30, 2005, we fully redeemed the founders note due to the late Julian S. Smith with a final payment of $1.5 million. This note was issued on September 30, 1990 at a principal amount of $7.5 million and we have been making periodic interest and principal payments since issuance. Refer to Note 11. *Related Party Transactions* in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2004 for additional information regarding this note.

7. DISCONTINUED OPERATIONS:

Accounts receivable related to all of our discontinued operations is included in the accompanying consolidated balance sheets, net of allowance for doubtful accounts, for all periods presented. This is because we continue to own the rights to collect the amounts due to us through the closing dates of the non-license television broadcast assets. Such amounts were $0.2 million (net of allowance of $0.4 million) and $9.8 million (net of allowance of $0.4 million) as of September 30, 2005 and December 31, 2004, respectively.

WEMT Disposition

On May 16, 2005, we entered into an agreement to sell WEMT-TV in Tri-Cities, Tennessee, including the FCC license (the broadcast license) to an unrelated third party for $7.0 million. On the same day, we completed the sale of the WEMT non-license television broadcast assets for $5.6 million of the total $7.0 million sales price and recorded a deferred gain of $3.2 million, which is stated separately on the consolidated balance sheets. We are currently operating WEMT under a joint sales agreement. Upon closing of the broadcast license, which is pending approval by the FCC, we will recognize the gain, net of $1.1 million in taxes. We expect to receive FCC approval prior to May 16, 2006, which is the one year anniversary of the date we entered into the agreement to sell WEMT. Net assets and liabilities held for sale related to WEMT were $1.8 million and $4.5 million as of September 30, 2005 and December 31, 2004, respectively.

KOVR Disposition

On December 2, 2004, we entered into an agreement to sell KOVR-TV in Sacramento, California, including the FCC license and our investment in KOVR Joint Venture to an unrelated third party. The FCC approved the transfer of the license to the unrelated third party and we completed the sale on April 29, 2005 for a cash purchase price of $285.0 million. We recorded a gain of $129.5 million, net of $70.0 million of taxes, as gain on sale of discontinued operations in our consolidated statements of operations for the three and nine months ended September 30, 2005. The net proceeds were used to repay bank debt.

KSMO Disposition

On November 12, 2004, we entered into an agreement to sell KSMO-TV in Kansas City, Missouri, including the FCC license (the broadcast license) to an unrelated third party for $33.5 million. On the same day, we completed the sale of the KSMO non-license television broadcast assets for $26.8 million of the total $33.5 million sale price. The FCC approved the transfer of the broadcast license to the unrelated third party and we completed the sale of the license assets, including the broadcast license, on September 29, 2005 for a cash price of approximately $6.7 million. We recorded $16.5 million, net of $10.0 million in taxes, as gain on the sale of discontinued operations in our consolidated statements of operations for the three and nine months ended September 30, 2005. The gain is comprised of the previously deferred gain of $26.1 million and the gain of $0.4 million from the sale of the license assets, net of taxes, respectively.

8. <u>CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:</u>

Sinclair Television Group, Inc. (STG), a wholly-owned subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under our Bank Credit Agreement, the 8.75% Senior Subordinated Notes due 2011 and the 8% Senior Subordinated Notes due 2012. Our Class A Common Stock, Class B Common Stock, 6% Convertible Debentures due 2012 and the 4.875% Convertible Senior Notes due 2018 remain at SBG and are neither obligations nor securities of STG.

SBG and KDSM, LLC, a wholly-owned subsidiary of SBG, have fully and unconditionally guaranteed all of STG s obligations. Those guarantees are joint and several. There are no significant 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 consolidated financial statements present the financial position, results of operations and cash flows of SBG, STG, KDSM, LLC, 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 Securities and Exchange Commission Regulation S-X, Rule 3-10.

CONDENSED CONSOLIDATED BALANCE SHEET

AS OF SEPTEMBER 30, 2005

(in thousands) (Unaudited)

	Sinclair Broadcast Group, Inc.	Guarantor Subsidiaries Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 16,655	$ 28	$ 1,443	$	$ 18,126
Accounts receivable	173	109,340	1,071	2,823		113,407
Other current assets	828	76,996	575	4,218		82,617
Assets held for sale		3,683				3,683
Total current assets	1,001	206,674	1,674	8,484		217,833
Property and equipment, net	9,493	294,104	4,664	3,741		312,002
Investment in consolidated subsidiaries	527,034				(527,034)	
Other long-term assets	22,428	66,934	614	7,190	(1,588)	95,578
Total other long-term assets	549,462	66,934	614	7,190	(528,622)	95,578
Acquired intangible assets		1,623,971	5,626	57,531		1,687,128
Total assets	$ 559,956	$ 2,191,683	$ 12,578	$ 76,946	$ (528,622)	$ 2,312,541
Accounts payable and accrued liabilities	$ 4,195	$ 80,684	$ 418	$ 4,908	$	$ 90,205
Current portion of long-term debt	1,162	3,331		33,500		37,993
Other current liabilities		107,570	1,330	806		109,706
Liabilities held for sale		1,460				1,460
Total current liabilities	5,357	193,045	1,748	39,214		239,364
Long-term debt	323,599	1,118,014	2,317			1,443,930
Other liabilities	(2)	388,713	1,189	9,933	(1,588)	398,245
Total liabilities	328,954	1,699,772	5,254	49,147	(1,588)	2,081,539
Common stock	854					854
Additional paid-in capital	590,158	596,366	18,186	71,380	(685,932)	590,158
Accumulated deficit	(360,010)	(104,455)	(10,862)	(43,581)	158,898	(360,010)
Total shareholders equity	231,002	491,911	7,324	27,799	(527,034)	231,002
Total liabilities and shareholders equity	$ 559,956	$ 2,191,683	$ 12,578	$ 76,946	$ (528,622)	$ 2,312,541

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CONDENSED CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2004

(in thousands) (Unaudited)

	Sinclair Broadcast Group, Inc.	Guarantor Subsidiaries: Sinclair Television Group, Inc.	Guarantor Subsidiaries: KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 7,861	$ 27	$ 2,603	$	$ 10,491
Accounts receivable	179	127,327	1,482	3,074		132,062
Other current assets	741	83,288	866	4,692	(122)	89,465
Assets held for sale		103,523				103,523
Total current assets	920	321,999	2,375	10,369	(122)	335,541
Property and equipment, net	10,957	317,625	5,119	2,837		336,538
Investment in consolidated subsidiaries	342,874				(342,874)	
Other long-term assets	42,875	60,008	428	9,252	(3,171)	109,392
Total other long-term assets	385,749	60,008	428	9,252	(346,045)	109,392
Acquired intangible assets		1,630,840	5,749	47,603		1,684,192
Total assets	$ 397,626	$ 2,330,472	$ 13,671	$ 70,061	$ (346,167)	$ 2,465,663
Accounts payable and accrued liabilities	$ 10,365	$ 65,360	$ 467	$ 8,277	$ (122)	$ 84,347
Current portion of long-term debt	3,080	12,366		33,500		48,946
Other current liabilities		138,515	1,871	869		141,255
Liabilities held for sale		14,698				14,698
Total current liabilities	13,445	230,939	2,338	42,646	(122)	289,246
Long-term debt	157,629	1,430,758	2,282			1,590,669
Other liabilities	1	355,288	997	6,082	(3,171)	359,197
Total liabilities	171,075	2,016,985	5,617	48,728	(3,293)	2,239,112
Preferred stock	33					33
Common stock	851					851
Additional paid-in capital	752,130	614,723	19,783	62,975	(697,481)	752,130
Accumulated deficit	(526,463)	(301,236)	(11,729)	(41,642)	354,607	(526,463)
Total shareholders equity	226,551	313,487	8,054	21,333	(342,874)	226,551
Total liabilities and shareholders equity	$ 397,626	$ 2,330,472	$ 13,671	$ 70,061	$ (346,167)	$ 2,465,663

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CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005

(in thousands) (Unaudited)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$ 159,141	$ 1,925	$ 4,724	$	$ 165,790
Program and production		35,063	423			35,486
Selling, general and administrative	3,878	34,406	524	609		39,417
Depreciation, amortization and other operating expenses	613	45,160	863	3,960		50,596
Total operating expenses	4,491	114,629	1,810	4,569		125,499
Operating (loss) income	(4,491)	44,512	115	155		40,291
Equity in earnings of subsidiaries	35,616				(35,616)	
Interest income		172		1	14	187
Interest expense	(5,867)	(24,037)	(66)	(462)	(14)	(30,446)
Other income (expense)	4,125	1,944	49	(196)		5,922
Total other income (expense)	33,874	(21,921)	(17)	(657)	(35,616)	(24,337)
Income tax benefit (provision)	2,195	(4,650)		(130)		(2,585)
Income from discontinued operations		701				701
Gain on sale of discontinued operations		17,508				17,508
Net income (loss)	$ 31,578	$ 36,150	$ 98	$ (632)	$ (35,616)	$ 31,578

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

(in thousands) (Unaudited)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$ 492,001	$ 6,122	$ 15,160	$	$ 513,283
Program and production		110,853	1,317			112,170
Selling, general and administrative	11,164	103,776	1,606	1,757		118,303
Depreciation, amortization and other operating expenses	1,758	138,940	2,272	14,634		157,604
Total operating expenses	12,922	353,569	5,195	16,391		388,077
Operating (loss) income	(12,922)	138,432	927	(1,231)		125,206

Equity in earnings of subsidiaries	195,711				(195,711)	
Interest income		411		5		416
Interest expense	(10,610)	(75,987)	(198)	(1,364)		(88,159)
Other income (expense)	11,605	5,036	138	(626)		16,153
Total other income (expense)	196,706	(70,540)	(60)	(1,985)	(195,711)	(71,590)
Income tax benefit (provision)	4,243	(21,975)		1,278		(16,454)
Income from discontinued operations		4,841				4,841
Gain on sale of discontinued operations		146,024				146,024
Net income (loss)	$ 188,027	$ 196,782	$ 867	$ (1,938)	$ (195,711)	$ 188,027

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004

(in thousands) (Unaudited)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$ 163,311	$ 1,954	$ 2,845	$	$ 168,110
Program and production		36,771	376			37,147
Selling, general and administrative	3,382	35,315	529	652		39,878
Depreciation, amortization and other operating expenses	525	51,828	527	3,858		56,738
Total operating expenses	3,907	123,914	1,432	4,510		133,763
Operating (loss) income	(3,907)	39,397	522	(1,665)		34,347
Equity in earnings of subsidiaries	8,695				(8,695)	
Interest income	8	21		(6)		23
Interest expense	(2,182)	(27,288)	(65)	(354)		(29,889)
Other income (expense)	872	1,604	124	(3,951)		(1,351)
Total other income (expense)	7,393	(25,663)	59	(4,311)	(8,695)	(31,217)
Income tax benefit (provision)	22	(2,592)		1,374		(1,196)
Income from discontinued operations		1,574				1,574
Net income (loss)	$ 3,508	$ 12,716	$ 581	$ (4,602)	$ (8,695)	$ 3,508

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

(in thousands) (Unaudited)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$ 501,514	$ 5,748	$ 10,779	$	$ 518,041
Program and production		113,364	1,187			114,551
Selling, general and administrative	11,129	107,367	1,766	1,923		122,185
Depreciation, amortization and other operating expenses	1,754	156,912	1,877	13,677		174,220
Total operating expenses	12,883	377,643	4,830	15,600		410,956
Operating (loss) income	(12,883)	123,871	918	(4,821)		107,085

Equity in earnings of subsidiaries	39,020				(39,020)	
Interest income	21	119				140
Interest expense	(6,525)	(83,542)	(194)	(1,314)		(91,575)
Other income (expense)	5,123	18,289	195	(4,702)		18,905
Total other income (expense)	37,639	(65,134)	1	(6,016)	(39,020)	(72,530)
Income tax benefit (provision)	1,852	(18,138)		2,372		(13,914)
Income from discontinued operations		5,967				5,967
Net income (loss)	$ 26,608	$ 46,566	$ 919	$ (8,465)	$ (39,020)	$ 26,608

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

(in thousands) (Unaudited)

	Sinclair Broadcast Group, Inc.	Guarantor Subsidiaries Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	$ (11,554)	$ 64,734	$ 1,609	$ (4,838)	$	$ 49,951
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	(192)	(11,999)	(11)	(38)		(12,240)
Payment for acquisition of television stations		(11,040)				(11,040)
Variable interest entity elimination entries		4,302		(4,302)		
Distributions from equity investments		99				99
Contributions in equity and cost investees	(670)			(300)		(970)
Proceeds from the sale of property		59				59
Proceeds from the sale of broadcast assets related to discontinued operations		295,190				295,190
Proceeds from the sale of equity investees	21,500					21,500
Proceeds from insurance settlement		404				404
Loans to affiliates	(95)					(95)
Proceeds from loans to affiliates	93					93
Net cash flows from (used in) investing activities	20,636	277,015	(11)	(4,640)		293,000
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Repayments of notes payable, commercial bank financing and capital leases	(93)	(346,186)				(346,279)
Proceeds from commercial bank financing and notes payable		35,500				35,500
Proceeds from exercise of stock options	73					73
Payments for deferred financing costs	(100)	(1,726)		(87)		(1,913)
Increase (decrease) in intercompany payables	11,551	(18,359)	(1,597)	8,405		
Dividends paid on Series D Convertible Preferred Stock	(5,004)					(5,004)
Dividends paid on Class A Common Stock	(12,803)					(12,803)
Repayments of notes and capital leases to affiliates	(2,706)	(2,184)				(4,890)
Net cash flows (used in) from financing activities	(9,082)	(332,955)	(1,597)	8,318		(335,316)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,794	1	(1,160)		7,635
CASH AND CASH EQUIVALENTS, beginning of period		7,861	27	2,603		10,491
CASH AND CASH EQUIVALENTS, end of period	$	$ 16,655	$ 28	$ 1,443	$	$ 18,126

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

(in thousands) (Unaudited)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	**Sinclair Television Group, Inc.**	**KDSM, LLC**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Sinclair Consolidated**
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	$ (14,502)	$ 101,690	$ 1,487	$ (9,303)	$	$ 79,372
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	(897)	(35,385)	(243)	(4)		(36,529)
Variable interest entity elimination entries		18,249		(18,249)		
Consolidation of variable interest entity				239		239
Contributions in equity and cost investees	(2,464)	(2,156)				(4,620)
Proceeds from the sale of property		23				23
Loans to affiliates	(828)					(828)
Proceeds from loans to affiliates	2,182		&nbs			