SINCLAIR BROADCAST GROUP INC
Form 10-Q
November 06, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

COMMISSION FILE NUMBER: 000-26076

SINCLAIR BROADCAST GROUP, INC.
(Exact name of Registrant as specified in its charter)

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

10706 Beaver Dam Road
Hunt Valley, Maryland 21030
(Address of principal executive office, zip code)

(410) 568-1500
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such file).

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer 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 share outstanding of each of the issuer’s classes of common stock as of the latest practicable date.

Title of each class	Number of shares outstanding as of October 30, 2015
Class A Common Stock	68,792,483
Class B Common Stock	25,928,357

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SINCLAIR BROADCAST GROUP, INC.

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FOR THE QUARTER ENDED September 30, 2015

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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SINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data) (Unaudited)

	As of September 30, 2015	As of December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$119,389	$17,682
Accounts receivable, net of allowance for doubtful accounts of $4,575 and $4,246, respectively	387,110	383,503
Current portion of program contract costs	120,598	88,198
Income taxes receivable	—	3,314
Prepaid expenses and other current assets	35,951	27,842
Deferred barter costs	9,201	5,626
Total current assets	672,249	526,165
PROGRAM CONTRACT COSTS, less current portion	23,533	38,531
PROPERTY AND EQUIPMENT, net	746,662	752,538
GOODWILL	1,951,428	1,964,553
BROADCAST LICENSES	133,174	135,075
DEFINITE-LIVED INTANGIBLE ASSETS, net	1,763,693	1,818,263
OTHER ASSETS	189,708	175,203
Total assets (a)	$5,480,447	$5,410,328
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$6,683	$12,248
Accrued liabilities	265,787	248,600
Income taxes payable	3,295	—
Current portion of notes payable, capital leases and commercial bank financing	67,222	113,116
Current portion of notes and capital leases payable to affiliates	3,036	2,625
Current portion of program contracts payable	130,337	104,922
Deferred barter revenues	8,871	5,806
Deferred tax liabilities	6,689	6,689
Total current liabilities	491,920	494,006
LONG-TERM LIABILITIES:		
Notes payable, capital leases and commercial bank financing, less current portion	3,804,877	3,754,822
Notes payable and capital leases to affiliates, less current portion	15,870	16,309
Program contracts payable, less current portion	60,313	60,605
Deferred tax liabilities	583,613	602,243
Other long-term liabilities	72,593	77,000
Total liabilities (a)	5,029,186	5,004,985
COMMITMENTS AND CONTINGENCIES (See Note 6)		
EQUITY:		
SINCLAIR BROADCAST GROUP SHAREHOLDERS' EQUITY:		
Class A Common Stock, $.01 par value, 500,000,000 shares authorized, 68,762,925 and 69,578,899 shares issued and outstanding, respectively	688	696
	259	259

Class B Common Stock, $.01 par value, 140,000,000 shares authorized, 25,928,357 and 25,928,357 shares issued and outstanding, respectively, convertible into Class A Common Stock		
Additional paid-in capital	961,709	979,202
Accumulated deficit	(479,600)	(545,820)
Accumulated other comprehensive loss	(6,277)	(6,455)
Total Sinclair Broadcast Group shareholders' equity	476,779	427,882
Noncontrolling interests	(25,518)	(22,539)
Total equity	451,261	405,343
Total liabilities and equity	$5,480,447	$5,410,328

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

(a) Our consolidated total assets as of September 30, 2015 and December 31, 2014 include total assets of variable interest entities (VIEs) of $162.3 million and $163.3 million, respectively, which can only be used to settle the obligations of the VIEs. Our consolidated total liabilities as of September 30, 2015 and December 31, 2014 include total liabilities of the VIEs of $39.6 million and $30.0 million, respectively, for which the creditors of the VIEs have no recourse to us. See Note 1. Summary of Significant Accounting Policies.

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SINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
REVENUES:				
Station broadcast revenues, net of agency commissions	$497,353	$448,056	$1,463,854	$1,226,088
Revenues realized from station barter arrangements	28,618	28,482	79,950	85,843
Other operating divisions revenues	22,433	18,418	63,542	50,809
Total revenues	548,404	494,956	1,607,346	1,362,740
OPERATING EXPENSES:				
Station production expenses	186,449	150,263	538,552	411,605
Station selling, general and administrative expenses	105,196	97,303	309,884	261,823
Expenses recognized from station barter arrangements	23,105	24,764	66,898	75,769
Amortization of program contract costs and net realizable value adjustments	29,841	28,622	90,014	76,137
Other operating divisions expenses	17,705	14,919	50,194	41,697
Depreciation of property and equipment	25,476	25,342	75,938	74,972
Corporate general and administrative expenses	16,209	15,218	46,379	46,873
Amortization of definite-lived intangible assets	40,014	34,478	119,439	84,195
Research and development expenses	4,803	2,384	11,555	3,967
Total operating expenses	448,798	393,293	1,308,853	1,077,038
Operating income	99,606	101,663	298,493	285,702
OTHER INCOME (EXPENSE):				
Interest expense and amortization of debt discount and deferred financing costs	(48,566)	(47,950)	(142,878)	(127,609)
Income from equity and cost method investments	252	1,928	5,405	2,768
Other income, net	(48)	651	1,220	2,583
Total other expense, net	(48,362)	(45,371)	(136,253)	(122,258)
Income before income taxes	51,244	56,292	162,240	163,444
INCOME TAX PROVISION	(7,210)	(7,524)	(46,971)	(45,418)
NET INCOME	44,034	48,768	115,269	118,026
Net income attributable to the noncontrolling interests	(779)	(427)	(1,945)	(1,192)
NET INCOME ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP	$43,255	$48,341	$113,324	$116,834
Dividends declared per share	$0.165	$0.165	$0.495	$0.465
BASIC AND DILUTED EARNINGS PER COMMON SHARE ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP:				
Basic earnings per share	$0.46	$0.50	$1.19	$1.20
Diluted earnings per share	$0.45	$0.49	$1.18	$1.19
Weighted average common shares outstanding	95,002	97,154	95,146	97,712
Weighted average common and common equivalent shares outstanding	95,692	97,896	95,837	98,414

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

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SINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$44,034	$48,768	$115,269	$118,026
Amortization of net periodic pension benefit costs, net of taxes	10	41	178	121
Unrealized gain(loss) on investments, net of taxes	—	(319)	—	285
Comprehensive income	44,044	48,490	115,447	118,432
Comprehensive income attributable to the noncontrolling interests	(779)	(427)	(1,945)	(1,192)
Comprehensive income attributable to Sinclair Broadcast Group	$43,265	$48,063	$113,502	$117,240

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

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SINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)
(In thousands) (Unaudited)

	Sinclair Broadcast Group Shareholders								
	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity (Deficit)
	Shares	Values	Shares	Values					
BALANCE, December 31, 2013	74,145,569	$741	26,028,357	$260	$1,094,918	$(696,996)	$(2,553)	$9,334	$405,704
Dividends declared and paid on Class A and Class B Common Stock	—	—	—	—	—	(45,322)	—	—	(45,322)
Class B Common Stock converted into Class A Common Stock	50,000	—	(50,000)	—	—	—	—	—	—
Repurchases of Class A Common Stock	(3,914,506)	(38)	—	—	(108,438)	—	—	—	(108,476)
Class A Common Stock issued pursuant to employee benefit plans	185,590	2	—	—	9,550	—	—	—	9,552
Tax benefit on share based awards	—	—	—	—	1,399	—	—	—	1,399
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(3,046)	(3,046)
Deconsolidation of variable interest equity	—	—	—	—	4,518	—	(546)	(27,772)	(23,800)
Other comprehensive income	—	—	—	—	—	—	406	—	406
Net income	—	—	—	—	—	116,834	—	1,192	118,026
BALANCE, September 30, 2014	70,466,653	$705	25,978,357	$260	$1,001,947	$(625,484)	$(2,693)	$(20,292)	$354,443

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

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SINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)
(In thousands) (Unaudited)

	Sinclair Broadcast Group Shareholders								
	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity (Deficit)
	Shares	Values	Shares	Values					
BALANCE, December 31, 2014	69,578,899	$696	25,928,357	$259	$979,202	$(545,820)	$(6,455)	$(22,539)	$405,343
Dividends declared and paid on Class A and Class B Common Stock	—	—	—	—	—	(47,104)	—	—	(47,104)
Repurchases of Class A Common Stock	(1,107,887)	(11)	—	—	(28,812)	—	—	—	(28,823)
Class A Common Stock issued pursuant to employee benefit plans	291,911	3	—	—	10,616	—	—	—	10,619
Tax benefit on share based awards	—	—	—	—	703	—	—	—	703
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	(6,655)	(6,655)
Other comprehensive income	—	—	—	—	—	—	178	—	178
Issuance of subsidiary stock awards	—	—	—	—	—	—	—	1,731	1,731
Net income	—	—	—	—	—	113,324	—	1,945	115,269
BALANCE, September 30, 2015	68,762,923	$688	25,928,357	$259	$961,709	$(479,600)	$(6,277)	$(25,518)	$451,261

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

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SINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income	$115,269	$118,026
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation of property and equipment	75,938	74,972
Amortization of definite-lived intangible and other assets	119,439	84,195
Amortization of program contract costs and net realizable value adjustments	90,014	76,137
Stock-based compensation expense	14,778	11,433
Deferred tax benefit	(19,623)	(23,214)
Change in assets and liabilities, net of acquisitions:		
Decrease in accounts receivable	563	17,376
Increase in prepaid expenses and other current assets	(11,643)	(13,570)
Increase in accounts payable and accrued liabilities	5,895	76,381
Net change in net income taxes payable/receivable	5,623	21,569
Payments on program contracts payable	(82,594)	(69,505)
Real estate held for development and sale	(5,540)	(12,645)
Other, net	3,369	(2,758)
Net cash flows from operating activities	311,488	358,397
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of property and equipment	(72,476)	(58,151)
Payments for acquisition of television stations	(15,514)	(1,071,428)
Payments for acquisition of assets in other operating divisions	—	(8,273)
Purchase of alarm monitoring contracts	(31,340)	(15,647)
Proceeds from sale of broadcast assets	23,650	83,200
Increase in restricted cash	—	(92,583)
Distributions from equity and cost method investees	9,972	3,044
Investments in equity and cost method investees	(43,068)	(7,958)
Proceeds from termination of life insurance policies	—	17,042
Other, net	1,243	3,892
Net cash flows used in investing activities	(127,533)	(1,146,862)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Proceeds from notes payable and commercial bank financing	379,481	1,061,490
Repayments of notes payable, commercial bank financing and capital leases	(375,104)	(286,417)
Dividends paid on Class A and Class B Common Stock	(47,104)	(45,322)
Repurchase of outstanding Class A Common Stock	(28,823)	(108,438)
Payments for deferred financing cost	(3,847)	(15,010)
Noncontrolling interests distributions	(6,655)	(4,294)
Other, net	(196)	5,702
Net cash flows used in financing activities	(82,248)	607,711
NET INCREASE IN CASH AND CASH EQUIVALENTS	101,707	(180,754)
CASH AND CASH EQUIVALENTS, beginning of period	17,682	280,104

CASH AND CASH EQUIVALENTS, end of period	$119,389	$99,350

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

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SINCLAIR BROADCAST GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

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

Interim Financial Statements

The consolidated financial statements for the three and nine months ended September 30, 2015 and 2014 are unaudited. In the opinion of management, such financial statements have been presented on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the consolidated balance sheets, consolidated statements of operations, consolidated statements of comprehensive income, consolidated statement of equity (deficit) and consolidated statements of cash flows for these periods as adjusted for the adoption of recent accounting pronouncements discussed below.

As permitted under the applicable rules and regulations of the Securities and Exchange Commission (SEC), the consolidated financial statements do not include all disclosures normally included with audited consolidated financial statements and, accordingly, should be read together with the audited consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC. The consolidated statements of operations presented in the accompanying consolidated financial statements are not necessarily representative of operations for an entire year.

Variable Interest Entities

In determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. We consolidate VIEs when we are the primary beneficiary. The assets of each of our consolidated VIEs can only be used to settle the obligations of the VIE. All the liabilities are non-recourse to us except for certain debt of VIEs which we guarantee.

Third-party station licensees. Certain of our stations provide services to other station owners within the same respective market, such as LMAs, where we provide programming, sales, operational and administrative services, and JSAs and SSAs, where we provide non-programming, sales, operational and administrative services. In certain cases, we have also entered into purchase agreements or options to purchase, the license related assets of the licensee. We typically own the majority of the non-license assets of the stations and in some cases where the licensee acquired the license assets concurrent with our acquisition of the non-license assets of the station, we have provided guarantees to the bank for the licensee's acquisition financing. The terms of the agreements vary, but generally have initial terms of over five years with several optional renewal terms. As of September 30, 2015 and December 31, 2014, we have concluded that 37 of these licensees are VIEs. Based on the terms of the agreements and the significance of our investment in the stations, we are the primary beneficiary of the variable interests because, subject to the ultimate control of the licensees, we have the power to direct the activities which significantly impact the economic performance of the VIE through the services we provide and because we absorb losses and returns that would be considered significant to the VIEs. Several of these VIEs are owned by a related party, Cunningham Broadcasting Corporation (Cunningham). See Note 8. Related Party Transactions for more information about the arrangements with Cunningham. The net revenues of the stations which we consolidate were $71.0 million and $68.9 million for the three months ended September 30, 2015 and 2014, respectively. The net revenues of the stations which we consolidate were $207.6 million and $207.2 million for the nine months ended September 30, 2015 and 2014, respectively. The fees paid between us and the licensees pursuant to these arrangements are eliminated in consolidation. See Changes in the Rules of Television Ownership and Joint Sale Agreements within Note 6. Commitments and Contingencies for discussion of recent changes in FCC rules related to JSAs.

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Up until third quarter of 2014, we had consolidated Cunningham (parent entity), in addition to their stations that we perform services for, as we had previously determined that it was a VIE because it had insufficient equity at risk. As of September 30, 2014, we concluded that Cunningham was no longer a VIE given its significant equity at risk in assets that we have no involvement with, and deconsolidated this entity, along with WTAT and WYZZ, stations that Cunningham acquired from us in July 2014 and November 2013, respectively, with which we have no continuing involvement. As a result of the deconsolidation, we recorded the difference between the proceeds received from Cunningham for the sale of WTAT and WYZZ to additional paid in capital in the consolidated balance sheet, as well as reflected the noncontrolling interest deficit of the remaining Cunningham VIEs which represents their significant cumulative distributions made to Cunningham (parent entity) that were previously eliminated in consolidation.

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

	September 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$490	$491
Accounts receivable	19,952	19,521
Current portion of program contract costs	16,776	9,544
Prepaid expenses and other current assets	395	297
Total current assets	37,613	29,853
PROGRAM CONTRACT COSTS, less current portion	5,544	6,922
PROPERTY AND EQUIPMENT, net	8,238	9,716
GOODWILL	787	787
BROADCAST LICENSES	16,935	16,935
DEFINITE-LIVED INTANGIBLE ASSETS, net	86,274	96,732
OTHER ASSETS	6,924	2,376
Total assets	$162,315	$163,321
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$26	$68
Accrued liabilities	1,277	1,297
Current portion of notes payable, capital leases and commercial bank financing	3,680	3,659
Current portion of program contracts payable	15,904	9,714
Total current liabilities	20,887	14,738
LONG-TERM LIABILITIES:		
Notes payable, capital leases and commercial bank financing, less current portion	25,458	28,640
Program contracts payable, less current portion	12,757	10,161
Long term liabilities	9,652	8,739
Total liabilities	$68,754	$62,278

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The amounts above represent the consolidated assets and liabilities of the VIEs described above, for which we are the primary beneficiary, and have been aggregated as they all relate to our broadcast business. Excluded from the amounts above are payments made to Cunningham under the LMA which are treated as a prepayment of the purchase price of the stations and capital leases between us and Cunningham which are eliminated in consolidation. The cumulative payments made under these LMAs that were treated as a prepayment of purchase price as of September 30, 2015 and December 31, 2014, which are excluded from liabilities above, were $36.8 million and $34.4 million, respectively. The total capital lease liabilities, net of capital lease assets, excluded from the above were $4.6 million for September 30, 2015 and December 31, 2014. Also excluded from the amounts above are liabilities associated with the certain outsourcing agreements and purchase options with certain VIEs totaling $76.1 million and $78.1 million as of September 30, 2015 and December 31, 2014, respectively, as these amounts are eliminated in consolidation. The risk and reward characteristics of the VIEs are similar.

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

The carrying amounts of our investments in these VIEs for which we are not the primary beneficiary as of September 30, 2015 and December 31, 2014 was $18.9 million and $22.7 million, respectively, which are included in other assets in the consolidated balance sheets. Our maximum exposure is equal to the carrying value of our investments. The income and loss related to these investments are recorded in income from equity and cost method investments in the consolidated statement of operations. We recorded income of $0.7 million and $6.5 million for the three and nine months ended September 30, 2015, and income of $2.2 million and $3.1 million for the three and nine months ended September 30, 2014, respectively, related to these investments.

Recent Accounting Pronouncements

In May 2014, the FASB issued guidance on revenue recognition for revenue from contracts with customers. This guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and will replace most existing revenue recognition guidance when it becomes effective. The new standard was to be effective for annual reporting periods beginning after December 15, 2016. In August 2015, the FASB decided to defer the effective date by one year to the annual reporting period beginning after December 15, 2017, however, early adoption as of the original effective date will be permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the impact of this guidance on our financial statements.

In August 2014, the FASB issued guidance on disclosure of uncertainties about an entity’s ability to continue as a going concern. The new standard is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. We are currently evaluating the impact of this new guidance on our financial statements.

In February 2015, the FASB issued new guidance that amends the current consolidation guidance on the determination of whether an entity is a variable interest entity. This new standard is effective for the interim and annual periods beginning after December 15, 2016. Early adoption is allowed, including in any interim period. We are currently evaluating the impact of this new guidance on our financial statements.

In April 2015, the FASB issued guidance related to the presentation of debt issuance costs in the balance sheet. The guidance requires costs paid to third parties that are directly attributable to issuing a debt instrument to be presented as a direct deduction from the carrying value of the debt as opposed to an asset. The new standard is effective for the annual reporting periods beginning after December 15, 2015 with early adoption permitted, and is required to be applied retrospectively. We applied the change in accounting as of June 30, 2015 with retrospective application to prior periods. As such, within our consolidated balance sheet as of December 31, 2014, we have decreased the amounts previously reported as other assets and notes payable, capital leases and commercial bank financing, less current portion by $41.8 million. The change in accounting principle does not have an impact on our statements of operations or cash flows.

In September 2015, the FASB issued guidance on the recognition of measurement period adjustments in connection with business combinations. The new standard eliminates the requirement to restate prior period financial statements for measurement period adjustments and now requires the cumulative impact of a measurement period adjustment, including the impact on prior periods, be recognized in the reporting period in which the adjustment is identified. The new standard also requires an entity to present separately on the face of the income statement or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustments had been recognized as of the acquisition date. We have early adopted this guidance effective September 30, 2015. We made certain immaterial measurement

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period adjustments related to prior period acquisitions during the three months ended September 30, 2015. See Note 2. Acquisitions for more information. The impact of the adoption did not have a material impact on our 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.

Revenue Recognition

Total revenues include: (i) cash and barter advertising revenues, net of agency commissions; (ii) retransmission consent fees; (iii) network compensation; (iv) other broadcast revenues and (v) revenues from our other operating divisions.

Advertising revenues, net of agency commissions, are recognized in the period during which time spots are aired.

Our retransmission consent agreements contain both advertising and retransmission consent elements. We have determined that our retransmission consent agreements are revenue arrangements with multiple deliverables. Advertising and retransmission consent deliverables sold under our agreements are separated into different units of accounting at fair value. Revenue applicable to the advertising element of the arrangement is recognized similar to the advertising revenue policy noted above. Revenue applicable to the retransmission consent element of the arrangement is recognized over the life of the agreement.

Network compensation revenue is recognized over the term of the contract. All other revenues are recognized as services are provided.

Post-retirement Benefits

We are required to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of our pension plan in our consolidated financial statements. The pension liability, representing the underfunded status of our defined benefit pension plan, was $4.7 million as of September 30, 2015 and December 31, 2014, which is included within other long-term liabilities within our consolidated balance sheet. We have received regulatory approval to fully settle the benefit obligations and terminate the plan in the fourth quarter of 2015. The accounting for the full settlement of the plan obligations is expected to be recorded in the fourth quarter of 2015, when we are fully relieved of our benefit obligation via lump sum distributions and/or the purchase of annuity contracts. Upon final settlement, we expect to record $5.8 million of pension expense, which includes the recognition of $3.4 million of unamortized actuarial losses currently recorded in accumulated other comprehensive income.

Income Taxes

Our income tax provision for all periods consists of federal and state income taxes. The tax provision for the nine months ended September 30, 2015 and 2014 is based on the estimated effective tax rate applicable for the full year after taking into account discrete tax items and the effects of the noncontrolling interests. We provide a valuation allowance for deferred tax assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized. In evaluating our ability to realize net deferred tax assets, we consider all available evidence, both positive and negative, including our past operating results, tax planning strategies and forecasts of future taxable income. In considering these sources of taxable income, we must make certain judgments that are based on the plans and estimates used to manage our underlying businesses on a long-term basis. A valuation allowance has been provided for deferred tax assets related to a substantial portion of our available state net operating loss (NOL) carryforwards, based on past operating results, expected timing of the reversals of existing temporary book/tax basis differences, alternative tax strategies and projected future taxable income.

Our effective income tax rate for the three and nine months ended September 30, 2015 was less than the statutory rate primarily due to 1) a reduction in liability for unrecognized tax benefits of $5.7 million, in the third quarter, as a result of statute of limitations expiration and 2) a $3.3 million adjustment to the income tax provision upon finalization of the 2014 federal income tax return, primarily related to greater than originally projected available income tax deductions and credits. Our effective income tax rate for the three and nine months ended September 30, 2014 was less than the statutory rate primarily due to a reduction in liability for unrecognized tax benefits of $11.0 million, in the third quarter, as a result of statute of limitations expiration.

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We believe it is reasonably possible that our liability for unrecognized tax benefits related to continuing operations could be reduced by up to $1.3 million, in the next twelve months, as a result of expected statute of limitations expirations, the application of limits under available state administrative practice exceptions, and the resolution of examination issues and settlements with federal and certain state tax authorities. During the three months ended December 31, 2015, we expect to record a deferred tax benefit of approximately $13 million related to the realization of capital losses upon the sale of stock of a subsidiary during the fourth quarter of 2015.

Share Repurchase Program

On October 28, 1999, we announced a $150.0 million share repurchase program, which was renewed on February 6, 2008. On March 20, 2014, the Board of Directors authorized an additional $150.0 million share repurchase authorization. There is no expiration date and currently, management has no plans to terminate this program. For the nine months ended September 30, 2015, we have purchased approximately 1.1 million shares for $28.8 million. For the three months ended September 30, 2015, we purchased 0.8 million shares for $21.0 million. As of September 30, 2015, the total remaining authorization was $105.5 million.

Reclassificiations

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

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2. ACQUISITIONS:

During 2015, we acquired one television station in Chattanooga, TN for a cash purchase price of $15.5 million, which was financed with cash on hand. During 2014, we acquired a total of 21 stations in 15 markets for a purchase price of $1,434.5 million plus working capital of $47.2 million. All of these acquisitions provide expansion into additional markets and increases value based on the synergies we are achieving.

2014 Acquisitions

Allbritton. Effective August 1, 2014, we completed the acquisition of all of the outstanding common stock of Perpetual Corporation and equity interest of Charleston Television, LLC (together the “Allbritton Companies”) for $985.0 million plus working capital of $50.1 million. The Allbritton Companies owned and operated nine television stations in the following seven markets, all of which were affiliated with ABC: Washington, DC; Birmingham, AL; Harrisburg, PA; Little Rock / Pine Bluff, AR; Tulsa, OK; Roanoke / Lynchburg, VA; and Charleston, SC. Also included in the purchase was NewsChannel 8, a 24-hour cable/satellite news network covering the Washington, D.C. metropolitan area. We financed the total purchase price with proceeds from the issuance of 5.625% senior unsecured notes, a draw on our amended bank credit agreement, and cash on hand. In connection with the acquisition, we sold the acquired assets related to the Harrisburg, PA station effective September 1, 2014. See Note 3. Disposition of Assets for further discussion.

MEG Stations. Effective December 19, 2014, we completed the acquisition of four television stations in three markets from Media General, Inc. (MEG Stations) for a purchase price of $207.5 million less working capital of $1.6 million. The acquired stations are located in the following markets: Providence, RI / New Bedford, MA; Green Bay / Appleton, WI; and Savannah, GA. Simultaneously, we sold to Media General, our television stations in Tampa, FL and Colorado Springs, CO. See Note 3. Disposition of Assets for further discussion. We financed the purchase price, net of the proceeds received from the sale of those stations, with borrowings under our revolving credit facility.

KSNV. Effective November 1, 2014, we completed the acquisition of certain assets of KSNV (NBC) in Las Vegas, NV from Intermountain West Communications Company (Intermountain West) for $118.5 million less working capital of $0.2 million. In conjunction with the purchase, we assumed the rights under the affiliation agreement with NBC and swapped our KVMY call letters for the KSNV call letters with Intermountain West. We financed the total purchase price with cash on hand and borrowings under our revolving credit facility.

Other 2014 Acquisitions. During the year ended December 31, 2014, we acquired certain assets related to eight other television stations in the following four markets: Wilkes Barre / Scranton, PA; Tallahassee, FL; Gainesville, FL; and Macon, GA. The purchase price for these stations was $123.5 million less working capital of $1.1 million which was financed with cash on hand and borrowings under our revolving credit facility.

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The following tables summarize the allocated fair value of acquired assets and assumed liabilities, including the net assets of consolidated VIEs (in thousands):

	MEG Stations	KSNV	Allbritton	Other	Total 2014 acquisitions
Accounts receivable	$—	$—	$38,542	$—	$38,542
Prepaid expenses and other current assets	476	67	19,890	79	20,512
Program contract costs	1,954	482	1,204	2,561	6,201
Property and equipment	23,462	8,300	46,600	8,400	86,762
Broadcast licenses	675	—	13,700	125	14,500
Definite-lived intangible assets	125,925	62,700	564,100	71,025	823,750
Other assets	—	—	20,352	1,500	21,852
Assets held for sale	—	—	83,200	—	83,200
Accounts payable and accrued liabilities	(2,085)	(277)	(8,351)	(1,143)	(11,856)
Program contracts payable	(1,914)	(481)	(1,140)	(2,554)	(6,089)
Deferred tax liability	—	—	(261,291)	—	(261,291)
Other long term liabilities	—	(1,200)	(17,263)	—	(18,463)
Fair value of identifiable net assets acquired	148,493	69,591	499,543	79,993	797,620
Goodwill	57,398	48,699	535,694	42,443	684,234
Total	$205,891	$118,290	$1,035,237	$122,436	$1,481,854

The allocations presented above are based upon management's estimate of the fair values using valuation techniques including income, cost and market approaches. In estimating the fair value of the acquired assets and assumed liabilities, the fair value estimates are based on, but not limited to, expected future revenue and cash flows, expected future growth rates, and estimated discount rates. The purchase prices have been allocated to the acquired assets and assumed liabilities based on estimated fair values. The allocations related to the MEG Stations, KSNV, and Other acquisitions are preliminary pending a final determination of the fair values of the assets and liabilities.

During the nine months ended September 30, 2015, we made certain immaterial measurement period adjustments to the initial purchase accounting for the acquisitions in 2014, resulting in reclassifications between certain noncurrent assets and noncurrent liabilities, including a decrease to property and equipment of approximately $12.5 million, a decrease to broadcast licenses of $3.5 million, an increase to definite-lived intangible assets of $33.7 million, and a decrease to goodwill of $17.6 million, as well as a corresponding decrease to depreciation of $0.6 million and an increase to amortization of $0.3 million, respectively.

These intangible assets will be amortized over the estimated remaining useful lives of 15 years for network affiliations and 10-15 years for the customer relationships. Acquired property and equipment will be depreciated on a straight-line basis over the respective estimated remaining useful lives. Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and noncontractual relationships, as well as expected future synergies. Other intangible assets will be amortized over the respective weighted average useful lives ranging from 14 to 16 years. The following tables summarize the amounts allocated to definite-lived intangible assets representing the estimated fair values and estimated goodwill deductible for tax purposes (in thousands):

	MEG Stations	KSNV	Allbritton	Other	Total 2014 acquisitions
Network affiliations	$56,925	$44,775	$356,900	$42,625	$501,225
Customer relationships	46,500	17,925	207,200	27,400	299,025

Other intangible assets	22,500	—	—	1,000	23,500
Fair value of identifiable definite-lived intangible assets acquired	$125,925	$62,700	$564,100	$71,025	$823,750
Estimated goodwill deductible for tax purposes	$57,398	$48,699	$—	$42,443	$148,540

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In connection with the acquisitions, for the nine months ended September 30, 2014, we incurred a total of $4.4 million, of costs primarily related to legal and other professional services, which we expensed as incurred and classified as corporate general and administrative expenses in the consolidated statements of operations.

Pro Forma Information

The following table sets forth unaudited pro forma results of operations for the three and nine months ended September 30, 2014, assuming that the above acquisitions, along with transactions necessary to finance the acquisitions, occurred at the beginning of the year preceding the year of acquisition. The pro forma results exclude acquisitions presented under Other above, as they were deemed not material both individually and in the aggregate (in thousands, except per share data):

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Total revenues	$526,587	$1,527,507
Net Income	$37,081	$97,909
Net Income attributable to Sinclair Broadcast Group	$36,654	$96,717
Basic earnings per share attributable to Sinclair Broadcast Group	$0.38	$0.99
Diluted earnings per share attributable to Sinclair Broadcast Group	$0.37	$0.98

This pro forma financial information is based on historical results of operations, adjusted for the allocation of the purchase price and other acquisition accounting adjustments, and is not indicative of what our results would have been had we operated the businesses since the beginning of the annual period presented because the pro forma results do not reflect expected synergies. The pro forma adjustments reflect depreciation expense, amortization of intangibles and amortization of program contract costs related to the fair value adjustments of the assets acquired, additional interest expense related to the financing of the transactions, and exclusion of nonrecurring financing and transaction related costs. Depreciation and amortization expense are higher than amounts recorded in the historical financial statements of the acquirees due to the fair value adjustments recorded for long-lived tangibles and intangible assets in purchase accounting. The pro forma revenues exclude the revenues of WHTM-TV (ABC) in Harrisburg/Lancaster/York, PA, WTTA-TV (MNT) in Tampa, FL, and KXRM/KXTU (FOX) in Colorado Springs, CO which were sold in connection with the above acquisitions.

3. DISPOSITION OF ASSETS:

Dispositions Related to Station Acquisitions

As discussed in Note 2. Acquisitions, in December 2014, we completed the acquisition of certain broadcast assets from Media General. Simultaneously, we sold to Media General the broadcast assets of WTTA (MNT) in Tampa, FL and KXRM/KXTU (FOX) in Colorado Springs, CO for $93.1 million less working capital of $0.6 million.

Concurrent with the acquisition of the Allbritton companies discussed in Note 2. Acquisitions, due to FCC multiple ownership rules, we sold WHTM (ABC) in Harrisburg/Lancaster/York, PA to Media General in September 2014 for $83.4 million, less working capital of $0.2 million and the non-license assets of WTAT (FOX) in Charleston, SC to Cunningham for $14.0 million, effective August 1, 2014. WHTM was acquired from the Allbritton companies and assets of WHTM were classified as assets held for sale in the Allbritton purchase price allocation. We did not recognize a gain or loss on this transaction. Prior to the sale of WTAT, we operated the station under an LMA and purchase agreement with Cunningham. This sale was accounted for as a transaction between parties under common control. See Note 8. Related Party Transactions for further discussion.

Assets Held for Sale

In accordance with Financial Accounting Standards Board's (FASB) guidance on reporting assets held for sale, we reported our assets and liabilities related to Triangle Sign & Service, LLC (Triangle) as held for sale in the accompanying consolidated balance sheet as of December 31, 2014. It is no longer our intent to divest of Triangle and therefore the assets and liabilities are not classified as held for sale as of September 30, 2015. The results of operations related to Triangle are included within the results of continuing operations as the criteria for classification as discontinued operations was not met.

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As of December 31, 2014, the major classes of assets and liabilities of the asset group accounted for as held for sale on the accompanying consolidated balance sheet which are included in Prepaid expenses and other current assets, Other Assets, and Accrued liabilities, respectively, are shown below (in thousands):

	December 31, 2014
Assets:	
Accounts receivable	$5,101
Prepaid expenses and other current assets	1,403
Total current assets held for sale	6,504
Property and equipment (a)	1,036
Goodwill	2,975
Definite-lived intangible assets	2,962
Total noncurrent assets held for sale	$6,973
Total assets held for sale	$13,477
Liabilities:	
Accounts payable	$1,096
Accrued liabilities	1,360
Current portion of notes payable, capital leases and commercial bank financing	21
Total liabilities held for sale	$2,477

(a) Excluded from the above is $1.8 million in held for sale assets as of December 31, 2014 related to certain real estate assets within our broadcast segment. Due to the this amount being immaterial to the consolidated financial statements, the amount is classified in Other Assets in the consolidated balance sheet as of December 31, 2014.

4. GOODWILL, BROADCAST LICENSES AND OTHER INTANGIBLE ASSETS:

Goodwill, which arises from the purchase price exceeding the assigned value of the net assets of an acquired business, represents the value attributable to unidentifiable intangible elements being acquired. Goodwill totaled $1,951.4 million and $1,964.6 million at September 30, 2015 and December 31, 2014, respectively. The change in the carrying amount of goodwill related to continuing operations was as follows (in thousands):

	Broadcast	Other Operating Divisions	Consolidated
Balance at December 31, 2014			
Goodwill	$2,377,613	$513	$2,378,126
Accumulated impairment losses	(413,573)	—	(413,573)
	1,964,040	513	1,964,553
Acquisition of television stations	1,514	—	1,514
Measurement period adjustments related to 2014 acquisitions	(17,614)	—	(17,614)
Change in assets held for sale (a)	—	2,975	2,975
Balance at September 30, 2015			
Goodwill	2,361,513	3,488	2,365,001
Accumulated impairment losses	(413,573)	—	(413,573)
	$1,947,940	$3,488	$1,951,428

(a) During the nine months ended September 30, 2015, we concluded that the assets of Triangle were no longer classified as assets held for sale. See Note 3. Disposition of Assets for further discussion.

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As of September 30, 2015 and December 31, 2014, the carrying amount of our broadcast licenses was as follows (in thousands):

	September 30, 2015
Balance at December 31, 2014	$135,075
Acquisition of television stations	1,684
Sale of broadcast assets	(75)
Measurement period adjustments related to 2014 acquisitions	(3,510)
Balance at September 30, 2015	$133,174

The following table shows the gross carrying amount and accumulated amortization of definite-lived intangibles (in thousands):

	As of September 30, 2015		
	Gross Carrying Value	Accumulated Amortization	Net
Amortized intangible assets:			
Network affiliation (a)	$1,400,316	$(325,111)	$1,075,205
Customer relationships (a)	759,818	(212,292)	547,526
Other (b)	218,680	(77,718)	140,962
Total	$2,378,814	$(615,121)	$1,763,693

	As of December 31, 2014		
	Gross Carrying Value	Accumulated Amortization	Net
Amortized intangible assets:			
Network affiliation (a)	$1,396,792	$(257,526)	$1,139,266
Customer relationships (a)	749,292	(177,453)	571,839
Other (b)	174,442	(67,284)	107,158
Total	$2,320,526	$(502,263)	$1,818,263

(a) Changes between the gross carrying value from December 31, 2014 to September 30, 2015, relate to the acquisition of stations in 2015 and measurement period adjustments related to 2014 acquisitions as discussed in Note 2. Acquisitions.

(b) The increase in other intangible assets includes $31.3 million in additions from other operating divisions in 2015, and measurement period adjustments as discussed in Note 2. Acquisitions.

We did not have any indicators of impairment for goodwill, broadcast licenses, definite-lived intangibles, or other long-lived assets in any interim period during the nine months ended September 30, 2015.

5. NOTES PAYABLE AND COMMERCIAL BANK FINANCING:

As of September 30, 2015, we had $321.1 million and $1,367.4 million outstanding under our term loan A and term loan B, net of $1.7 million and $15.8 million deferred financing costs and debt discounts, respectively. As discussed under Recent Accounting Pronouncements in Note 1. Summary of Significant Accounting Policies, we early adopted the FASB issued guidance related to the presentation of debt issuance costs in the balance sheet. The guidance requires costs paid to third parties that are directly attributable to issuing a debt instrument to be presented as a direct deduction from the carrying value of the debt as opposed to an asset.

Effective April 30, 2015, we entered into an amendment and restatement of our bank credit agreement. Pursuant to the Amendment, we raised an additional $350.0 million of incremental term loan B commitments, which mature in July 2021 and bear interest at LIBOR plus 2.75% with a 0.75% LIBOR floor. The incremental term loan B borrowings were issued under

substantially the same terms as the existing term loan B agreement. The proceeds, net of issuance costs, from the amendment of term loan B were used to pay down the outstanding balance under our revolving credit facility, and for general corporate purposes.
As of September 30, 2015, we had $482.9 million borrowing capacity under our revolving credit facility. We incurred $3.6 million of financing costs in connection with the amendment which are presented net of the carrying value of the debt in the consolidated balance sheet.

6. 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 stages and no material judgments or decisions have been rendered by hearing boards or courts in connection with such actions. After reviewing developments to date with legal counsel, our management is of the opinion that the outcome of our pending and threatened matters will not have a material adverse effect on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

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

Changes in the Rules of Television Ownership and Joint Sale Agreements

On March 12, 2014, the FCC issued a public notice on the processing of broadcast television applications proposing sharing arrangements and contingent interests. The public notice indicated that the FCC will closely scrutinize any broadcast assignment or transfer application that proposes that two or more stations in the same market will enter into an agreement to share facilities, employees and/or services or to jointly acquire programming or sell advertising including through a JSA, LMA or similar agreement and enter into an option, right of first refusal, put /call arrangement or other similar contingent interest, or a loan guarantee. We cannot now predict what actions the FCC may require in connection with the processing of applications for FCC consent to future transactions. In addition, on April 15, 2014, the FCC issued an order amending its multiple ownership rules to provide that, where two television stations are located in the same market, and a party with an attributable interest in one station sells more than 15% of the ad time per week of the other station, the party selling such ad time shall be treated as if it had an attributable ownership interest in the second station. The imputed ownership interest would be evaluated to determine whether it complies with the FCC's ownership rules that limit the number of stations in which parties may hold attributable interests. The amended rule also requires that every JSA contain certain certifications that the licensee maintains ultimate control of the station subject to such contract, that such JSAs be filed with the Commission and made available for public review, and that JSAs that existed on the effective date of the new rule have two years to be terminated, amended or otherwise come into compliance with the new rules. The new rule is the subject of an appeal to the United States Court of Appeals for the District of Columbia Circuit. Under the Satellite Television Extension and Localism Act Reauthorization (STELAR), which became law on December 4, 2014, Congress extended the period of time for parties to preexisting JSAs to come into compliance with the new rules for an additional six months, until December 19, 2016. A bill has been introduced into Congress proposing to permanently grandfather preexisting JSAs, but we cannot predict its likelihood of enactment. We cannot predict the outcome of that appeal. Among other things, the new JSA rule could limit our ability to create duopolies or other two-station operations in certain markets. We are currently evaluating whether to seek one or more waivers of the new rules, or to modify or terminate our current JSAs. We cannot predict whether we will be able to terminate or restructure such arrangements on terms that are as advantageous to us as the current arrangements. The revenues of these JSA arrangements we earned were $11.5 million and $11.7 million for the three months ended September 30, 2015 and 2014 and $34.2 million and $33.8 million for the nine months ended September 30, 2015 and 2014, respectively.

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7. EARNINGS PER SHARE

The following table reconciles income (numerator) and shares (denominator) used in our computations of basic and diluted earnings per share for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Income (Numerator)				
Net Income	$44,034	$48,768	$115,269	$118,026
Net (income) loss attributable to noncontrolling interests	(779)	(427)	(1,945)	(1,192)
Numerator for diluted earnings per common share available to common shareholders	$43,255	$48,341	$113,324	$116,834
Shares (Denominator)				
Weighted-average common shares outstanding	95,002	97,154	95,146	97,712
Dilutive effect of stock-settled appreciation rights, restricted stock awards and outstanding stock options	690	742	691	702
Weighted-average common and common equivalent shares outstanding	95,692	97,896	95,837	98,414

There were 0.2 million anti-dilutive shares for the three and nine months ended September 30, 2015, and no anti-dilutive shares for the three and nine months ended September 30, 2014.

8. RELATED PERSON TRANSACTIONS

Transactions with our controlling shareholders

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

Leases. Certain assets used by us and our operating subsidiaries are leased from Cunningham Communications Inc., Keyser Investment Group, Gerstell Development Limited Partnership and Beaver Dam, LLC (entities owned by the controlling shareholders). Lease payments made to these entities were $1.3 million for both the three months ended September 30, 2015 and 2014, and $3.9 million and $4.1 million for the nine months ended September 30, 2015 and 2014, respectively.

In September 2015, we were granted authority by the Federal Communications Commission (FCC) to operate an experimental facility in Washington D.C. and Baltimore markets to implement a Single Frequency Network (SFN) using the base elements of the new ATSC 3.0 transmission standard. In conjunction with this experimental facility, Cunningham Communications, Inc. will be providing tower space without charge.

Charter Aircraft. We lease aircraft owned by certain controlling shareholders. We incurred expenses of $0.4 million and $0.5 million for the three months ended September 30, 2015 and 2014, and $1.0 million for both the nine months ended September 30, 2015 and 2014, respectively.

Cunningham Broadcasting Corporation

As of September 30, 2015, Cunningham was the owner-operator and FCC licensee of WNUV-TV Baltimore, Maryland; WRGT-TV Dayton, Ohio; WVAH-TV Charleston, West Virginia; WMYA-TV Anderson, South Carolina; WTTE-TV Columbus, Ohio; WDBB-TV Birmingham, Alabama; WBSF-TV Flint, Michigan; and WGTU-TV/WGTQ-TV Traverse City/Cadillac, Michigan (collectively, the Cunningham Stations), as well as WTAT-TV Charleston, South Carolina, and WYZZ Peoria/Bloomington, IL.

During the first quarter of 2013, the estate of Carolyn C. Smith, a mother of our controlling shareholders, distributed all of the non-voting stock owned by the estate to our controlling shareholders, and a portion was repurchased by Cunningham for $1.7 million in the aggregate. During the second quarter of 2014, Cunningham purchased the remaining amount of non-voting stock from the controlling shareholders for an aggregate purchase price of $2.0 million. The estate of Mrs. Smith currently owns all of the voting stock. The sale of the voting stock by the estate to an unrelated party is pending approval of the FCC. We also had options from the trusts, which granted us the right to acquire, subject to applicable FCC rules and regulations, 100% of the voting and nonvoting stock of Cunningham, up until September 30, 2014, when these options were terminated. As discussed under Variable Interest Entities in Note 1. Summary of Significant Accounting Policies, during the third quarter of 2014, we deconsolidated Cunningham Broadcasting Corporation as we determined it was no longer a VIE. We continue to consolidate certain of its subsidiaries with which we continue to have variable interests through various arrangements related to the Cunningham Stations discussed further below.

As of September 30, 2015, certain of our stations provide programming, sales and managerial services pursuant to LMAs to six of the Cunningham stations: WNUV-TV, WRGT-TV, WVAH-TV, WMYA-TV, WTTE-TV, and WDBB-TV (collectively, the
Cunningham LMA Stations). Each of these LMAs has a current term that expires on July 1, 2016 and there are three additional 5- year renewal terms remaining with final expiration on July 1, 2031. We also executed purchase agreements to acquire the license related assets of these stations from Cunningham, which grant us the right to acquire, and grant Cunningham the right to require us to acquire, subject to applicable FCC rules and regulations, 100% of the capital stock or the assets of these individual subsidiaries of Cunningham. Our applications to acquire these license related assets are pending FCC approval. The LMA and purchase agreement with WTAT-TV was terminated concurrent with Cunningham’s purchase of the non-license assets of this station from us for $14.0 million effective August 1, 2014. We no longer have any continuing involvement in the operations of this station.

Pursuant to the terms of the LMAs, options and other agreements, beginning on January 1, 2013, we were obligated to pay Cunningham an annual LMA fee for the television stations equal to the greater of (i) 3% of each station’s annual net broadcast revenue and (ii) $5.0 million. The aggregate purchase price of the television stations, which was originally $78.5 million pursuant to certain acquisition or merger agreements subject to 6% annual increases, was decreased by each payment made by us to Cunningham, through 2012, of $29.1 million in the aggregate. Additionally, we reimburse these Cunningham LMA Stations for 100% of their operating costs. In July 2014, concurrent with the termination of the LMA with WTAT-TV, the total LMA fee for the remaining Cunningham LMA Stations was reduced by $4.7 million to remove the fee associated with WTAT-TV. The remaining aggregate purchase price of these stations, excluding WTAT-TV, as of September 30, 2015 was approximately $53.6 million.

We made payments to Cunningham under our LMAs with these stations of $2.1 million and $1.2 million for the three months ended September 30, 2015 and 2014, respectively, and $7.8 million and $7.2 million for the nine months ended September 30, 2015 and 2014, respectively. For the three months ended September 30, 2015 and 2014, Cunningham LMA Stations provided us with approximately $23.8 million and $26.0 million, respectively, and approximately $69.1 million and $82.4 million for the nine months ended September 30, 2015 and 2014, respectively, of total revenue.

Cunningham owns the license related assets of WBSF-TV and WGTU-TV/WGTQ-TV. We provide certain non-programming related sales, operational and administrative services to these stations pursuant to certain outsourcing agreements. The agreements with WBSF-TV and WGTU-TV/WGTQ-TV expire in November 2021 and August 2023, respectively, and each has renewal provisions for successive eight year periods. Additionally, we have provided a guarantee on the bank debt of these licensees of $2.8 million as of September 30, 2015. Under these arrangements, we earned $1.5 million and $0.9 million from the services we performed for these stations for the three months ended September 30, 2015 and 2014, respectively, and $4.2 million and $2.8 million for the nine months ended September 30, 2015 and 2014, respectively. As we consolidate the licensees as VIEs, the amounts we earn under the arrangements are eliminated in consolidation and the gross revenues of the stations are reported within our consolidated statement of operations. Our consolidated revenues related to these stations include $2.0 million and $2.1 million for the three months ended September 30, 2015 and 2014, respectively, and $5.7 million and $5.5 million for the nine months ended September 30, 2015 and 2014, respectively.

Atlantic Automotive Corporation

We sold advertising time to and purchased vehicles and related vehicle services from Atlantic Automotive Corporation (Atlantic Automotive), a holding company that 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 Automotive. We received payments for advertising totaling $0.1 million for both the three months ended September 30, 2015 and 2014, and $0.3 million and $0.2 million for the nine months ended September 30, 2015 and 2014, respectively. Additionally, in August 2011, Atlantic Automotive entered into an office lease agreement with Towson City Center, LLC (Towson City Center), a subsidiary of one of our real estate ventures. Atlantic Automotive paid $0.3 million in rent during the both three months ended September 30, 2015 and 2014, and $0.9 million and $0.8 million for the nine months ended September 30, 2015 and 2014, respectively.

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Leased property by real estate ventures

Certain of our real estate ventures have entered into leases with entities owned by David Smith to lease restaurant space. There are leases for three restaurants in a building owned by one of our consolidated real estate ventures in Baltimore, MD. Total rent received under these leases was $0.2 million and $0.1 million for the three months ended September 30, 2015 and 2014, and $0.5 million and $0.4 million for the nine months ended September 30, 2015 and 2014, respectively. There is also one lease for a restaurant in a building owned by one of our real estate ventures, accounted for under the equity method, in Towson, MD. This investment received $0.1 million in rent pursuant to the lease for both the three months ended September 30, 2015 and 2014, and $0.3 million and $0.2 million for the nine months ended September 30, 2015 and 2014, respectively.

Payments for services provided by these three restaurants to us was less than $0.1 million for both the three and nine months ended September 30, 2015 and 2014.

9. SEGMENT DATA

We measure segment performance based on operating income (loss). Our broadcast segment includes stations in 79 markets located throughout the continental United States. Our other operating divisions primarily consist of sign design and fabrication; regional security alarm operating and bulk acquisitions; manufacturing and service of broadcast antennas; service of broadcast transmitters; real estate ventures; and other private equity investments. All of our other operating divisions are located within the United States. Corporate costs primarily include our costs to operate as a public company and to operate our corporate headquarters location. Other Operating Divisions and Corporate are not reportable segments but are included for reconciliation purposes. We had approximately $226.0 million and $172.3 million of intercompany loans between the broadcast segment, other operating divisions and corporate as of September 30, 2015 and 2014, respectively. We had $6.1 million and $5.3 million in intercompany interest expense related to intercompany loans between the broadcast segment, other operating divisions and corporate for the three months ended September 30, 2015 and 2014, respectively. We had $16.9 million and $15.3 million in intercompany interest expense for the nine months ended September 30, 2015 and 2014, respectively. All other intercompany transactions are immaterial.

Segment financial information is included in the following tables for the periods presented (in thousands):

For the three months ended September 30, 2015	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$525,970	$22,434	$—	$548,404
Depreciation of property and equipment	24,531	666	279	25,476
Amortization of definite-lived intangible assets and other assets	37,601	2,413	—	40,014
Amortization of program contract costs and net realizable value adjustments	29,841	—	—	29,841
General and administrative overhead expenses	13,880	943	1,386	16,209
Operating income (loss)	105,353	720	(6,467)	99,606
Interest expense	—	1,305	47,261	48,566
Income from equity and cost method investments	—	252	—	252
Assets	4,918,943	399,546	161,958	5,480,447

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For the three months ended September 30, 2014	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$476,538	$18,418	$—	$494,956
Depreciation of property and equipment	24,516	559	267	25,342
Amortization of definite-lived intangible assets and other assets	32,724	1,754	—	34,478
Amortization of program contract costs and net realizable value adjustments	28,622	—	—	28,622
General and administrative overhead expenses	13,790	68	1,360	15,218
Operating income (loss)	104,776	897	(4,010)	101,663
Interest expense	—	1,036	46,914	47,950
Income from equity and cost method investments	—	1,928	—	1,928

For the nine months ended September 30, 2015	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$1,543,804	$63,542	$—	$1,607,346
Depreciation of property and equipment	73,056	2,045	837	75,938
Amortization of definite-lived intangible assets and other assets	112,724	6,715	—	119,439
Amortization of program contract costs and net realizable value adjustments	90,014	—	—	90,014
General and administrative overhead expenses	40,036	2,468	3,875	46,379
Operating income (loss)	312,726	2,105	(16,338)	298,493
Interest expense	—	3,541	139,337	142,878
Income from equity and cost method investments	—	5,405	—	5,405

For the nine months ended September 30, 2014	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$1,311,931	$50,809	$—	$1,362,740
Depreciation of property and equipment	72,455	1,716	801	74,972
Amortization of definite-lived intangible assets and other assets	79,238	4,957	—	