SINCLAIR BROADCAST GROUP INC
Form 10-Q
November 06, 2008
Table of Contents

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, 2008

OR

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

For the transition period from to .

COMMISSION FILE NUMBER: 000-26076

SINCLAIR BROADCAST GROUP, INC.

(Exact name of Registrant as specified in its charter)

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

10706 Beaver Dam Road

Hunt Valley, Maryland 21030
(Address of principal executive offices, zip code)

(410) 568-1500

(Registrant s telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant 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 x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

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

Title of each class	Number of shares outstanding as of November 3, 2008
Class A Common Stock	46,660,156
Class B Common Stock	34,453,859

Table of Contents

SINCLAIR BROADCAST GROUP, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2008

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	As of September 30, 2008 (Unaudited)	As of December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,646	$ 20,980
Accounts receivable, net of allowance for doubtful accounts of $3,148 and $3,882, respectively	103,210	127,891
Affiliate receivable	59	15
Current portion of program contract costs	68,007	50,276
Income taxes receivable	19,214	16,228
Prepaid expenses and other current assets	9,818	13,448
Deferred barter costs	2,962	2,026
Deferred tax assets	7,752	7,752
Total current assets	222,668	238,616
PROGRAM CONTRACT COSTS, less current portion	29,003	32,683
PROPERTY AND EQUIPMENT, net	359,289	284,551
GOODWILL, net	1,016,028	1,010,594
BROADCAST LICENSES, net	402,844	401,130
DEFINITE-LIVED INTANGIBLE ASSETS, net	191,232	192,733
OTHER ASSETS	84,662	64,348
Total assets	$ 2,305,726	$ 2,224,655
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 4,687	$ 3,732
Accrued liabilities	70,555	82,374
Current portion of notes payable, capital leases and commercial bank financing	58,209	42,950
Current portion of notes and capital leases payable to affiliates	2,069	3,839
Current portion of program contracts payable	105,434	90,208
Deferred barter revenues	2,968	2,143
Total current liabilities	243,922	225,246
LONG-TERM LIABILITIES:		
Notes payable, capital leases and commercial bank financing, less current portion	1,303,747	1,274,386
Notes payable and capital leases to affiliates, less current portion	32,312	23,174
Program contracts payable, less current portion	80,973	79,985
Deferred tax liabilities	345,608	313,364
Other long-term liabilities	51,971	52,659

Total liabilities		2,058,533		1,968,814
MINORITY INTEREST IN CONSOLIDATED ENTITIES		17,014		3,067
SHAREHOLDERS EQUITY:				
Class A Common Stock, $.01 par value, 500,000,000 shares authorized, 50,459,659 and 52,830,025 shares issued and outstanding, respectively		505		528
Class B Common Stock, $.01 par value, 140,000,000 shares authorized, 34,453,859 shares issued and outstanding, respectively, convertible into Class A Common Stock		345		345
Additional paid-in capital		601,552		614,156
Accumulated deficit		(370,539)		(360,324)
Accumulated other comprehensive loss		(1,684)		(1,931)
Total shareholders equity		230,179		252,774
Total liabilities and shareholders equity	$	2,305,726	$	2,224,655

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

Table of Contents

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
REVENUES:				
Station broadcast revenues, net of agency commissions	$ 150,119	$ 149,425	$ 474,758	$ 456,972
Revenues realized from station barter arrangements	14,562	14,786	45,048	44,218
Other operating divisions revenues	13,510	12,488	38,657	18,841
Total revenues	178,191	176,699	558,463	520,031
OPERATING EXPENSES:				
Station production expenses	38,959	35,741	118,226	109,556
Station selling, general and administrative expenses	33,867	33,711	102,498	101,357
Expenses recognized from station barter arrangements	12,760	13,317	40,394	39,995
Amortization of program contract costs and net realizable value adjustments	21,744	29,172	63,247	73,528
Other operating divisions expenses	13,397	11,227	40,076	18,852
Depreciation of property and equipment	11,700	10,554	33,812	32,660
Corporate general and administrative expenses	5,919	5,497	20,123	18,888
Amortization of definite-lived intangible assets and other assets	4,606	4,546	13,692	13,032
Gain on asset exchange	(2,163)		(2,163)	
Impairment of goodwill			1,626	
Total operating expenses	140,789	143,765	431,531	407,868
Operating income	37,402	32,934	126,932	112,163
OTHER INCOME (EXPENSE):				
Interest expense and amortization of debt discount and deferred financing costs	(19,075)	(21,897)	(58,759)	(74,166)
Interest income	224	89	599	2,178
(Loss) gain from sale of assets	(3)	(30)	48	(38)
Gain (loss) from extinguishment of debt	432	(68)	146	(30,716)
Gain from derivative instruments		1,897	999	1,300
Gain (loss) from equity and cost method investments	658	711	(118)	(181)
Other income, net	1,441	268	2,832	944
Total other expense	(16,323)	(19,030)	(54,253)	(100,679)
Income from continuing operations before income taxes	21,079	13,904	72,679	11,484
INCOME TAX PROVISION	(9,386)	(4,327)	(31,342)	(2,317)
Income from continuing operations	11,693	9,577	41,337	9,167
DISCONTINUED OPERATIONS:				
(Loss) income from discontinued operations, net of related income tax provision of $187, $436, $232 and $176, respectively	(38)	324	9	542
NET INCOME	$ 11,655	$ 9,901	$ 41,346	$ 9,709
BASIC AND DILUTED EARNINGS PER COMMON SHARE:				
Earnings per share from continuing operations	$ 0.14	$ 0.11	$ 0.48	$ 0.11
Earnings per share from discontinued operations	$	$	$	$ 0.01
Earnings per share	$ 0.14	$ 0.11	$ 0.48	$ 0.11

Weighted average common shares outstanding	86,158	87,175	86,951	86,816
Weighted average common and common equivalent shares outstanding	86,158	87,227	86,955	86,949
Dividends declared per share	$ 0.20	$ 0.15	$ 0.60	$ 0.45

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

Table of Contents

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

(In thousands) (Unaudited)

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders Equity
BALANCE, December 31, 2007	$ 528	$ 345	$ 614,156	$ (360,324)	$ (1,931)	$ 252,774
Dividends declared on Class A and Class B Common Stock				(51,561)		(51,561)
Class A Common Stock issued pursuant to employee benefit plans	4		3,614			3,618
Tax benefit on employee stock awards			34			34
Amortization of net periodic pension benefit costs					247	247
Repurchase of 2,741,145 shares of Class A Common Stock	(27)		(16,252)			(16,279)
Net income				41,346		41,346
BALANCE, September 30, 2008	$ 505	$ 345	$ 601,552	$ (370,539)	$ (1,684)	$ 230,179
Other comprehensive income:						
Net income	$	$	$	$ 41,346	$	$ 41,346
Amortization of net periodic pension benefit costs					247	247
Comprehensive income	$	$	$	$ 41,346	$ 247	$ 41,593

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

Table of Contents

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)

	Nine Months Ended September 30, 2008	2007
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income	$ 41,346	$ 9,709
Adjustments to reconcile net income to net cash flows from operating activities:		
Amortization of debt discount, net of debt premium	2,412	1,904
Depreciation of property and equipment	34,004	32,964
Gain on asset exchange	(2,163)	
Recognition of deferred revenue	(24,058)	(13,939)
Accretion of capital leases	648	693
Loss from equity and cost method investments	118	181
(Gain) loss on sale of property	(48)	38
Gain from derivative instruments	(999)	(1,300)
Impairment of intangibles	1,626	
Amortization of definite-lived intangible assets and other assets	13,692	13,319
Amortization of program contract costs and net realizable value adjustments	63,247	73,686
Amortization of deferred financing costs	3,044	2,337
Stock-based compensation	5,454	3,129
Excess tax benefits on employee stock awards	(34)	(1,851)
Loss on extinguishment of debt, non-cash portion	1,160	3,431
Amortization of derivative instruments	(423)	691
Amortization of net periodic pension benefit costs	144	178
Deferred tax provision related to operations	30,984	15,850
Deferred tax provision related to discontinued operations		955
Net effect of change in deferred barter revenues and deferred barter costs	(111)	(173)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Decrease in accounts receivable, net	25,677	11,912
Increase in income taxes receivable	(2,986)	(11,438)
Decrease in prepaid expenses and other current assets	3,840	4,153
(Increase) decrease in other assets	(1,410)	489
Increase in accounts payable and accrued liabilities	6,382	4,706
Decrease in other long-term liabilities	(1,028)	(3,164)
(Decrease) increase in minority interest	(2,059)	151
Dividends and distributions from equity and cost method investees	1,146	1,577
Payments on program contracts payable	(61,111)	(59,062)
Real estate held for development and sale	(398)	
Net cash flows from operating activities	138,096	91,126
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of property and equipment	(21,684)	(13,881)
Consolidation of variable interest entity	1,328	
Purchase of alarm monitoring contracts	(6,080)	
Payments for acquisition of television stations	(17,123)	
Payments for acquisitions of other operating divisions companies	(53,487)	(34,075)
Dividends and distributions from cost method investees	1,575	583
Investments in equity and cost method investees	(31,183)	(111)
Proceeds from the sale of assets	177	678
Loans to affiliates	(136)	(118)
Proceeds from loans to affiliates	135	118

Net cash flows used in investing activities	(126,478)	(46,806)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Proceeds from notes payable, commercial bank financing and capital leases	233,227	725,216
Repayments of notes payable, commercial bank financing and capital leases	(192,996)	(793,214)
Repurchase of Class A Common Stock	(16,279)	
Proceeds from exercise of stock options, including excess tax benefits of $34 and $1,851, respectively		13,379
Dividends paid on Class A and Class B Common Stock	(49,874)	(36,534)
Payments for deferred financing costs	(520)	(6,983)
Proceeds from derivative terminations	8,001	
Repayments of notes and capital leases to affiliates	(2,511)	(3,149)
Net cash flows used in financing activities	(20,952)	(101,285)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,334)	(56,965)
CASH AND CASH EQUIVALENTS, beginning of period	20,980	67,408
CASH AND CASH EQUIVALENTS, end of period	$ 11,646	$ 10,443

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

Table of Contents

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 for which we are the primary beneficiary. Minority interest represents a minority owner s proportionate share of the equity in certain of our consolidated entities. All significant intercompany transactions and account balances have been eliminated in consolidation.

Discontinued Operations

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we have reported the results of operations of WGGB-TV in Springfield, Massachusetts as assets and liabilities held for sale in the accompanying consolidated statements of operations. Discontinued operations have not been segregated in the consolidated statements of cash flows; therefore, amounts for certain captions will not agree with the accompanying consolidated statements of operations. The operating results of WGGB-TV are not included in our consolidated results from continuing operations for the three and nine months ended September 30, 2008 and 2007. See *Note 8. Discontinued Operations,* for additional information.

Interim Financial Statements

The consolidated financial statements for the three and nine months ended September 30, 2008 and 2007 are unaudited. In the opinion of management, such financial statements have been presented on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows for these periods.

As 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 for the year ended December 31, 2007 filed with the Securities and Exchange Commission. The consolidated statements of operations presented in the accompanying consolidated financial statements are not necessarily representative of operations for an entire year.

Recent Accounting Pronouncements

In May 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)*. This FSP requires issuers of convertible debt instruments that may be settled in cash upon conversion to account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. Issuers will need to determine the carrying value of just the liability portion of the debt by measuring the fair value of a similar liability (including any embedded features other than the conversion option) that does not have an associated equity component. The excess of the initial proceeds received from the debt issuance and the fair value of the liability component should be recorded as a debt discount with the offset recorded to equity. The discount will be amortized to interest expense using the interest method over the life of a similar liability that does not have an associated equity component. Transaction costs incurred with third parties shall be allocated between the liability and equity components in proportion to the allocation of proceeds and accounted for as debt issuance costs and equity issuance costs, respectively, with the debt issuance costs amortized to interest expense. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is not permitted. This statement should be applied retrospectively to all periods presented as of the beginning of the first period presented with an offsetting adjustment to the opening balance of retained earnings. In 2009, we will record the impact of this FSP retrospectively by recording additional interest expense on our 3% Convertible Senior Notes, due 2027 of approximately $6.4 million for the year ended December 31, 2007 and approximately $9.9 million for the year ended December 31, 2008. We expect to record additional interest expense of approximately $12.1 million and $4.5 million in the years ended December 31, 2009 and 2010, respectively.

In June 2008, the Emerging Issues Task Force (EITF) issued Issue No. 08-4, *Transition Guidance for Conforming Changes to Issue No. 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios.* The Issue provides transition guidance for changes made to Issue 98-5 resulting from the issuance of EITF Issue No. 00-27, *Application of EITF Issue*

Table of Contents

No. 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios, to Certain Convertible Instruments, and FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.* The Issue requires that an entity: (a) apply the guidance in this issue to its first fiscal year beginning after December 15, 2008; (b) recognize the effect of the change retrospectively, with the cumulative effect of the change recognized as an adjustment to the opening balance of retained earnings for the earliest period presented; and (c) include disclosures as required for a change in accounting principle by FASB Statement No. 154. We do not expect the impact of this issue to have a material effect on our consolidated financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. This FSP clarifies that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents are participating securities as defined in EITF 03-6, *Participating Securities and the Two-Class Method under FASB Statement No. 128* and should therefore be included in the computation of earnings per share. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. In addition, all prior period earnings per share data shall be adjusted retrospectively. We are currently evaluating the impact of this FSP on our consolidated financial statements.

In June 2008, the EITF issued Issue No. 07-5, *Determining Whether an Instrument (or an Embedded Feature) is Indexed to an Entity s Own Stock*. This Issue requires that an entity use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument s contingent exercise and settlement provisions. This Issue is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We are currently evaluating the impact of this Issue on our consolidated financial statements.

In September 2008, the EITF reached a consensus for exposure on Issue No. 08-6, *Equity Method Investment Accounting Considerations*. This Issue addresses the accounting for equity method investments as a result of the accounting changes prescribed by FAS 141(R) and FAS 160. The Issue includes clarification on the following: (a) transaction costs should be included in the initial carrying value of the equity method investment; (b) an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment need only be performed as part of any other-than-temporary impairment evaluation of the equity method investment as a whole and does not need to be performed annually; (c) the equity method investee s issuance of shares should be accounted for as the sale of a proportionate share of the investment, which may result in a gain or loss in income, and d) a gain or loss should not be recognized when changing the method of accounting for an investment from the equity method to the cost method. This Issue will be effective for fiscal years beginning in 2009. We are currently evaluating the impact of this issue 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.

Acquisitions

In February 2008, we acquired the non-licensed assets of KFXA-TV in Cedar Rapids, Iowa for $17.0 million, net of cash acquired, and the right to purchase licensed assets, pending FCC approval, for $1.9 million. Our CBS affiliate in Cedar Rapids, KGAN-TV, provides sales and other non-programming related services to KFXA-TV pursuant to an outsourcing agreement. We have determined that based on the terms of the outsourcing agreement, the KFXA-TV licensed asset entity is a variable interest entity and that we are the primary beneficiary of variable interests. As a result, we consolidate the assets and liabilities of the non-licensed and licensed assets of KFXA-TV.

In March 2008, we acquired a 50% equity interest in Bay Creek South, LLC (Bay Creek). Bay Creek is a land development venture that primarily includes residential and commercial unimproved and improved land surrounding two golf courses on Virginia s eastern shore. In conjunction with the equity investment, we purchased certain of Bay Creek s outstanding debt that was used to finance improvements to and the development of land in the venture. Our total cash, debt and equity investment in Bay Creek, including transaction costs, was $35.2 million, net of cash acquired. Approximately $0.8 million of the $35.2 million investment was funded through the conversion of an existing bridge loan to a portion of the 50% equity interest. Based on our role as the day-to-day manager and our ability to control all major decisions of the venture, the accounts of Bay Creek are included in our consolidated balance sheet. Approximately $11.8 million of debt was assumed by us through the consolidation of Bay Creek; however, this debt was subsequently paid down to a zero balance at March 31, 2008. As of September 30, 2008, approximately $49.0 million of property, equipment, land inventory and intangibles were included in property and equipment, net in our consolidated balance sheet. Bay Creek is not material to our consolidated financial statements and we expect to finalize the purchase price allocation by the first quarter of 2009. Our cash investment is shown in the consolidated statement of cash flows as payments for acquisitions of other operating divisions companies.

Table of Contents

In June 2008, we acquired Jefferson Park Development, LLC (Jefferson Park) for $19.0 million. Jefferson Park is a mixed use land development project located in Frederick County, Maryland, a suburb of Washington, D.C. We consolidate the assets and liabilities of Jefferson Park as a result of our control over its operations.

In June 2008, we entered into an asset purchase agreement with Raycom Media, Inc. (Raycom) to acquire WTVR-TV, a CBS affiliate, in Richmond-Petersburg, Virginia for $85.0 million and simultaneously sell the license assets of WRLH-TV, a FOX affiliate, in Richmond, Virginia to an unrelated third party. In August 2008, the U.S. Department of Justice-Antitrust Division declined the approval of the acquisition of WTVR-TV due to a Consent Decree between Raycom and the Department of Justice (DOJ). Under the Consent Decree, which was entered into by Raycom to obtain DOJ approval of its earlier acquisition of three television stations from Lincoln Financial Media, any potential sale of WTVR could be rejected unilaterally by the DOJ without cause. Notwithstanding the action of the DOJ, we believe that this proposed transaction would not have violated the anit-trust laws. However, it appears that the acquisition of WTVR and the sale of the license assets of WRLH will not occur. We will continue to explore our rights under the asset purchase agreement with Raycom.

Investments

From time to time, we make equity and debt investments in non-broadcast assets. During first quarter 2008, we made a $6.0 million cash investment in Patriot Capital II, LP (Patriot Capital). Patriot Capital provides structured debt and mezzanine financing to small businesses. After the $6.0 million cash investment, our remaining unfunded commitment to Patriot Capital is $14.0 million. As of September 30, 2008, we made new investments of $23.2 million and add-on cash investments of $2.0 million primarily in real estate ventures. As of the filing date, in fourth quarter 2008, we made additional investments of $3.8 million in various real estate ventures.

Nonmonetary Asset Exchanges

In 2009, television broadcasters are required to cease transmitting their signals using the existing analog spectrum and begin transmitting in digital. This government mandate was established so that the analog frequencies can be freed up for use by public safety communications such as police, fire and emergency rescue. In 2004, Sprint Nextel Corporation (Nextel) also agreed to relocate its airwaves to end interference between its cellular signals and the wireless signals used by the country s public safety agencies. As part of this agreement, the FCC granted Nextel the right to a certain spectrum within the 1.9 GHz band that is currently used by television broadcasters (the analog spectrum). Accordingly, Nextel has entered into agreements with several of our stations to exchange our existing analog equipment for comparable digital equipment. As equipment is exchanged and placed in service, we will record a gain to the extent that the fair market value of the equipment received exceeds the carrying amount of the equipment relinquished. The equipment will be recorded at the estimated fair market value and will be depreciated over a useful life of 8 years. In the third quarter of 2008, we recorded a gain of $2.2 million.

Goodwill Impairment

SFAS No. 142, *Goodwill and Other Intangible Assets* requires that goodwill be tested for impairment at the reporting unit level at least annually. We test for impairment by comparing the book value of our reporting units, including goodwill, to the estimated fair value of our reporting units. We estimate the fair value of our reporting units using a combination of observed earnings multiples, discounted cash flow models and appraisals. During the three months ended September 30, 2008, we did not record an impairment. During the nine months ended

September 30, 2008, certain events led us to test our goodwill associated with an other operating division company, Acrodyne Communications, Inc. As a result of this testing, we recorded a $1.6 million impairment charge in our consolidated statements of operations.

Property and Equipment

As of September 30, 2008, approximately $94.1 million of our $359.3 million of net property and equipment consisted of real estate held for development and sale or for investment.

Comprehensive Income

SFAS No. 130, *Reporting Comprehensive Income*, requires that entities present comprehensive income, which is the sum of net income and other comprehensive income, for each of the periods presented in the consolidated financial statements. Comprehensive income was $11.7 million and $10.0 million for the three months ended September 30, 2008 and 2007, respectively and $41.6 million and $9.9 million for the nine months ended September 30, 2008 and 2007, respectively.

Table of Contents

Reclassifications

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

2. STOCK-BASED COMPENSATION:

From time to time, we grant subsidiary stock awards to employees. The subsidiary stock is typically in the form of a membership interest in a consolidated limited liability company, not traded on a public exchange and valued based on the estimated fair value of the subsidiary. Fair value is typically estimated using discounted cash flow models and appraisals. These stock awards vest immediately. For the three and nine months ended September 30, 2008, we recorded compensation expense of $0.1 million and $2.5 million, respectively, related to these awards. We did not issue any subsidiary stock awards during the nine months ended September 30, 2007. This expense reduced our consolidated income, but had no effect on our consolidated cash flows. These awards have no effect on the shares used in our basic and diluted earnings per share.

On April 1, 2008, 350,000 stock-settled appreciation rights (SARs) were granted to David Smith, our President and Chief Executive Officer, pursuant to the 1996 Long-Term Incentive Plan. The SARs have a 10-year term and vest immediately. The base value of each SAR is $8.94 per share, which was the closing price of our Class A Common Stock on the grant date. The SARs had a grant date fair value of $0.5 million. We valued the SARs using the Black-Scholes model and the following assumptions:

Risk-free interest rate	4.25%
Expected life	10 years
Expected volatility	46.10%
Annual dividend yield	9.23%

For the nine months ended September 30, 2008, we recorded expense of $0.5 million related to this grant. This expense reduced our consolidated income but had no effect on our consolidated cash flows.

3. 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. After reviewing developments to date with legal counsel, our management is of the opinion that the outcome of our pending and threatened matters will not have a material adverse effect on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

FCC License Renewals

In April 2008, the FCC granted the license renewal application of WUXP-TV in Nashville, Tennessee. In July 2008, the FCC granted the renewal application of WVTV-TV in Milwaukee, Wisconsin. In August 2008, the FCC granted the renewal applications of WGME-TV in Portland, Maine; WMSN-TV in Madison, Wisconsin; WSYT-TV in Syracuse, New York; WUTV-TV in Buffalo, New York; WYZZ-TV in Peoria, Illinois; and WSTR-TV in Cincinnati, Ohio.

Under FCC rules, we have continuing authority to operate each of these stations for which we have a pending renewal application until the FCC takes final action on that application.

Other FCC Adjudicatory Proceedings

On October 12, 2004, the FCC issued a Notice of Apparent Liability for Forfeiture (NAL) in the amount of $7,000 per station to virtually every FOX station, including the 15 FOX affiliates presently licensed to us, the four FOX affiliates programmed by us and one FOX affiliate we sold in 2005. The NAL alleged that the stations broadcast indecent material contained in an episode of a FOX network program that aired on April 7, 2003. We, as well as other parties including the FOX network, filed oppositions to the NAL. On February 22, 2008, the FCC released an order assessing a $7,000 per station forfeiture against thirteen FOX stations, including KDSM-TV in Des Moines, Iowa, WZTV-TV in Nashville, Tennessee and WVAH-TV in Charleston, West Virginia, which we program pursuant to a Local Marketing Agreement (LMA). We did not pay the forfeiture for our stations. On March 24, 2008, we joined the FOX network and other FOX affiliates in filing a petition for reconsideration of the forfeiture order. On April 4, 2008, the FCC returned the petition without consideration based on the alleged failure to comply with a procedural rule. On

Table of Contents

April 21, 2008, we joined the FOX network and other FOX affiliates in seeking reconsideration of the FCC s April 4, 2008 decision to return the petition for reconsideration. On April 4, 2008, the DOJ, on behalf of the FCC, sued several of the stations that had not paid the forfeiture amounts assessed by the FCC, including the two stations we own and WVAH-TV. Our stations and WVAH-TV paid the forfeiture assessments in April 2008. The proceedings initiated by the DOJ have been dismissed. The FOX network has agreed to indemnify its affiliates for the full amount of the forfeiture assessment paid.

4. SUPPLEMENTAL CASH FLOW INFORMATION:

During the nine months ended September 30, 2008 and 2007, our supplemental cash flow information was as follows (in thousands):

	Nine Months Ended September 30,			
	2008		2007	
Income taxes paid related to continuing operations	$	2,973	$	57
Income tax refunds received related to continuing operations	$	72	$	59
Income tax refunds received related to sale of discontinued operations	$		$	157
Interest paid	$	58,848	$	82,101
Premium payments related to extinguishment of debt	$	13	$	27,285
Debt assumed in conjunction with the acquisition of other operating divisions companies	$		$	7,400

Non-cash barter and trade expense are presented in the consolidated statements of operations. Non-cash transactions related to capital lease obligations were $10.0 million and less than $0.1 million for the nine months ended September 30, 2008 and 2007, respectively.

5. 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.

As of December 31, 2007, we had two remaining derivative instruments. Both of these instruments were interest rate swap agreements. One of these swap agreements, with a notional amount of $180.0 million and an expiration date of March 15, 2012, was accounted for as a fair value hedge in accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133); therefore, any changes in its fair market value are reflected as an adjustment to the carrying value of our 8.0% Senior Subordinated Notes, due 2012, which was the underlying debt being hedged. The interest we paid on the $180.0 million swap was variable based on the three-month LIBOR plus 2.28% and the interest we received was fixed at 8.0%. The other interest rate swap, with a notional amount of $120.0 million and an expiration date of March 15, 2012, was undesignated as a fair value hedge in 2006 due to a reassignment of the counterparty; therefore, any subsequent changes in the fair market value are reflected as an adjustment to income. The interest we paid on the $120.0 million swap was variable based on the three-month LIBOR plus 2.35% and the interest we received was fixed at 8.0%.

In February 2008, the counterparty to our swap agreements, elected to change the termination dates of the $180.0 million and $120.0 million swaps to March 25, 2008 and March 26, 2008, respectively. We received a termination fee of $3.2 million from the counterparty for the early termination of the $120.0 million swap. After the removal of the related $2.4 million derivative asset from our consolidated balance sheet, the resulting $0.8 million, along with $0.2 million of interest was recorded in gain from derivative instruments. We received a termination fee of $4.8 million from the counterparty for the early termination of the $180.0 million swap. In accordance with SFAS 133, the carrying value of the underlying debt was adjusted to reflect the $4.8 million termination fee and that amount is treated as a premium on the underlying debt that was being hedged and is amortized over its remaining life as a reduction to interest expense. The total termination fees received of $8.0 million are included in the cash flows from financing activities section of the consolidated statement of cash flows for the nine months ended September 30, 2008.

As of September 30, 2008, we had no derivative instruments other than embedded derivatives related to contingent cash interest features in our 4.875% Convertible Senior Notes, due 2018 and 3.0% Convertible Senior Notes, due 2027, which had negligible fair values.

Table of Contents

6. EARNINGS PER SHARE:

The following table reconciles income (numerator) and shares (denominator) used in our computations of earnings per share for the three and nine months ended September 30, 2008 and 2007 (in thousands):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Income (Numerator)				
Income from continuing operations and numerator for diluted earnings per common share from continuing operations	$ 11,693	$ 9,577	$ 41,337	$ 9,167
(Loss) income from discontinued operations, including gain on sale of broadcast assets related to discontinued operations, net of taxes	(38)	324	9	542
Numerator for diluted earnings per common share	$ 11,655	$ 9,901	$ 41,346	$ 9,709
Shares (Denominator)				
Weighted-average common shares outstanding	86,158	87,175	86,951	86,816
Dilutive effect of outstanding stock options and restricted stock		52	4	133
Weighted-average common and common equivalent shares outstanding	86,158	87,227	86,955	86,949

We apply the treasury stock method to measure the dilutive effect of our outstanding stock options and restricted stock awards and include the respective common share equivalents in the denominator of the diluted EPS computation. For the three months ended September 30, 2008, our outstanding stock options and restricted stock awards were anti-dilutive; therefore, they were not included in the computation of diluted EPS. For the three and nine months ended September 30, 2008 and 2007, our 4.875% Convertible Senior Notes, due 2018, our 6.0% Convertible Debentures, due 2012, our 3.0% Convertible Senior Notes, due 2027 and our outstanding SARs were anti-dilutive; therefore, they were not included in the computation of diluted EPS. As of the filing date, in fourth quarter 2008, we repurchased 3.8 million shares of Class A Common Stock for $13.3 million, including transaction costs.

7. 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. During each of the periods presented in the accompanying consolidated financial statements, we engaged in transactions with them, their immediate family members and/or entities in which they have substantial interests (collectively, affiliates).

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 $1.3 million for each of the three months ended September 30, 2008 and 2007. Lease payments made to these entities were $3.6 million and $4.0 million for the nine months ended September 30, 2008 and 2007, respectively.

In January 1999, we entered into a LMA with Bay Television, Inc. (Bay TV), which owns the television station WTTA-TV in Tampa, Florida. Our controlling shareholders own a substantial portion of the equity of Bay TV. The LMA provides that we deliver television programming to Bay TV, which broadcasts the programming in return for a monthly fee to Bay TV of $143,500. We must also make an annual payment equal to 50% of the adjusted annual broadcast cash flow of the station (as defined in the LMA) that is in excess of $1.7 million. The additional payment is reduced by 50% of the adjusted broadcast cash flow of the station that was below zero in prior calendar years until that amount is recaptured. An additional payment of $1.5 million was made during the nine months ended September 30, 2008 related to the excess adjusted broadcast cash flow for the year ended December 31, 2007. Lease payments made to Bay TV were $0.4 million for each of the three months ended September 30, 2008 and 2007 and $1.3 million for each of the nine months ended September 30, 2008 and 2007. We received $0.1 million for each of the three months ended September 30, 2008 and 2007 and $0.4 million for each of the nine months ended September 30, 2008 and 2007 from Bay TV for certain equipment leases.

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 D. Smith, our President and Chief Executive Officer, has a controlling interest in, and is a member of the Board of Directors of Atlantic

Table of Contents

Automotive. Our stations in Baltimore, Maryland and Norfolk, Virginia received payments for advertising time from Atlantic Automotive totaling $0.1 million and $0.5 million for the three and nine months ended September 30, 2008, respectively. We received payments for advertising time from Atlantic Automotive totaling $0.2 million and $0.4 million for the three and nine months ended September 30, 2007, respectively. We paid $0.2 million and $0.7 million for vehicles and related vehicle services from Atlantic Automotive for the three and nine months ended September 30, 2008, respectively. We paid $0.2 million and $0.7 million for vehicles and related vehicle services from Atlantic Automotive for the three and nine months ended September 30, 2007, respectively.

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. Basil A. Thomas also serves as a member of the board of directors of Thomas & Libowitz. We paid fees of $0.2 million and $0.1 million to Thomas & Libowitz for the three months ended September 30, 2008 and 2007, respectively. For the nine months ended September 30, 2008 and 2007, we paid fees of $0.8 million and $0.5 million to Thomas & Libowitz, respectively.

From time to time, we charter aircraft owned by certain controlling shareholders. We did not incur expenses related to aircraft for the three months ended September 30, 2008. We incurred $0.1 million for the nine months ended September 30, 2008 and less than $0.1 million for each of the three and nine months ended September 30, 2007.

In April 2008, we extended four of our LMAs with Cunningham Broadcasting Corporation (Cunningham) pursuant to which we will continue to provide programming to Cunningham to air on WTAT-TV in Charleston, South Carolina, WVAH-TV in Charleston, West Virginia, WRGT-TV in Dayton, Ohio and WMYA-TV in Anderson, South Carolina. We made payments to Cunningham under LMA agreements of $1.9 million for each of the three months ended September 30, 2008 and 2007, respectively and $5.7 million and $5.8 million for the nine months ended September 30, 2008 and 2007, respectively.

In September 2008, AP Management Company, the management company of Patriot Capital, entered into a lease agreement with Skylar Development LLC (Skylar), a subsidiary of one of our real estate ventures. The office space lease is for a term of five years and one month commencing on October 1, 2008.

As of September 30, 2008, Frederick Smith funded $0.2 million of his investment commitment of $0.5 million to Patriot Capital.

8. DISCONTINUED OPERATIONS:

WGGB Disposition

On July 31, 2007, we entered into an agreement to sell WGGB-TV, including the FCC license, to an unrelated third party for $21.2 million in cash. The FCC approved the transfer of the broadcast license and the sale was completed on November 1, 2007. We recorded $1.1 million, net of $0.5 million tax provision, as gain from discontinued operations in our consolidated statements of operations for the year ended December 31, 2007. The net cash proceeds were used in the normal course of operations and for capital expenditures.

Accounts receivable related to WGGB-TV 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 date of the non-license television broadcast assets. As of September 30, 2008, there were no outstanding accounts receivable related to our discontinued operations. Accounts receivable related to our discontinued operations was $0.1 million (net of allowance of less than $0.1 million) as of December 31, 2007.

Table of Contents

9. SEGMENT DATA:

We have one reportable operating segment, Broadcast , that is disclosed separately from our corporate and other business activities. Corporate and Other primarily includes our costs to operate as a public company and to operate our corporate headquarters location, our investment activity and our other operating divisions activities. Currently, our other operating divisions primarily earn revenues from information technology staffing, consulting and software development; transmitter manufacturing; sign design and fabrication; regional security alarm operating and bulk acquisitions; and real estate ventures. Transactions between our operating segment and Corporate and Other are not material.

Financial information for our operating segment is included in the following tables for the three and nine months ended September 30, 2008 and 2007 (in thousands):

For the three months ended September 30, 2008	**Broadcast**	**Corporate and Other**	**Consolidated**
Revenue	$ 164,681	$ 13,510	$ 178,191
Depreciation of property and equipment	10,735	965	11,700
Amortization of definite-lived intangible assets and other assets	4,274	332	4,606
Amortization of program contract costs and net realizable value adjustments	21,744		21,744
General and administrative overhead expenses	1,735	4,184	5,919
Operating income (loss)	42,837	(5,435)	37,402
Income from equity and cost method investments		658	658

For the three months ended September 30, 2007	**Broadcast**	**Corporate and Other**	**Consolidated**
Revenue	$ 164,211	$ 12,488	$ 176,699
Depreciation of property and equipment	10,039	515	10,554
Amortization of definite-lived intangible assets and other assets	4,216	330	4,546
Amortization of program contract costs and net realizable value adjustments	29,172		29,172
General and administrative overhead expenses	1,286	4,211	5,497
Operating income (loss)	36,827	(3,893)	32,934
Income from equity and cost method investments		711	711

For the nine months ended September 30, 2008	**Broadcast**	**Corporate and Other**	**Consolidated**
Revenue	$ 519,806	$ 38,657	$ 558,463
Depreciation of property and equipment	31,199	2,613	33,812
Amortization of definite-lived intangible assets and other assets	12,795	897	13,692
Amortization of program contract costs and net realizable value adjustments	63,247		63,247
Impairment of goodwill		1,626	1,626
General and administrative overhead expenses	5,301	14,822	20,123
Operating income (loss)	148,566	(21,634)	126,932
Loss from equity and cost method investments		(118)	(118)

For the nine months ended September 30, 2007	**Broadcast**	**Corporate and Other**	**Consolidated**
Revenue	$ 501,190	$ 18,841	$ 520,031
Depreciation of property and equipment	31,071	1,589	32,660

Amortization of definite-lived intangible assets and other assets	12,702	330	13,032
Amortization of program contract costs and net realizable value adjustments	73,528		73,528
General and administrative overhead expenses	4,785	14,103	18,888
Operating income (loss)	128,488	(16,325)	112,163
Loss from equity and cost method investments		(181)	(181)

Table of Contents

10. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

Sinclair Television Group, Inc. (STG), a wholly-owned subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under our existing Bank Credit Agreement, as amended and the 8.0% Senior Subordinated Notes, due 2012. Our Class A Common Stock, Class B Common Stock, the 6.0% Convertible Debentures, due 2012, the 4.875% Convertible Senior Notes, due 2018 and the 3.0% Convertible Senior Notes, due 2027 remain obligations or securities of SBG and are not obligations or securities of STG.

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

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

Table of Contents

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2008

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 4,111	$ 419	$ 7,116	$	$ 11,646
Accounts and other receivables	4,625	207	114,102	8,560	(5,011)	122,483
Other current assets	971	2,326	79,285	6,680	(723)	88,539
Total current assets	5,596	6,644	193,806	22,356	(5,734)	222,668
Property and equipment, net	14,157	1,527	241,067	122,008	(19,470)	359,289
Investment in consolidated subsidiaries	831,891	1,287,808			(2,119,699)	
Other long-term assets	68,897	163,843	31,362	54,377	(204,814)	113,665
Total other long-term assets	900,788	1,451,651	31,362	54,377	(2,324,513)	113,665
Acquired intangible assets		1,900	1,538,699	66,645	2,860	1,610,104
Total assets	$ 920,541	$ 1,461,722	$ 2,004,934	$ 265,386	$ (2,346,857)	$ 2,305,726
Accounts payable and accrued liabilities	$ 24,263	$ 6,953	$ 34,874	$ 56,387	$ (47,235)	$ 75,242
Current portion of long-term debt	879	20,938	1,711	37,428	(678)	60,278
Other current liabilities			107,788	614		108,402
Total current liabilities	25,142	27,891	144,373	94,429	(47,913)	243,922
Long-term debt	632,227	617,177	69,139	146,996	(129,480)	1,336,059
Other liabilities	18,163	24,909	502,254	2,751	(52,511)	495,566
Total liabilities	675,532	669,977	715,766	244,176	(229,904)	2,075,547
Common stock	849		10	762	(771)	850
Additional paid-in capital	601,553	404,499	861,101	130,270	(1,395,871)	601,552
(Accumulated deficit) retained earnings	(357,393)	388,458	428,529	(107,485)	(722,648)	(370,539)
Accumulated other comprehensive (loss) income		(1,212)	(472)	(2,337)	2,337	(1,684)
Total shareholders equity	245,009	791,745	1,289,168	21,210	(2,116,953)	230,179
Total liabilities and shareholders equity	$ 920,541	$ 1,461,722	$ 2,004,934	$ 265,386	$ (2,346,857)	$ 2,305,726

Table of Contents

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2007

(in thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 14,478	$ 2,599	$ 3,903	$	$ 20,980
Accounts and other receivables	3,258	21	133,429	10,969	(3,543)	144,134
Other current assets	2,005	6,508	60,621	5,092	(724)	73,502
Total current assets	5,263	21,007	196,649	19,964	(4,267)	238,616
Property and equipment, net	5,979	1,462	247,403	53,777	(24,070)	284,551
Investment in consolidated subsidiaries	872,910	1,349,054			(2,221,964)	
Other long-term assets	48,899	101,721	35,682	27,519	(116,790)	97,031
Total other long-term assets	921,809	1,450,775	35,682	27,519	(2,338,754)	97,031
Acquired intangible assets			1,533,038	62,857	8,562	1,604,457
Total assets	$ 933,051	$ 1,473,244	$ 2,012,772	$ 164,117	$ (2,358,529)	$ 2,224,655
Accounts payable and accrued liabilities	$ 21,968	$ 10,039	$ 46,516	$ 52,152	$ (44,569)	$ 86,106
Current portion of long-term debt	1,462	5,000	2,798	38,022	(493)	46,789
Other current liabilities			92,144	207		92,351
Total current liabilities	23,430	15,039	141,458	90,381	(45,062)	225,246
Long-term debt	630,747	583,301	68,969	79,782	(65,239)	1,297,560
Other liabilities	11,906	22,307	451,984	2,267	(39,389)	449,075
Total liabilities	666,083	620,647	662,411	172,430	(149,690)	1,971,881
Common stock	873		10	762	(772)	873
Additional paid-in capital	614,155	543,295	1,005,266	88,370	(1,636,930)	614,156
(Accumulated deficit) retained earnings	(348,060)	310,673	345,645	(96,612)	(571,970)	(360,324)
Accumulated other comprehensive (loss) income		(1,371)	(560)	(833)	833	(1,931)
Total shareholders equity	266,968	852,597	1,350,361	(8,313)	(2,208,839)	252,774
Total liabilities and shareholders equity	$ 933,051	$ 1,473,244	$ 2,012,772	$ 164,117	$ (2,358,529)	$ 2,224,655

Table of Contents

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 165,201	$ 16,191	$ (3,201)	$ 178,191
Program and production		202	40,966	72	(2,281)	38,959
Selling, general and administrative	3,921	1,583	33,017	1,337	(72)	39,786
Depreciation, amortization and other operating expenses	493	148	46,597	15,186	(380)	62,044
Total operating expenses	4,414	1,933	120,580	16,595	(2,733)	140,789
Operating (loss) income	(4,414)	(1,933)	44,621	(404)	(468)	37,402
Equity in earnings of subsidiaries	15,932	13,806			(29,738)	
Interest income	273	2,647	(1)	376	(3,071)	224
Interest expense	(8,549)	(8,371)	(1,722)	(3,980)	3,547	(19,075)
Other income (expense)	459	6,478	(5,748)	664	675	2,528
Total other income (expense)	8,115	14,560	(7,471)	(2,940)	(28,587)	(16,323)
Income tax benefit (provision)	8,233	3,618	(23,188)	1,951		(9,386)
Income from discontinued operations, net of taxes			(38)			(38)
Net income (loss)	$ 11,934	$ 16,245	$ 13,924	$ (1,393)	$ (29,055)	$ 11,655

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 164,829	$ 14,586	$ (2,716)	$ 176,699
Program and production		430	37,412		(2,101)	35,741
Selling, general and administrative	4,134	1,175	33,068	881	(50)	39,208
Depreciation, amortization and other operating expenses	495	97	56,470	12,141	(387)	68,816
Total operating expenses	4,629	1,702	126,950	13,022	(2,538)	143,765

Operating (loss) income	(4,629)	(1,702)	37,879	1,564	(178)	32,934
Equity in earnings of subsidiaries	16,866	19,174			(36,040)	
Interest income	294	516	34	41	(796)	89
Interest expense	(8,341)	(11,217)	(1,517)	(2,173)	1,351	(21,897)
Other income (expense)	1,208	6,851	(4,903)	67	(445)	2,778
Total other income (expense)	10,027	15,324	(6,386)	(2,065)	(35,930)	(19,030)