

SINCLAIR BROADCAST GROUP INC

Form 10-K

March 04, 2011

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

10706 Beaver Dam Road

Hunt Valley, MD 21030

(Address of principal executive offices)

(410) 568-1500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Class A Common Stock, par value \$ 0.01 per share | The NASDAQ Stock Market LLC |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Based on the closing sales price of \$5.83 per share as of June 30, 2010, the aggregate market value of the voting and non-voting common equity of the Registrant held by non-affiliates was approximately \$278.5 million.

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

| Title of each class | Number of shares outstanding as of |
|----------------------------|---|
| | February 28, 2011 |
| Class A Common Stock | 51,762,972 |
| Class B Common Stock | 28,933,859 |

Documents Incorporated by Reference - Portions of our definitive Proxy Statement relating to our 2011 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K. We anticipate that our Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2010.

Table of Contents

SINCLAIR BROADCAST GROUP, INC.

FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE OF CONTENTS

| | | |
|------------------------|---|-----------|
| <u>PART I</u> | | 4 |
| <u>ITEM 1.</u> | <u>BUSINESS</u> | 4 |
| <u>ITEM 1A.</u> | <u>RISK FACTORS</u> | 23 |
| <u>ITEM 1B.</u> | <u>UNRESOLVED STAFF COMMENTS</u> | 33 |
| <u>ITEM 2.</u> | <u>PROPERTIES</u> | 33 |
| <u>ITEM 3.</u> | <u>LEGAL PROCEEDINGS</u> | 33 |
| <u>ITEM 4.</u> | <u>REMOVED AND RESERVED</u> | 33 |
| <u>PART II</u> | | 34 |
| <u>ITEM 5.</u> | <u>MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u> | 34 |
| <u>ITEM 6.</u> | <u>SELECTED FINANCIAL DATA</u> | 34 |
| <u>ITEM 7.</u> | <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u> | 36 |
| <u>ITEM 7A.</u> | <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u> | 52 |
| <u>ITEM 8.</u> | <u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u> | 52 |
| <u>ITEM 9.</u> | <u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u> | 52 |
| <u>ITEM 9A.</u> | <u>CONTROLS AND PROCEDURES</u> | 52 |
| <u>ITEM 9B.</u> | <u>OTHER INFORMATION</u> | 54 |
| <u>PART III</u> | | 55 |
| <u>ITEM 10.</u> | <u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u> | 55 |
| <u>ITEM 11.</u> | <u>EXECUTIVE COMPENSATION</u> | 55 |
| <u>ITEM 12.</u> | <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u> | 55 |
| <u>ITEM 13.</u> | <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u> | 55 |

| | | |
|--------------------------|--|-----------|
| <u>ITEM 14.</u> | <u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u> | 55 |
| <u>PART IV</u> | | 56 |
| <u>ITEM 15.</u> | <u>EXHIBITS, FINANCIAL STATEMENT SCHEDULES</u> | 56 |
| <u>SIGNATURES</u> | | 60 |

Table of Contents

FORWARD-LOOKING STATEMENTS

This report includes or incorporates forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the U.S. Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about us, including, among other things, the following risks:

General risks

- the impact of changes in national and regional economies and credit and capital markets;
- consumer confidence;
- the activities of our competitors;
- terrorist acts of violence or war and other geopolitical events;

Industry risks

- the business conditions of our advertisers particularly in the automotive and service industries;
- competition with other broadcast television stations, radio stations, multi-channel video programming distributors (MVPDs), internet and broadband content providers and other print and media outlets serving in the same markets;
- availability and cost of programming and the continued volatility of networks and syndicators that provide us with programming content;
- the effects of the Federal Communications Commission's (FCC's) National Broadband Plan and the potential reclamation of some of our broadcasting spectrum;
- the effects of governmental regulation of broadcasting or changes in those regulations and court actions interpreting those regulations, including ownership regulations, indecency regulations, retransmission regulations and political or other advertising restrictions;
- labor disputes and legislation and other union activity;
- the broadcasting community's ability to develop a viable mobile digital broadcast television (mobile DTV) strategy and platform and the consumer's appetite for mobile television;
- the operation of low power devices in the broadcast spectrum, which could interfere with our broadcast signals;

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- the effects of new ratings system technologies including people meters and set-top boxes, and the ability of such technologies to be a reliable standard that can be used by advertisers;

Risks specific to us

- the effectiveness of our management;
- our ability to attract and maintain local and national advertising;
- our ability to service our substantial debt obligations and operate our business under restrictions contained in our financing agreement;
- our ability to successfully renegotiate retransmission consent agreements;
- our ability to renew our FCC licenses;
- our ability to maintain our affiliation and programming service agreements with our networks and program service providers and at renewal, to successfully negotiate these agreements with favorable terms;
- the impact of reverse network compensation payments made by us to networks pursuant to our affiliation agreements requiring compensation for network programming and the resulting negative effect on our operating results;
- the popularity of syndicated programming we purchase and network programming that we air;
- the strength of ratings for our local news broadcasts including our news sharing arrangements;
- changes in the makeup of the population in the areas where our stations are located;
- the successful execution of our multi-channel broadcasting initiatives including mobile DTV; and
- the results of prior year tax audits by taxing authorities.

Other matters set forth in this report and other reports filed with the Securities and Exchange Commission, including the *Risk Factors* set forth in Item 1A of this report may also cause actual results in the future to differ materially from those described in the forward-looking statements. However, additional factors and risks not currently known to us or that we currently deem immaterial may also cause actual results in the future to differ materially from those described in the forward-looking statements. You are cautioned not to place undue reliance on any forward-looking statements, which speaks only as of the date on which it is made. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this report might not occur.

Table of Contents

PART I

ITEM 1. BUSINESS

We are a diversified television broadcasting company that owns or provides certain programming, operating or sales services to more television stations than most other commercial broadcasting groups in the United States. We currently own, provide programming and operating services pursuant to local marketing agreements (LMAs) or provide (or are provided) sales services pursuant to outsourcing agreements to 58 television stations in 35 markets. For the purpose of this report, these 58 stations are referred to as our stations.

We have a mid-size market focus and 44 of our 58 stations are located in television designated market areas (DMAs) that rank between the 14th and 77th largest in the United States. Our broadcast group is a single reportable segment for accounting purposes and includes the following network affiliations: FOX (20 stations); MyNetworkTV (16 stations; as of September 2009 is no longer a network affiliation, however is branded as such); ABC (9 stations); The CW (10 stations); CBS (2 stations) and NBC (1 station). In addition, certain stations broadcast programming on second and third digital signals through network affiliation or program service arrangements with TheCoolTV, The Country Network, MyNetworkTV, This TV and Estrella TV. Refer to our *Markets and Stations* table later in this Item 1 for more information.

We broadcast free over-the-air programming to television viewing audiences in the communities we serve through our local television stations. The programming that we provide on our primary station channels consists of network provided programs, news produced locally, local sporting events, programming from program service arrangements and syndicated entertainment programs. We produce news at 18 stations in 12 markets, including three stations where we produce news pursuant to a local news sharing arrangement with a competitive station in that market. We have 13 stations which have local news sharing arrangements with a competitive station in that market that produces the news aired on our station. We provide live local sporting events on many of our stations by acquiring the local television broadcast rights for these events. In 2010, we renewed our network affiliation agreements with ABC and FOX. Pursuant to the renewal agreements, we are required to pay ABC and FOX a fee for the network programming. Additionally, we purchase and barter for popular syndicated programming from third parties. See *Operating Strategy* later in this Item 1 for more information regarding the programming we provide.

Our primary source of revenue is the sale of commercial inventory on our television stations to our advertising customers. Our objective is to meet the needs of our advertising customers by delivering significant audiences in key demographics. Our strategy is to achieve this objective by providing quality local news programming and popular network and syndicated programs to our viewing audience. We attract our national television advertisers through a single national marketing representation firm which has offices in New York City, Los Angeles, Chicago and Atlanta. Our local television advertisers are attracted through the use of a local sales force at each of our television stations, which is comprised of approximately 320 sales account executives company-wide.

Over the last few years, we have been earning revenue from our retransmission consent agreements through payments from the MVPDs in our markets. The MVPDs are local cable companies, satellite television and local telecommunication video providers. The revenues primarily represent payments from the MVPDs for access to our digital signal so they may rebroadcast directly to and charge their subscribers.

Our operating results are subject to seasonal fluctuations. The second and fourth quarter operating results are typically higher than the first and third quarters due to increased advertising revenues. The second quarter operating results are typically higher than the first and third quarters

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primarily because advertising expenditures are increased in anticipation of consumer spending on summer related items such as home improvements, lawn care and travel plans. The fourth quarter operating results are typically higher than first and third quarters due to anticipation of holiday season spending by consumers. Due to the economic downturn in 2009, our seasonal fluctuations strayed from the norm and our second quarter net time sales, which includes the advertising portion of our local and national revenues, were lower than our first quarter results. In 2010, as the economy started to stabilize and recover, our seasonal fluctuations returned to normal. Our operating results are usually subject to cyclical fluctuations from political advertising. In the past, political spending has been significantly higher in the even-number years due to the cyclical nature of political advertising. Because of the political election cyclical nature, there has been a significant difference in our operating results when comparing even-numbered years performance to the odd numbered years performance. In addition, every four years, political spending is typically elevated further due to the advertising revenue preceding the presidential election. Due to the contentious mid-term elections in 2010, our political revenues in 2010 not only exceeded 2006 results, but exceeded 2008 presidential election year revenues as well. The Supreme Court's decision in 2010 to eliminate restrictions on political advertising limits for corporations and unions is likely to increase the levels of political advertising. Additionally, as political-activism around social, political, economic and environmental causes continues to draw attention, political advertising levels may increase further yet. We believe political advertising will continue to be a strong advertising category in our industry.

Table of Contents

We continue to believe that mobile digital broadcast television (mobile DTV) represents a tremendous and efficient use of our digital spectrum and could provide a significant revenue stream to the television broadcasting industry. Mobile DTV enables consumers to watch live television on their laptops, smart phones, tablet computers and other mobile devices, as well as out-of-home platforms such as billboards and vehicles, all using a broadcast signal and without using the bandwidth of wireless providers. We expect over the-air television delivered to mobile and out-of-home devices in local markets to meet the growing demand of on-the-go consumers, and to expand upon the one-to-many efficiencies provided by local broadcasters. We are a member of the Open Mobile Video Coalition (the OMVC), which is an alliance of U.S. commercial and public broadcasters formed to accelerate the development and rollout of mobile DTV products and services. The OMVC is committed to creating the technical and commercial environment which would allow broadcasters to maximize and develop the full business potential of the digital television spectrum. The OMVC working within the Advanced Television Systems Committee (ATSC), has developed a mobile broadcasting system that will allow users with mobile and portable devices to receive our digital signals and watch live television. Broadcasters are working with the OMVC to understand and develop an innovative and viable business. The OMVC launched a consumer showcase in the Washington, D.C. area during the second quarter of 2010 in an effort to demonstrate and accelerate an understanding of the mobile DTV business opportunity. The showcase provided participants with mobile devices that received 23 channels of programming, including one of our station's channels, in the Washington D.C. area. The feedback from the showcase revealed that convenience is a key. With viewers checking in wherever they go, including while commuting on public transportation, during work lunch breaks, while running errands and at home when someone else is watching the main television. Most of showcase participants favored live local programming like newscasts and daytime programming. We expect mobile DTV to increase our viewership; however, we are uncertain when this will occur.

The advent of the OMVC has resulted in the creation of two organizations, the Mobile 500 Alliance (the M500) and the Mobile Content Venture (the MCV), that pursue mobile DTV business development. The M500 is comprised of more than 40 broadcast groups which collectively represent approximately 400 stations reaching about 92% share of the television households. The M500 brings together leading broadcasters in a collective, focused effort to accelerate the nationwide availability of mobile DTV service. The M500 is exploring programming, distribution and aggregation opportunities that bring value to local broadcasting. We are a member of the M500. The MCV is comprised of 12 broadcast groups whose aim is to develop a new national mobile content service by utilizing existing broadcast spectrum to enable the delivery of content including live and on-demand video, local and national news from print and electronic sources, as well as sports and entertainment programming to mobile devices.

We continue to strategize on various potential uses of our digital spectrum. Besides high-definition programming and mobile DTV, we use our digital spectrum through other multi-channel digital initiatives such as second and third channel broadcasting of This TV, independent programming; TheCoolTV and The Country Network, music video providers; Estrella TV, a Spanish-language television network; and MyNetworkTV.

We are a Maryland corporation formed in 1986. Our principal offices are located at 10706 Beaver Dam Road, Hunt Valley, Maryland 21030. Our telephone number is (410) 568-1500 and our website address is www.sbgi.net.

Table of Contents**TELEVISION BROADCASTING***Markets and Stations*

We own and operate, provide programming services to, provide sales services to or have agreed to acquire the following television stations:

| Market | Market Rank (a) | Stations | Channel | Status (b) | Network/ Program Service Arrangement (c) | Station Rank in Market (d) | Expiration Date of FCC License |
|---------------------------------|-----------------|----------|---------|------------|--|----------------------------|--------------------------------|
| Tampa/St. Petersburg, Florida | 14 | WTTA | Primary | LMA(e) | MNT | 7 of 9 | 2/01/13 |
| | | WTTA | Second | | TheCoolTV | | |
| Minneapolis/St. Paul, Minnesota | 15 | WUCW | Primary | O&O | CW | 6 of 7 | 4/01/14 |
| | | WUCW | Second | | TheCoolTV | | |
| | | WUCW | Third | | The Country Network | | |
| St. Louis, Missouri | 21 | KDNL | Primary | O&O | ABC | 4 of 7 | 2/01/14 |
| | | KDNL | Second | | TheCoolTV | | |
| | | KDNL | Third | | The Country Network | | |
| Pittsburgh, Pennsylvania | 24 | WPGH | Primary | O&O | FOX | 4 of 7 | 8/01/15 |
| | | WPMY | Primary | O&O | MNT | 6 of 7 | 8/01/15 |
| | | WPGH | Second | | The Country Network | | |
| | | WPMY | Second | | TheCoolTV | | |
| Raleigh/Durham, North Carolina | 25 | WLFL | Primary | O&O | CW | 5 of 8 | 12/01/04 (f)(m) |
| | | WRDC | Primary | O&O | MNT | 6 of 8 | 12/01/04 (f)(m) |
| | | WLFL | Second | | The Country Network | | |
| | | WRDC | Second | | TheCoolTV | | |
| Baltimore, Maryland | 26 | WBFF | Primary | O&O | FOX | 4 of 6 | 10/01/04 (f)(m) |
| | | WNUV | Primary | LMA(g) | CW | 5 of 6 | 10/01/12 |
| | | WBFF | Second | | This TV | | |
| | | WBFF | Third | | The Country Network | | |
| | | WNUV | Second | | TheCoolTV | | |
| Nashville, Tennessee | 29 | WZTV | Primary | O&O | FOX | 4 of 9 | 8/01/13 |
| | | WUXP | Primary | O&O | MNT | 5 of 9 | 8/01/13 |
| | | WNAB | Primary | OSA(h) | CW | 6 of 9 | 8/01/13 |
| | | WUXP | Second | | TheCoolTV | | |
| | | WNAB | Second | | The Country Network | | |
| Cincinnati, Ohio | 33 | WSTR | Primary | O&O | MNT | 5 of 6 | 10/01/13 |
| | | WSTR | Second | | TheCoolTV | | |
| Columbus, Ohio | 34 | WSYX | Primary | O&O | ABC | 2 of 7 | 10/01/13 |
| | | WTTE | Primary | LMA(g) | FOX | 4 of 7 | 10/01/05 (f)(m) |
| | | WSYX | Second | | This TV and MNT | | |
| | | WTTE | Second | | TheCoolTV | | |
| Milwaukee, Wisconsin | 35 | WCGV | Primary | O&O | MNT | 5 of 9 | 12/01/05 (f)(m) |
| | | WVTW | Primary | O&O | CW | 6 of 9 | 12/01/13 |
| | | WCGV | Second | | The Country Network | | |

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| | | | | | | | |
|---|----|------|---------|--------|---------------------|------------|-----------------|
| Asheville, North Carolina/ Greenville/Spartanburg/ Anderson, South Carolina | 36 | WLOS | Primary | O&O | ABC | 3 of 8 | 12/01/04 (f)(m) |
| | | WMYA | Primary | LMA(g) | MNT | 6 of 8 | 12/01/04 (f)(m) |
| | | WLOS | Second | | MNT | | |
| | | WMYA | Second | | TheCoolTV | | |
| | | WMYA | Third | | The Country Network | | |
| San Antonio, Texas | 37 | KABB | Primary | O&O | FOX | 3 of 7 | 8/01/14 |
| | | KMYS | Primary | O&O | CW | 5 of 7 | 8/01/14 |
| | | KABB | Second | | The Country Network | | |
| | | KMYS | Second | | TheCoolTV | | |
| Birmingham, Alabama | 40 | WTTO | Primary | O&O | CW | 5 of 8 | 4/01/05 (f)(m) |
| | | WABM | Primary | O&O | MNT | 6 of 8 | 4/01/13 |
| | | WDBB | Primary | LMA | CW | 5 of 8 (i) | 4/01/13 |
| | | WTTO | Second | | The Country Network | | |
| | | WABM | Second | | TheCoolTV | | |
| | | WDBB | Second | | The Country Network | | |
| Las Vegas, Nevada | 42 | KVMY | Primary | O&O | MNT | 6 of 7 | 10/01/14 |
| | | KVCW | Primary | O&O | CW | 5 of 7 | 10/01/14 |
| | | KVMY | Second | | Estella TV | | |
| | | KVCW | Second | | This TV | | |
| | | KVCW | Third | | The Country Network | | |
| Norfolk, Virginia | 43 | WTVZ | Primary | O&O | MNT | 6 of 7 | 10/01/12 |
| | | WTVZ | Second | | TheCoolTV | | |
| | | WTVZ | Third | | The Country Network | | |

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Table of Contents

| Market | Market Rank (a) | Stations | Channel | Status (b) | Network/ Program Service Arrangement (c) | Station Rank in Market (d) | Expiration Date of FCC License |
|--|-----------------|----------|---------|------------|--|----------------------------|--------------------------------|
| Oklahoma City, Oklahoma | 45 | KOKH | Primary | O&O | FOX | 4 of 8 | 6/01/14 |
| | | KOCB | Primary | O&O | CW | 5 of 8 | 6/01/14 |
| | | KOKH | Second | | The Country Network | | |
| | | KOCB | Second | | TheCoolTV | | |
| Greensboro/Winston-Salem/Highpoint, North Carolina | 47 | WXLV | Primary | O&O | ABC | 4 of 7 | 12/01/04 |
| | | WMYV | Primary | O&O | MNT | 5 of 7 | (f)(m) |
| | | WXLV | Second | | The Country Network | | 12/01/04 |
| | | WMYV | Second | | TheCoolTV | | (f)(m) |
| Buffalo, New York | 51 | WUTV | Primary | O&O | FOX | 4 of 7 | 6/01/15 |
| | | WNYO | Primary | O&O | MNT | 6 of 7 | 6/01/15 |
| | | WUTV | Second | | The Country Network | | |
| | | WNYO | Second | | TheCoolTV | | |
| Richmond, Virginia | 57 | WRLH | Primary | O&O | FOX | 4 of 6 | 10/01/12 |
| | | WRLH | Second | | This TV and MNT | | |
| | | WRLH | Third | | TheCoolTV | | |
| Mobile, Alabama/Pensacola, Florida | 60 | WEAR | Primary | O&O | ABC | 2 of 8 | 2/01/13 |
| | | WFGX | Primary | O&O | This TV and MNT | 6 of 8 | 2/01/13 |
| | | WFGX | Second | | TheCoolTV | | |
| | | WFGX | Third | | The Country Network | | |
| Dayton, Ohio | 62 | WKEF | Primary | O&O | ABC | 2 of 5 | 10/01/13 |
| | | WRGT | Primary | LMA(g) | FOX | 4 of 5 | 10/01/05 |
| | | WKEF | Second | | TheCoolTV | | (f)(m) |
| | | WRGT | Second | | This TV and MNT | | |
| Lexington, Kentucky | 63 | WDKY | Primary | O&O | FOX | 3 of 8 | 8/01/13 |
| | | WDKY | Second | | TheCoolTV | | |
| Charleston/Huntington, West Virginia | 64 | WCHS | Primary | O&O | ABC | 2 of 6 | 10/01/12 |
| | | WVAH | Primary | LMA(g) | FOX | 4 of 6 | 10/01/04 |
| | | WCHS | Second | | TheCoolTV | | (f)(m) |
| | | WVAH | Second | | The Country Network | | |
| Flint/Saginaw/Bay City, Michigan | 69 | WSMH | Primary | O&O | FOX | 4 of 6 | 10/01/13 |
| | | WSMH | Second | | TheCoolTV | | |
| | | WSMH | Third | | The Country Network | | |
| Des Moines, Iowa | 73 | KDSM | Primary | O&O | FOX | 4 of 6 | 2/01/14 |
| | | KDSM | Second | | TheCoolTV | | |
| | | KDSM | Third | | The Country Network | | |
| Portland, Maine | 77 | WGME | Primary | O&O | CBS | 2 of 6 | 4/01/15 |
| | | WGME | Second | | TheCoolTV | | |
| Cape Girardeau, Missouri/ Paducah, Kentucky | 80 | KBSI | Primary | O&O | FOX | 4 of 6 | 2/01/14 |
| | | WDKA | Primary | LMA | MNT | 5 of 6 | 8/01/13 |
| | | KBSI | Second | | MNT | | |
| | | WDKA | Second | | TheCoolTV | | |

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| | WDKA | Third | | | The Country Network | | |
|---------------------------------|------|-------|---------|--------|---------------------|---------------|--------------|
| Rochester, New York | 81 | WUHF | Primary | O&O(j) | FOX | not available | 6/01/15 |
| | | WUHF | Second | | TheCoolTV | | |
| Syracuse, New York | 82 | WSYT | Primary | O&O | FOX | 4 of 6 | 6/01/15 |
| | | WNYS | Primary | LMA | MNT | 5 of 6 | 6/01/15 |
| | | WSYT | Second | | The Country Network | | |
| | | WNYS | Second | | TheCoolTV | | |
| Springfield/Champaign, Illinois | 84 | WICS | Primary | O&O | ABC | 2 of 6 | 12/01/05 |
| | | WICD | Primary | O&O | ABC | 2 of 6 (k) | (f)(m) |
| | | WICS | Second | | The Country Network | | 12/01/13 |
| | | WICD | Second | | TheCoolTV | | |
| Madison, Wisconsin | 85 | WMSN | Primary | O&O | FOX | 4 of 6 | 12/01/13 |
| | | WMSN | Second | | TheCoolTV | | |
| | | WMSN | Third | | The Country Network | | |
| Cedar Rapids, Iowa | 88 | KGAN | Primary | O&O | CBS | 3 of 5 | 2/01/06 |
| | | KFXA | Primary | OSA(l) | FOX | 4 of 5 | (f)(m) |
| | | KGAN | Second | | TheCoolTV | | 2/01/14 |
| | | KFXA | Second | | The Country Network | | |
| Charleston, South Carolina | 98 | WTAT | Primary | LMA(g) | FOX | 4 of 6 | 12/01/04 |
| | | WMMP | Primary | O&O | MNT | 5 of 6 | (f)(m) |
| | | WMMP | Second | | TheCoolTV | | 12/01/04 (f) |
| | | WMMP | Third | | The Country Network | | |

Table of Contents

| Market | Market Rank (a) | Stations | Channel | Status (b) | Network/ Program Service Arrangement (c) | Station Rank in Market (d) | Expiration Date of FCC License |
|------------------------------|-----------------|----------|---------|------------|--|----------------------------|--------------------------------|
| Tallahassee, Florida | 105 | WTWC | Primary | O&O | NBC | 3 of 6 | 2/01/13 |
| | | WTWC | Second | | TheCoolTV | | |
| | | WTWC | Third | | The Country Network | | |
| Peoria/Bloomington, Illinois | 116 | WYZZ | Primary | O&O(j) | FOX | not available | 12/01/13 |
| | | WYZZ | Second | | TheCoolTV | | |
| | | WYZZ | Third | | The Country Network | | |

(a) Rankings are based on the relative size of a station's designated market area (DMA) among the 210 generally recognized DMAs in the United States as estimated by Nielsen as of November 2010.

(b) O & O refers to stations that we own and operate. LMA refers to stations to which we provide programming services pursuant to a local marketing agreement. OSA refers to stations to which we provide or receive sales services pursuant to an outsourcing agreement.

(c) When we negotiate the terms of our network affiliations or program service arrangements, we negotiate on behalf of all of our stations affiliated with that entity simultaneously. This results in substantially similar terms for our stations, including the expiration date of the network affiliations or program service arrangements. A summary of these expiration dates for our primary channels as of December 31, 2010 is as follows:

| Network/ Program Service Arrangement | Expiration Date |
|--|---|
| FOX | All 20 agreements expire on December 31, 2012 |
| MNT | All 16 agreements expire in the Fall of 2014 |
| ABC | All 8 agreements expire on August 31, 2015 |
| CW | All 10 agreements expire on August 31, 2011 |
| CBS | Both agreements expire on December 31, 2012 |
| NBC | Agreement expires on December 31, 2016 |

(d) The first number represents the rank of each station in its market and is based upon the November 2010 Nielsen estimates of the percentage of persons tuned into each station in the market from 6:00 a.m. to 2:00 a.m., Monday through Sunday. The second number represents the estimated number of television stations designated by Nielsen as local to the DMA, excluding public television stations and stations that do not meet the minimum Nielsen reporting standards (weekly cumulative audience of at least 0.1%) for the Monday through Sunday 6:00 a.m. to 2:00 a.m. time period as of November 2010. This information is provided to us in a summary report by Franco Research Group Inc.

(e) The license assets for this station are currently owned by Bay Television, Inc., a related party. See *Note 11. Related Person Transactions*, in the Notes to our Consolidated Financial Statements for more information.

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- (f) We, or subsidiaries of Cunningham Broadcasting Company (Cunningham), timely filed applications for renewal of these licenses with the FCC. Unrelated third parties have filed petitions to deny or informal objections against such applications. We opposed the petitions to deny and the informal objections and those applications are pending. See *Note 10. Commitments and Contingencies*, in the Notes to our Consolidated Financial Statements for more information.
- (g) The license assets for these stations are currently owned by a subsidiary of Cunningham.
- (h) We have entered into an outsourcing agreement with the unrelated third party owner of WNAB-TV to provide certain non-programming related sales, operational and administrative services to WNAB-TV. On July 21, 2005, we filed with the FCC an application to acquire the license television broadcast assets of WNAB-TV in Nashville, Tennessee. The Rainbow/PUSH Coalition (Rainbow/PUSH) filed a petition to deny that application and also requested that the FCC initiate a hearing to investigate whether WNAB-TV was improperly operated with WZTV-TV and WUXP-TV, two of our stations also located in Nashville. The FCC is in the process of considering the transfer of the broadcast license and we believe the Rainbow/PUSH petition has no merit.
- (i) WDBB-TV simulcasts the programming broadcast on WTTO-TV pursuant to a programming services agreement. The station rank applies to the combined viewership of these stations. In fourth quarter 2010, the FCC approved Cunningham's acquisition of WDBB's license assets. In February 2011, Cunningham acquired the license assets and we will continue to operate WDBB pursuant to a LMA agreement.
- (j) We have entered into outsourcing agreements with unrelated third parties, under which the unrelated third parties provide certain non-programming related sales, operational and managerial services to these stations. We continue to own all of the assets of these stations and to program and control each station's operations.
- (k) WICD-TV, a satellite of WICS-TV under FCC rules, simulcasts all of the programming aired on WICS-TV except the news broadcasts. WICD-TV airs its own news broadcasts. The station rank applies to the combined viewership of these stations.

Table of Contents

(l) On February 1, 2008, we entered into an outsourcing agreement with the unrelated third party owner of KFXA-TV to provide certain non-programming related sales, operational and administrative services to KFXA-TV. During 2008, we entered into an agreement with an unrelated third party for the right to acquire the FCC license of KFXA-TV in Cedar Rapids, Iowa, pending FCC approval.

(m) We timely filed applications for renewal of these licenses with the FCC. Unrelated third parties have filed informal objections against the stations based on alleged violations of either the FCC's sponsorship identification or indecency rules.

Operating Strategy

Our operating strategy includes the following elements:

Programming to Attract Viewership. We seek to target our programming offerings to attract viewership, to meet the needs of the communities in which we serve and to meet the needs of our advertising customers. In pursuit of this strategy, we seek to obtain, at attractive prices, popular syndicated programming that is complementary to each station's network programming. We also seek to broadcast live local and national sporting events that would appeal to a large segment of the local community. Moreover, we produce news at 18 stations in 12 markets, including three stations which have a local news sharing agreement with a competitive station in that market. We have 13 stations which have local news sharing arrangements with a competitive station in that market, which produces the news aired on our station.

Television advertising prices are primarily based on ratings information measured and distributed by The Nielsen Company (Nielsen). In 2010, the Media Rating Council, an independent organization set-up to monitor rating services, revoked Nielsen's accreditation in the 154 markets it measures ratings exclusively by its diary methodology. Approximately 14 of our stations are currently diary only markets. In January 2011, for certain markets, including our diary only markets, we entered into a contract with Rentrak Corporation, an alternative rating service provider, that uses set-top box television measurements to provide us additional measurement information to the ratings services Nielsen provides.

Attract and Retain High Quality Management. We believe that much of our success is due to our ability to attract and retain highly skilled and motivated managers at both the corporate and local station levels. We provide a combination of base salary, long-term incentive compensation including equity awards and, where appropriate, cash bonus pay designed to be competitive with comparable employers in the television broadcast industry. A significant portion of the compensation available to certain members of our senior management and our sales force is based on their achievement of certain performance goals.

Developing Local Franchises. We believe the greatest opportunity for a sustainable and growing customer base lies within our local communities. Therefore, we have focused on developing a strong local sales force at each of our television stations, which is comprised of approximately 320 sales account executives company-wide. Excluding political advertising revenue, 69.3% of our net time sales were local for the year ended December 31, 2010, compared to 69.4% in 2009. Excluding political, local revenues have increased 8.7% during 2010 versus 2009. Market share survey results reflect that our stations' share of the local television advertising market, held stable at approximately 19% in 2010 and 2009. Our goal is to grow our local revenues by increasing our market share and by developing new business opportunities.

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Local News. We believe that the production and broadcasting of local news is an important link to the community and an aid to a station's efforts to expand its viewership. In addition, local news programming can provide access to advertising sources targeted specifically to local news viewers. We assess the anticipated benefits and costs of producing local news prior to the introduction of local news at our stations because a significant investment in capital equipment is required and substantial operating expenses are incurred in introducing, developing and producing local news programming. We also continuously review the performance of our existing news operations to make sure they are economically viable. We have upgraded several of our markets to provide high definition (HD) news programming. We expect to roll out HD news programming to our remaining news producing markets in the next several years.

Our local news initiatives are an important part of our strategy that has resulted in our entering into 13 local news sharing arrangements with other television broadcasters. We are the provider of news services in three instances while in 10 of our news share arrangements, we are the recipient of services. We believe news share arrangements generally provide both higher viewer ratings and revenues for the station receiving the news and generate a profit for the news share provider. Generally, both parties and the local community are beneficiaries of these arrangements.

Developing New Business. We are always striving to develop new business models to complement or enhance our existing television broadcast business. We have developed new ways to bundle online, mobile text messaging and coupon advertising with our traditional commercial broadcasting model. We plan to continue to expand our efforts in this area. In addition, we are making progress on standardizing and implementing a viable business platform for mobile DTV. We continue to explore new opportunities and plan to implement new initiatives in 2011.

Table of Contents

Retransmission Consent Agreements. We have retransmission consent agreements with MVPDs, such as cable, satellite and telecommunications operators in our markets. MVPDs compensate us for the right to retransmit our broadcast signals. Our successful negotiations with MVPDs have created agreements that now produce meaningful sustainable revenue streams.

Ownership Duopolies and Utilization of Local Marketing Agreements. We have sought to increase our revenues and improve our margins through the ownership of two stations in a single market, called a duopoly, and by providing programming services pursuant to a LMA to a second station in eight DMAs where we already own one station. Duopolies and LMAs allow us to realize significant economies of scale in marketing, programming, overhead and capital expenditures. We also believe these arrangements enable us to air popular programming and contribute to the diversity of programming within each DMA. Although under the FCC ownership rules released in June 2003 (the 2003 Rules), we would be allowed to continue to program most of the stations with which we have a LMA, in the absence of a waiver, the 2003 Rules would require us to terminate or modify three of our LMAs. Although there can be no assurances, we have studied the application of the 2003 Rules to our markets and believe we are qualified for waivers. Under the ownership rules established in 2008, we may be required to terminate or modify three more of our LMAs that we executed after November 5, 1996. We also may be required to terminate or modify three other LMAs that we executed prior to November 5, 1996, if the FCC subsequently initiates a case-by-case review of those LMAs and determines not to extend the grandfathering period. For additional information, refer to *Risk Factors - Changes in Rules on Television Ownership*, and *Risk Factors - The FCC's multiple ownership rules limit our ability to operate multiple television stations in some markets and may result in a reduction in our revenue or prevent us from reducing costs. Changes in these rules may threaten our existing strategic approach to certain television markets.*

Use of Outsourcing Agreements/Joint Sales Agreements (JSAs). In addition to our LMAs, we operate under four (and may seek opportunities for additional) outsourcing agreements in which our stations provide or are provided various non-programming related services such as sales, operational and managerial services to or by other stations. Pursuant to these agreements, our stations in Nashville, Tennessee and Cedar Rapids, Iowa provide services to another station in each's respective market and another party provides services to our stations in Peoria/Bloomington, Illinois and Rochester, New York. We believe the outsourcing structure allows stations to achieve operational efficiencies and economies of scale, which should improve broadcast cash flow and competitive positions. While television JSAs are not currently attributable, as that term is defined by the FCC, on August 2, 2004, the FCC released a notice of proposed rulemaking seeking comments on its tentative conclusion that television joint sales agreements should be attributable. We cannot predict the outcome of this proceeding, nor can we predict how many changes, together with possible changes to ownership rules, would apply to our existing outsourcing agreements. See the *Local Marketing Agreements* under the *Federal Regulation of Television Broadcasting* section below.

Multi-Channel Digital Broadcasting. FCC rules allow broadcasters to transmit additional digital channels within the spectrum allocated to each FCC license holder. This provides viewers with additional programming alternatives at no additional cost to them. We are airing second and third digital channels comprised of This TV, independent programming; TheCoolTV and The Country Network, music video providers; Estrella TV, a Spanish-language television network and MyNetworkTV. In addition, as noted below, we believe mobile DTV will serve as an additional use of our digital spectrum. We may consider other alternative programming formats that we could air using our multi-channel digital spectrum space with the goal towards achieving higher profits and community service.

Mobile Digital Broadcast Television (mobile DTV). We are a founding member of the OMVC. The OMVC is an alliance of U.S. commercial and public broadcasters formed to accelerate the development and rollout of mobile DTV products and services. The OMVC is committed to maximizing and developing the full potential of the digital television spectrum. We believe mobile DTV will quickly provide for a viable use of our local stations' programming. The OMVC, working within the ATSC, has developed a mobile broadcasting standard that allows digital television to be broadcast to numerous mobile devices including smart phones, laptop and tablet computers, video screens in vehicles, portable video players and other mobile and portable devices. In order to receive mobile DTV signals, these devices require a mobile DTV receiver. We believe that the technical ability to receive our television broadcast content on mobile devices will be attractive to individuals. The OMVC launched a consumer showcase in the Washington, D.C. area the second quarter of 2010 in an effort to demonstrate and accelerate the advancement of mobile DTV. We believe this technology, if successfully implemented, could create an entirely new revenue stream for television broadcasters. With the technology and business strategy in process, the industry has made mobile DTV services on-the-air in 28

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markets reaching more than 35.0% of U.S. Households. According to the OMVC, the industry expectation is that upwards of 150 stations will be on-the-air at the end of 2011. We expect to participate in the initial launch of this service by broadcasting mobile DTV beginning with 5 of our stations in key markets. We will gauge our plans on the successes of these first markets, and deploy within remaining markets accordingly.

Table of Contents

Control of Operating and Programming Costs. By employing a disciplined approach to managing programming acquisition and other costs, we have been able to achieve operating margins that we believe are very competitive within the television broadcast industry. We believe our national reach of approximately 22% of the country provides us with a strong position to negotiate with programming providers and, as a result, the opportunity to purchase high quality programming at more favorable prices. Moreover, we emphasize control of each of our stations' programming and operating costs through program-specific profit analysis, detailed budgeting, regionalization of staff and detailed long-term planning models.

Popular Sporting Events. At some of our stations, we have been able to acquire local television broadcast rights for certain sporting events, including NBA basketball, Major League Baseball, NFL football, NHL hockey, ACC basketball and both Big Ten and SEC football and basketball and high school sports. We seek to expand our sports broadcasting in DMAs as profitable opportunities arise. Our CW and MyNetworkTV stations generally face fewer preemption restrictions on broadcasting live local sporting events compared with our FOX, ABC, CBS and NBC stations, which are required to broadcast a greater number of hours of programming supplied by the networks. In addition, our stations that are affiliated with FOX, ABC, CBS and NBC have network arrangements to broadcast certain NBA basketball games, Major League Baseball games, NFL football games, NHL hockey games and NASCAR races, as well as other popular sporting events.

Strategic Realignment of Station Portfolio. We continue to examine our television station group portfolio in light of the 2003 Rules. For a summary of these rules, refer to *Ownership Matters*, discussed in the *Federal Regulation of Television Broadcasting*. Our objective has been to build our local franchises in the markets we deem strategic. We routinely review and conduct investigations of potential television station acquisitions, dispositions and station swaps. At any given time, we may be in discussions with one or more television station owners.

Non-broadcast Investments. We have sought ways to diversify our business and return additional value to our shareholders through investments in non-broadcast based businesses and real estate. We carry investments in various companies from different industries including sign design and fabrication and security alarm monitoring and bulk acquisition. In addition, we invest in various real estate ventures including developmental land and apartment and shopping complexes. We also invest in private equity and structure debt and mezzanine financing investment funds. Currently, operating results from our investments represent a small portion of our overall operating results; and our ability to make additional investments is limited by the restrictions of our Bank Credit Agreement. Activity related to our investments is included in our other operating divisions segment.

FEDERAL REGULATION OF TELEVISION BROADCASTING

The ownership, operation and sale of television stations are subject to the jurisdiction of the FCC, which acts under the authority granted by the Communications Act of 1934, as amended (the Communications Act). Among other things, the FCC assigns frequency bands for broadcasting; determines the particular frequencies, locations and operating power of stations; issues, renews, revokes and modifies station licenses; regulates equipment used by stations; adopts and implements regulations and policies that directly or indirectly affect the ownership, operation and employment practices of stations; and has the power to impose penalties for violations of its rules or the Communications Act.

The following is a brief summary of certain provisions of the Communications Act, the Telecommunications Act of 1996 (the 1996 Act) and specific FCC regulations and policies. Reference should be made to the Communications Act, the 1996 Act, FCC rules and the public notices and rulings of the FCC for further information concerning the nature and extent of federal regulation of broadcast stations.

License Grant and Renewal

Television stations operate pursuant to broadcasting licenses that are granted by the FCC for maximum terms of eight years and are subject to renewal upon application to the FCC. During certain periods when renewal applications are pending, petitions to deny license renewals can be filed by interested parties, including members of the public. The FCC will generally grant a renewal application if it finds:

- that the station has served the public interest, convenience and necessity;
- that there have been no serious violations by the licensee of the Communications Act or the rules and regulations of the FCC; and
- that there have been no other violations by the licensee of the Communications Act or the rules and regulations of the FCC that, when taken together, would constitute a pattern of misconduct.

All of the stations that we currently own and operate or provide programming services or sales services to, pursuant to LMAs or other agreements, are presently operating under regular licenses, which expire as to each station on the dates set forth under

Table of Contents

Television Broadcasting above. Although renewal of a license is granted in the vast majority of cases even when petitions to deny are filed, there can be no assurance that the license of any station will be renewed.

In 2004, we filed with the FCC an application for the license renewal of WBFF-TV in Baltimore, Maryland. Subsequently, an individual named Richard D. Amato filed a petition to deny the application. In 2004, we also filed with the FCC applications for the license renewal of television stations: 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 and WMMP-TV, Charleston, South Carolina. An organization calling itself Free Press filed a petition to deny the renewal applications of these stations and also the renewal applications of two other stations in those markets, which we program pursuant to LMAs: WTAT-TV, Charleston, South Carolina and WMYA-TV, Anderson, South Carolina. Several individuals and an organization named Sinclair Media Watch also filed informal objections to the license renewal applications of WLOS-TV and WMYA-TV, raising essentially the same arguments presented in the Free Press petition. The FCC is in the process of considering these renewal applications and we believe the objections have no merit.

On July 21, 2005, we filed with the FCC an application to acquire the license television broadcast assets of WNAB-TV in Nashville, Tennessee. The Rainbow/PUSH Coalition (Rainbow/PUSH) filed a petition to deny that application and also requested that the FCC initiate a hearing to investigate whether WNAB-TV was improperly operated with WZTV-TV and WUXP-TV, two of our stations located in the same market as WNAB-TV. The FCC is in the process of considering the transfer of the broadcast license and we believe the Rainbow/PUSH petition has no merit.

On August 1, 2005, we filed applications with the FCC requesting renewal of the broadcast licenses for WICS-TV and WICD-TV in Springfield/Champaign, Illinois. Subsequently, various viewers filed informal objections requesting that the FCC deny these renewal applications. On September 30, 2005, we filed an application with the FCC for the renewal of the broadcast license for KGAN-TV in Cedar Rapids, Iowa. On December 28, 2005, an organization calling itself Iowans for Better Local Television filed a petition to deny that application. In April 2009, the FCC granted the license renewal application for WICD-TV and KGAN-TV. The FCC is in the process of considering the WICS-TV renewal applications and we believe the objections and petitions requesting denial have no merit.

On August 1, 2005, we filed applications with the FCC requesting renewal of the broadcast licenses for WCGV-TV and WVTV-TV in Milwaukee, Wisconsin. On November 1, 2005, the Milwaukee Public Interest Media Coalition filed a petition to deny these renewal applications. On June 13, 2007, the Video Division of the FCC denied the petition to deny, and subsequently, the Milwaukee Public Interest Media Coalition filed a petition for reconsideration of that decision, which we opposed. In July 2008, the Video Division granted the renewal application of WVTV-TV and separately denied the Milwaukee Public Interest Media Coalition's petition for reconsideration. On August 11, 2008, the Milwaukee Public Interest Media Coalition and another organization filed another petition for reconsideration of the decision, which we opposed. On January 12, 2010, the FCC dismissed the second petition for reconsideration. On February 16, 2010, the Milwaukee Public Interest Media Coalition filed an application for review of the January 2010 dismissal decision, which we opposed. On December 12, 2010, the FCC dismissed the application for review. On January 11, 2011, the Milwaukee Public Interest Media Coalition filed a second application for review seeking review of the December 2010 dismissal decision, which we opposed. The WCGV-TV renewal of license application remains pending.

On February 27, 2006, an individual named James Pennino purportedly filed a petition to deny the license renewal application of WUCW-TV in Minneapolis, Minnesota. Despite not having found any official record of the filing, we opposed the petition and the renewal application was granted on May 14, 2010.

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Action on many license renewal applications, including those we have filed, has been delayed because of the pendency of complaints that programming aired by the various networks contained indecent material and complaints regarding alleged violations of sponsorship identification rules. We cannot predict when the FCC will address these complaints and act on the renewal applications. We continue to have operating authority until final action is taken on our renewal applications.

The FCC has made it difficult for us to predict the impact on our license renewals from allegations related to the airing of indecent material that may arise in the ordinary course of our business. For example, on Veterans Day in November 2004, we preempted (did not air) Saving Private Ryan, a program that was aired during ABC's network programming time. We were concerned that since the program contained the use of the F-word (indecent material as defined by the FCC) airing the programming could result in a fine or other negative consequences for one or more of our ABC stations. In February 2005, the FCC dismissed all complaints filed against ABC stations regarding this program. The FCC's decision justified what some may consider indecent material as appropriate in the context of the program. Although this ruling has expanded the programming opportunities of our stations, it still leaves us at risk because what might be determined as legitimate context by us may not be deemed so by the FCC and the FCC will not rule beforehand as this may be considered a restriction of free speech. For example, in September 2006, we preempted a CBS network documentary on the events that happened on September 11, 2001 because the

Table of Contents

program contained what some have argued is indecent material and the FCC would not provide, in advance of the airing of the documentary, any guidance on whether that material was appropriate in the context of the program. In 2007, the U.S. Court of Appeals for the Second Circuit held that the FCC's indecency policy regarding fleeting expletives was arbitrary and capricious when the FCC determined that fleeting expletives aired during the *Golden Globes* and *Billboard Music Awards* violated its indecency rules. The FCC challenged the decision and the case was argued before the Supreme Court in November 2008. Also in 2008 the U.S. Court of Appeals for the Third Circuit rejected an FCC decision concluding, among other things, that a fleeting display of nudity during the Superbowl halftime show was indecent. On April 28, 2009, the Supreme Court overturned the *Golden Globes* and *Billboard Music Awards* decision of the Second Circuit and held that the FCC had adequately justified its departure from prior decisions in determining that it could sanction a station for a single F-word or S-word broadcast on that station. However, the Supreme Court also remanded the case back to the Second Circuit for further consideration to resolve any First Amendment Constitutional issues raised by the FCC's enforcement policy. On May 16, 2009, the Supreme Court remanded the Superbowl halftime show case to the Third Circuit in order to consider the impact of the Supreme Court's *Golden Globes* and *Billboard Music Awards* decision and to consider the same First Amendment issues that were remanded to the Second Circuit. On July 13, 2010, the Second Circuit struck down the FCC's indecency policy in its entirety. It remains unclear at this point whether the Supreme Court will hear the case. Additionally, other FCC indecency decisions have been challenged in federal appellate courts, and those cases are pending. These decisions and the FCC's unclear policy make it difficult for us to determine what may be indecent programming.

Ownership Matters

General. The Communications Act prohibits the assignment of a broadcast license or the transfer of control of a broadcast license without the prior approval of the FCC. In determining whether to permit the assignment or transfer of control of, or the grant or renewal of, a broadcast license, the FCC considers a number of factors pertaining to the licensee, including compliance with various rules limiting common ownership of media properties, the character of the licensee and those persons holding attributable interests in that licensee and compliance with the Communications Act's limitations on alien ownership.

To obtain the FCC's prior consent to assign a broadcast license or transfer control of a broadcast license, appropriate applications must be filed with the FCC. If the application involves a substantial change in ownership or control, the application must be placed on public notice for a period of approximately 30 days during which petitions to deny the application may be filed by interested parties, including members of the public. If the application does not involve a substantial change in ownership or control, it is a pro forma application. The pro forma application is not subject to petitions to deny or a mandatory waiting period, but is nevertheless subject to having informal objections filed against it. If the FCC grants an assignment or transfer application, interested parties have approximately 30 days from public notice of the grant to seek reconsideration or review of the grant. Generally, parties that do not file initial petitions to deny, or informal objections against the application, face difficulty in seeking reconsideration or review of the grant. The FCC normally has an additional 10 days to set aside such grant on its own motion. When passing on an assignment or transfer application, the FCC is prohibited from considering whether the public interest might be served by an assignment or transfer to any party other than the assignee or transferee specified in the application.

The FCC generally applies its ownership limits to attributable interests held by an individual, corporation, partnership or other association. In the case of corporations holding, or through subsidiaries controlling, broadcast licenses, the interests of officers, directors and those who, directly or indirectly, have the right to vote 5% or more of the corporation's stock (or 20% or more of such stock in the case of insurance companies, investment companies and bank trust departments that are passive investors) are generally attributable. In August 1999, the FCC revised its attribution and multiple ownership rules and adopted the equity-debt-plus rule that causes certain creditors or investors to be attributable owners of a station. Under this rule, a major programming supplier (any programming supplier that provides more than 15% of the station's weekly programming hours) or same-market media entity will be an attributable owner of a station if the supplier or same-market media entity holds debt or equity, or both, in the station that is greater than 33% of the value of the station's total debt plus equity. For the purposes of this rule, equity includes all stock, whether voting or non-voting, and equity held by insulated limited partners in partnerships. Debt includes all liabilities whether long-term or short-term. In addition, LMAs are attributable where a licensee owns a television station and programs more than 15% of another television station in the same market.

The Communications Act prohibits the issuance of a broadcast license to, or the holding of a broadcast license by, any corporation of which more than 20% of the capital stock is owned of record or voted by non-U. S. citizens or their representatives or by a foreign government or a representative thereof, or by any corporation organized under the laws of a foreign country (collectively, aliens). The Communications Act also authorizes the FCC, if the FCC determines that it would be in the public interest, to prohibit the issuance of a broadcast license to, or the holding of a broadcast license by, any corporation directly or indirectly controlled by any other corporation of which more than 25% of the capital stock is owned of record or voted by aliens. The FCC has issued interpretations of existing law under which these restrictions in modified form apply to other forms of business organizations, including partnerships.

Table of Contents

As a result of these provisions, the licenses granted to our subsidiaries by the FCC could be revoked if, among other restrictions imposed by the FCC, more than 25% of our stock were directly or indirectly owned or voted by aliens. Sinclair and its subsidiaries are domestic corporations, and the members of the Smith family (who together hold approximately 82.1% of the common voting rights of Sinclair) are all United States citizens. Our amended and restated Articles of Incorporation (the Amended Certificate) contain limitations on alien ownership and control that are substantially similar to those contained in the Communications Act. Pursuant to the Amended Certificate, we have the right to repurchase alien-owned shares at their fair market value to the extent necessary, in the judgment of the Board of Directors, to comply with the alien ownership restrictions.

In February 2008, the FCC released a Report and Order that, with the exception of the newspaper/broadcast cross-ownership rule, essentially re-adopts the ownership rules the FCC originally introduced in 1999 and has enforced since then.

The relevant 2008 ownership rules are as follows:

Radio/Television Cross-Ownership Rule. The FCC's radio/television cross-ownership rule (the "one to a market" rule) generally permits a party to own a combination of up to two television stations and six radio stations in the same market, depending on the number of independent media voices in the market.

Newspaper/Broadcast Cross-Ownership Rule. The FCC's rule generally prohibits the common ownership of a radio or television broadcast station and a daily newspaper in the same market. However, the FCC will presume that, in the top 20 DMAs, it is not inconsistent with the public interest for one entity to own a daily newspaper and a radio station or, under the following circumstances, a daily newspaper and a television station if: (1) the television station is not ranked among the top-four stations in the DMA and (2) at least eight independent major media voices remain in the DMA. The FCC will presume that all other newspaper/broadcast mergers are not in the public interest, but it will allow applicants to seek a waiver and rebut this presumption by clear and convincing evidence that, post-merger, the merged entity will increase the diversity of independent news outlets and increase competition among independent news sources in the relevant market.

Dual Network Rule. The four major television networks, FOX, ABC, CBS and NBC, are prohibited, absent a waiver, from merging with each other. In May 2001, the FCC amended its dual network rule to permit the four major television networks to own, operate, maintain or control other television networks, such as The CW or MyNetworkTV.

National Ownership Rule. As of 2004, by statute, the national television viewing audience reach cap is 39%. Under this rule, where an individual or entity has an attributable interest in more than one television station in a market, the percentage of the national television viewing audience encompassed within that market is only counted once. Additionally, since historically, very high frequency, or VHF stations (channels 2 through 13) have shared a larger portion of the market than ultra high frequency, or UHF stations (channels 14 through 69), only half of the households in the market area of any UHF station are included when calculating an entity's national television viewing audience (commonly referred to as the UHF discount). Due to the elimination of the analog signal and switch to digital in 2009, the FCC has indicated that it may institute a future proceeding to assess whether it should alter or eliminate the UHF discount.

All but one of the stations we own and operate, or to which we provide programming services, are UHF. We reach approximately 22% of U. S. television households or 11.3% taking into account the FCC's UHF discount.

Local Television (Duopoly) Rule. A party may own television stations in adjoining markets, even if there is Grade B (discussed below) overlap between the two stations' broadcast signals and generally may own two stations in the same market:

- if there is no Grade B overlap between the stations; or
- if the market containing both the stations will contain at least eight independently owned full-power television stations post-merger (the eight voices test) and not more than one station is among the top-four ranked stations in the market.

In addition, a party may request a waiver of the rule to acquire a second or third station in the market if the station to be acquired is economically distressed or not yet constructed and there is no party who does not own a local television station who would purchase the station for a reasonable price.

There are three grades of service for traditional television broadcasts, City (strongest), Grade A and Grade B (least strong); and the signal decreases in strength the further away the viewer is from the broadcast antenna tower. Generally, it is not as easy for viewers with properly installed outdoor antennas to receive a Grade B signal, as it is to receive a Grade A or City Grade signal.

Antitrust Regulation. The Department of Justice (DOJ) and the Federal Trade Commission have increased their scrutiny of the television industry since the adoption of the 1996 Act and have reviewed matters related to the concentration of ownership within markets (including LMAs) even when ownership or the LMA in question is permitted under the laws administered by the FCC or

Table of Contents

by FCC rules and regulations. The DOJ takes the position that an LMA entered into in anticipation of a station's acquisition with the proposed buyer of the station constitutes a change in beneficial ownership of the station which, if subject to filing under the Hart-Scott-Rodino Anti Trust Improvements Act, cannot be implemented until the waiting period required by that statute has ended or been terminated.

Expansion of our broadcast operations on both a local and national level will continue to be subject to the FCC's ownership rules, DOJ review and any changes the FCC or Congress may adopt. At the same time, any further relaxation of the FCC's ownership rules, which could occur if the rules adopted in 2008 are declared unenforceable, may increase the level of competition in one or more markets in which our stations are located, more specifically to the extent that any of our competitors may have greater resources and thereby may be in a superior position to take advantage of such changes. Conversely, any such relaxation or invalidation of such rules may provide us the opportunity to expand should we have the resources and find the terms advantageous.

Local Marketing Agreements

Certain of our stations have entered into what have commonly been referred to as local marketing agreements or LMAs. One typical type of LMA is a programming agreement between two separately owned television stations serving the same market, whereby the licensee of one station programs substantial portions of the broadcast day and sells advertising time during such programming segments on the other licensee's station subject to the latter licensee's ultimate editorial and other controls. We believe these arrangements allow us to reduce our operating expenses and enhance profitability.

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

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

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

The following paragraphs discuss various proceedings relevant to our LMAs.

In 1999, the FCC established a new local television ownership rule. LMAs fell under this rule, however the rule grandfathered LMAs that were entered into prior to November 5, 1996, and permitted the applicable stations to continue operations pursuant to the LMAs until the conclusion of the FCC's 2004 biennial review. The FCC stated it would conduct a case-by-case review of grandfathered LMAs and assess the appropriateness of extending the grandfathering periods. The FCC did not initiate any review of grandfathered LMAs in 2004 or as part of its 2006 quadrennial review. We do not know when, or if, the FCC will conduct any such review of grandfathered LMAs. For LMAs executed on

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or after November 5, 1996, the FCC required compliance with the 1999 local television ownership rule by August 6, 2001. We challenged the 1999 rules in the U.S. Court of Appeals for the D.C. Circuit (D.C. Circuit), resulting in the exclusion of post-November 5, 1996 LMAs from the 1999 rules. In 2002, the D.C. Circuit ruled in *Sinclair Broadcast Group, Inc. v. F.C.C.*, 284 F.3d 114 (D.C. Cir. 2002) that the 1999 local television ownership rule was arbitrary and capricious and sent the rule back to the FCC for further refinement.

In 2003, the FCC revised its ownership rules, including the local television ownership rule; however the U. S. Court of Appeals for the Third Circuit (Third Circuit) did not enable the 2003 rules to become effective and sent the 2003 rules back to the FCC for further refinement. Due to the court decisions, the FCC concluded the 1999 rules could not be justified as necessary in the public interest and as a result, we took the position that an issue exists regarding whether the FCC has any current legal right to enforce any rules prohibiting the acquisition of television stations. Several parties, including us, filed petitions with the Supreme Court of the United States seeking review of the Third Circuit decision, but the Supreme Court denied the petitions in June 2005.

In July 2006, the FCC released a Further Notice of Proposed Rule Making seeking comment on how to address the issues raised by the Third Circuit's decision. In January 2008, the FCC released an order containing ownership rules that re-adopted the 1999 rules. On February 29, 2008, several parties, including us, separately filed petitions for review in a number of federal appellate courts challenging the 1999 rules. Those petitions were consolidated in the U.S. Court of Appeals for the Ninth Circuit (Ninth Circuit) and in November 2008, transferred by the Ninth Circuit to the Third Circuit where the proceedings are still pending.

On November 15, 1999, we entered into an agreement to acquire WMYA-TV (formerly WBSC-TV) in Anderson, South Carolina from Cunningham Broadcasting Corporation (Cunningham), but that transaction was denied by the FCC. Since none of the FCC rule changes ever became effective, we filed a petition for reconsideration with the FCC and amended our application to acquire the

Table of Contents

license of WMYA-TV. We also filed applications in November 2003 to acquire the license assets of the remaining five Cunningham stations: WRGT-TV, Dayton, Ohio; WTAT-TV, Charleston, South Carolina; WVAH-TV, Charleston, West Virginia; WNUV-TV, Baltimore, Maryland; and WTTE-TV, Columbus, Ohio. Rainbow/PUSH filed a petition to deny these five applications and to revoke all of our licenses. The FCC dismissed our applications and denied the Rainbow/PUSH petition due to the abovementioned 2003 Third Circuit decision. Rainbow/PUSH filed a petition for reconsideration of that denial and we filed an application for review of the dismissal. In 2005, we filed a petition with the D. C. Circuit requesting that the Court direct the FCC to take final action on our applications, but that petition was dismissed. On January 6, 2006, we submitted a motion to the FCC requesting that it take final action on our applications. The applications and the associated petition to deny are still pending. We believe the Rainbow/PUSH petition is without merit. On February 8, 2008, we filed a petition with the D.C. Circuit requesting that the Court direct the FCC to act on our applications and cease its use of the 1999 rules. In July 2008, the D.C. Circuit transferred the case to the Ninth Circuit, and we filed a petition with the D.C. Circuit challenging that decision; however, it was denied. We also filed with the Ninth Circuit a motion to transfer that case back to the D.C. Circuit. In November 2008, the Ninth Circuit consolidated and sent our petition seeking final FCC action on our applications to the Third Circuit. In December 2008, we agreed voluntarily with the parties to our proceeding to dismiss our petition seeking final FCC action on our applications.

The Satellite Home Viewer Act (SHVA), The Satellite Home Viewer Improvement Act (SHVIA) and the Satellite Home Viewer Extension and Reauthorization Act (SHVERA)

In 1988, Congress enacted the Satellite Home Viewer Act (SHVA), which enabled satellite carriers to provide broadcast programming to those satellite subscribers who were unable to obtain broadcast network programming over-the-air. SHVA did not permit satellite carriers to retransmit local broadcast television signals directly to their subscribers. The Satellite Home Viewer Improvement Act of 1999 (SHVIA) revised SHVA to reflect changes in the satellite and broadcasting industry. This legislation allowed satellite carriers, until December 31, 2004, to provide local television signals by satellite within a station market, and effective January 1, 2002, required satellite carriers to carry all local signals in any market where they carry any local signals. On or before July 1, 2001, SHVIA required all television stations to elect to exercise certain must carry or retransmission consent rights in connection with their carriage by satellite carriers. We have entered into compensation agreements granting the two primary satellite carriers retransmission consent to carry all our stations. In December 2004, President Bush signed into law the Satellite Home Viewer Extension and Reauthorization Act (SHVERA). SHVERA extended, until December 31, 2009, the rights of broadcasters and satellite carriers under SHVIA to retransmit local television signals by satellite. On February 9, 2009, a bill was introduced in the House of Representatives to extend this deadline for one year after enactment of the bill, which remains pending. SHVERA also authorized satellite delivery of distant network signals, significantly viewed signals and local low-power television station signals into local markets under defined circumstances. With respect to digital signals, SHVERA established a process to allow satellite carriers to retransmit distant network signals and significantly viewed signals to subscribers under certain circumstances. In November 2005, the FCC completed a rulemaking proceeding enabling the satellite carriage of significantly viewed signals. In December 2005, the FCC concluded a study, as required by SHVERA, regarding the applicable technical standards for determining when a subscriber may receive a distant digital network signal. The carriage of programming from two network stations to a local market on the same satellite system could result in a decline in viewership of the local network station, adversely impacting the revenues of our affected owned and programmed stations. Congress extended SHVERA until December 31, 2014.

Must Carry/Retransmission Consent

Pursuant to the Cable Act of 1992, television broadcasters are required to make triennial elections to exercise either certain must-carry or retransmission consent rights in connection with their carriage by cable systems in each broadcaster's local market. Prior to October 1, 2008, we elected retransmission consent with respect to all our stations for the period January 1, 2009 through December 31, 2011. By electing the must-carry rights, a broadcaster demands carriage and receives a specific channel on cable systems within its DMA, in general, as defined by the Nielsen DMA Market and Demographic Rank Report of the prior year. These must-carry rights are not absolute and their exercise is dependent on variables such as:

- the number of activated channels on a cable system;
- the location and size of a cable system; and
- the amount of programming on a broadcast station that duplicates the programming of another broadcast station carried by the cable system.

Therefore, under certain circumstances, a cable system may decline to carry a given station. Alternatively, if a broadcaster chooses to exercise retransmission consent rights, it can prohibit cable systems from carrying its signal or grant the appropriate cable system the authority to retransmit the broadcast signal for a fee or other consideration. The FCC has clarified that cable systems need only carry a broadcast station's primary video stream and not any of the station's other programming streams in those situations where a station chooses to transmit multiple programming streams.

Table of Contents***Syndicated Exclusivity/Territorial Exclusivity***

The FCC's syndicated exclusivity rules allow local broadcast television stations to demand that cable operators black out syndicated non-network programming carried on distant signals (i.e. signals of broadcast stations, including so-called superstations, which serve areas substantially removed from the cable systems' local community). The FCC's network non-duplication rules allow local broadcast, network affiliated stations to require that cable operators black out duplicate network programming carried on distant signals. However, in a number of markets in which we own or program stations affiliated with a network, a station that is affiliated with the same network in a nearby market is carried on cable systems in our markets. This is not necessarily a violation of the FCC's network non-duplication rules. However, the carriage of two network stations on the same cable system could result in a decline of viewership, adversely affecting the revenues of our owned or programmed stations.

Digital Television

The FCC has taken a number of steps to implement digital television (DTV) broadcasting services and has ruled that television broadcast licensees may use their digital channels for a wide variety of services such as HD television, multiple standard definition television programming, audio, data and other types of communications, subject to the requirement that each broadcaster provide at least one free video channel equal in quality to the current technical standard and further subject to the requirement that broadcasters pay a fee of 5% of gross revenues from any DTV ancillary or supplementary service for which there is a subscription fee or for which the licensee receives a fee from a third party.

DTV channels are generally located in the range of channels from channel 2 through channel 51. All commercial stations were required to begin digital broadcasting on May 1, 2002. In 2005, Congress passed legislation establishing a hard deadline of February 17, 2009 by which broadcasters were required to cease using their analog channel. On February 4, 2009, Congress passed the DTV Delay Act that extended the date for the completion of the DTV transition from February 17, 2009 to June 12, 2009. All of the television stations we own or to which we provide services are currently operating on authorized post-transition digital facilities.

We operate our television stations at different power levels pursuant to our FCC licenses, applicable permits or special temporary authority granted by the FCC. The following table is a summary of our operating status as of February 28, 2011:

| DTV Operating Status | # of Stations |
|---|----------------------|
| Owned stations operating with approved digital license, at full power | 29 |
| Owned stations operating at full power, pending license approval | 18 |
| Owned stations operating at full power with special temporary authority | 1 |
| LMA/JSA stations operating with approved digital license, at full power | 5 |
| LMA/JSA stations operating at full power, pending license approval | 5 |
| | 58 |

Implementation of digital television has imposed substantial additional costs on our television stations because of the need to replace equipment. In addition, the FCC has proposed imposing new public interest requirements on television licensees in exchange for their receipt of DTV channels.

We believe that the following developments regarding the FCC's digital regulations may have effects on us:

Use of reclaimed analog channels. Analog broadcasters were required to cease operation on their assigned analog spectrum by June 12, 2009. The FCC reclaimed this spectrum from broadcasters and made it available to the entities that have been assigned the spectrum through FCC auctions. The FCC envisions that the reclaimed band will be used for a variety of broadcast-type applications including two-way interactive services and services using Coded Orthogonal Frequency Division Multiplexing technology. We cannot predict how the development of this spectrum will affect our television operations.

Digital must-carry. In February 2005, the FCC adopted an order stating that cable television systems are required to carry a must-carry station's primary video stream but is not required to carry any of the station's other programming streams in those situations where a station chooses to transmit multiple programming streams. On September 11, 2007, the FCC adopted an order requiring, after the digital transition, all cable operators to make the primary digital stream of must-carry television stations viewable by all cable subscribers, regardless of whether they are using analog or digital television equipment. The FCC indicated that it would consider requests for a waiver of this requirement by small cable system operators, where compliance with that requirement would be unduly burdensome. Grant of any such waiver to a small cable system operator in a market in which we operate could result in a loss of viewers for our station(s) in that market, which could negatively impact station revenues. In September 2008, the FCC issued an order exempting cable systems

Table of Contents

that either have 2,500 or fewer subscribers and are not affiliated with a large cable operator, or have an activated channel capacity of 552 MHz or less from the requirement to carry HD versions of broadcast signals for three years following the DTV transition. The inability of our stations to have HD signals carried on such cable systems could result in a loss of viewers for the stations and negatively impact station revenues. In March 2008, the FCC adopted an order requiring satellite carriers to carry digital-only stations upon request in markets in which the satellite carriers are providing local-into-local service pursuant to the statutory copyright license. The FCC also required that satellite carriers carry the HD signals of digital-only stations in HD format if any broadcaster in the same market is carried in HD. This latter requirement is being implemented over a four-year phase-in period which started in February 2009. Accordingly, until February 2013, satellite carriers will be permitted in a certain percentage of markets to choose what HD signals it will carry. Any impairment on viewers' ability to obtain our digital HD signals retransmitted by satellite in markets in which we operate could result in a loss of viewers for those stations and could negatively impact station revenues. In the associated notice of proposed rulemaking released with the order, the FCC invited comments on, among other things, whether satellite carriers should be required to carry the signals of all local broadcast stations in HD and standard definition (SD) if the carriers retransmit the signals of any local station in the same market in both HD and SD and whether satellite carriers must make the primary digital stream of must-carry stations viewable by all subscribers, regardless of whether those subscribers are using analog or digital television equipment.

Multi-Channel Digital Broadcasting. FCC rules allow broadcasters to transmit additional digital channels within the spectrum allocated to each FCC license holder. This provides viewers with additional programming alternatives at no additional cost to them. Our television stations are experimenting with broadcasting on second and third digital channels in accordance with these rules, airing various alternative programming formats. We are airing second or third digital channels comprised of TheCoolTV and the Country Network, music video providers; This TV, independent programming; Estrella TV, a Spanish-language television network; and MyNetworkTV.

We may consider other alternative programming formats that we could air using our multi-channel digital spectrum space with the goal towards achieving higher profits and community service.

Capital and operating costs. We have incurred and will continue to incur costs to replace equipment in our stations in order to provide digital television.

Children's programming. In 2004, the FCC established children's educational and informational programming obligations for digital multicast broadcasters and placed restrictions on the increasing commercialization of children's programming on both analog and digital broadcast and cable television systems. In addition to imposing its limit as to the amount of commercial matter in children's programming (10.5 minutes per hour on weekends and 12 minutes per hour on weekdays) on all digital or video programming, free or pay, directed to children 12 years old and younger, the FCC also mandated that digital broadcasters air an additional half hour of core children's programming for every 28-hour block of free video programming provided in addition to the main DTV program stream. The additional core children's programming requirement for digital broadcasters took effect on January 2, 2007.

Emergency Alert System. In November 2005, the FCC adopted an order requiring that digital broadcasters comply with the FCC's present Emergency Alert System (EAS) rules. It also issued a further notice of proposed rulemaking seeking comments on what actions the FCC should take to expedite the development of a digitally based public alert and warning system. On July 12, 2007, the FCC adopted an order allowing mandatory use of EAS by state governments and requiring that all EAS participants, including television broadcasters, be able to receive messages formatted pursuant to a procedure to be adopted by the Federal Emergency Management Agency. In a further notice, the FCC invited comments on, among other things, how the EAS rules could be modified to ensure that non-English speakers and persons with disabilities are reached by EAS messages and whether local, county, tribal, or other state governmental entities should be allowed to initiate mandatory state and local alerts. On November 23, 2010, the FCC issued an Order requiring all broadcasters to acquire and install the equipment necessary to use the Common Alerting Protocol (CAP) standard for EAS alerts by September 30, 2011. On February 3, 2011, the FCC released an Order

which requires national testing of the EAS and requires broadcast stations to submit data from such tests to the FCC. The new EAS requirements and any additional FCC EAS requirements on broadcasters could increase our costs.

Table of Contents

Restrictions on Broadcast Programming

Advertising of cigarettes and certain other tobacco products on broadcast stations has been banned for many years. Various states also restrict the advertising of alcoholic beverages and, from time to time, certain members of Congress have contemplated legislation to place restrictions on the advertisement of such alcoholic beverages. FCC rules also restrict the amount and type of advertising which can appear in a program broadcast primarily for an audience of children 12 years old and younger. In addition, the Federal Trade Commission issued guidelines in December 2003 and continues to provide advice to help media outlets voluntarily screen out weight loss product advertisements that are misleading.

The Communications Act and FCC rules also place restrictions on the broadcasting of advertisements by legally qualified candidates for elective office. Those restrictions state that:

- stations must provide reasonable access for the purchase of time by legally qualified candidates for federal office;
- stations must provide equal opportunities for the purchase of equivalent amounts of comparable broadcast time by opposing candidates for the same elective office; and
- during the 45 days preceding a primary or primary run-off election and during the 60 days preceding a general or special election, legally qualified candidates for elective office may be charged no more than the station's lowest unit charge for the same class and amount of time for the same period.

It is a violation of federal law and FCC regulations to broadcast obscene, indecent, or profane programming. FCC licensees are, in general, responsible for the content of their broadcast programming, including that supplied by television networks. Accordingly, there is a risk of being fined as a result of our broadcast programming, including network programming. As a result of legislation passed in June 2006, the maximum forfeiture amount for the broadcast of indecent or obscene material was increased to \$325,000 from \$32,500 for each violation with a cap of \$3.0 million for any single act.

Programming and Operation

General. The Communications Act requires broadcasters to serve the public interest. The FCC has relaxed or eliminated many of the more formalized procedures it had developed in the past to promote the broadcast of certain types of programming responsive to the needs of a station's community of license. FCC licensees continue to be required, however, to present programming that is responsive to the needs and interests of their communities and to maintain certain records demonstrating such responsiveness. Complaints from viewers concerning a station's programming may be considered by the FCC when it evaluates renewal applications of a licensee, although such complaints may be filed at any time and generally may be considered by the FCC at any time. Stations also must pay regulatory and application fees and follow various rules promulgated under the Communications Act that regulate, among other things, political advertising, sponsorship identifications, obscene and indecent broadcasts and technical operations, including limits on radio frequency radiation.

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In 2000, the FCC initiated a rulemaking proceeding to determine whether its requirements pertaining to television stations' public inspection files were sufficient to ensure that the public had adequate access to information on how stations were serving their communities. In February 2008, the FCC released an order adopting a standardized form for the quarterly reporting of programming aired in response to issues facing a station's community and imposed a requirement that portions of each station's public inspection file be placed on the Internet. We believe that we are materially in compliance with FCC requirements.

Equal Employment Opportunity. On November 20, 2002, the FCC adopted rules, effective March 10, 2003, requiring licensees to create equal employment opportunity outreach programs and maintain records and make filings with the FCC evidencing such efforts. The FCC simultaneously released a notice of proposed rulemaking seeking comments on whether and how to apply these rules and policies to part-time positions, defined as less than 30 hours per week. That rulemaking is still pending.

Children's Television Programming. Television stations are required to broadcast a minimum of three hours per week of core children's educational programming, which the FCC defines as programming that:

- has the significant purpose of serving the educational and informational needs of children 16 years of age and under;
- is regularly scheduled weekly and at least 30 minutes in duration; and
- is aired between the hours of 7:00 a.m. and 10:00 p.m. local time.

Table of Contents

In addition, the FCC concluded that starting on January 2, 2007, a digital broadcaster must air an additional half hour of core children's programming per every increment of 1 to 28 hours of free video programming provided in addition to the main DTV program stream. Furthermore, core children's educational programs, in order to qualify as such, are required to be identified as educational and informational programs over-the-air at the time they are broadcast and are required to be identified in the children's programming reports, which are required to be placed quarterly in stations' public inspection files and filed quarterly with the FCC.

On April 17, 2007, the FCC requested comments on the status of children's television programming and compliance with the Children's Television Act and the FCC's rules. That proceeding is still pending.

Violent Programming. In 2004, the FCC initiated a notice of inquiry seeking comments on issues relating to the presentation of violent programming on television and its impact on children. On April 25, 2007, the FCC released a report concluding that there is strong evidence that exposure to violence in the media can increase aggressive behavior in children, at least in the short term. Accordingly, the FCC concluded that it would be in the public interest to regulate such programming and Congress could do so consistent with the First Amendment. As possible solutions, the FCC suggested, among other things, a voluntary industry initiative to reduce the amount of excessively violent programming viewed by children and also proposed several viewer-initiated blocking proposals, such as the provision of video channels by multi-channel video programming distributors on family tiers or on an a la carte basis.

Television Program Content. The television industry has developed an FCC approved ratings system that is designed to provide parents with information regarding the content of the programming being aired. Furthermore, the FCC requires certain television sets to include the so-called V-chip, a computer chip that allows the blocking of rated programming. It is a violation of federal law and FCC regulations to broadcast obscene or indecent programming. FCC licensees are, in general, responsible for the content of their broadcast programming, including that supplied by television networks. Accordingly, there is a risk of being fined as a result of our broadcast programming, including network programming.

Localism. In 2004, the FCC initiated a notice of inquiry seeking comments on what actions, if any, it should take to ensure that licensees air programming that is responsive to the interests and needs of their communities. In January 2008, the FCC released a notice of proposed rulemaking proposing, among other things, to require licensees to establish permanent advisory boards and to modify the FCC's renewal application processing guidelines to ensure that all broadcasters provide some locally oriented programming. The FCC also proposed to require all stations to maintain their main studios within the boundaries of their communities of license and to have employees physically present at those studios during all hours of operation. Additionally, the FCC proposed to grant Class A status to additional low-power television stations, providing such stations additional interference protection from full-power television stations and requiring such stations to provide local programming.

Closed Captioning. In November 2008, the FCC issued a declaratory ruling clarifying certain closed captioning obligations for stations transmitting digital programming, including the obligation to transmit captions in analog standard after the DTV transition and simplifying the close captioning complaint process for consumers.

Pending Matters

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Congress and the FCC have under consideration and in the future may consider and adopt, new laws, regulations and policies regarding a wide variety of matters that could affect, directly or indirectly, the operation, ownership and profitability of our broadcast stations, result in the loss of audience share and advertising revenues for our broadcast stations and affect our ability to acquire additional broadcast stations or finance such acquisitions.

The FCC is considering a National Broadband Plan that may reallocate spectrum from broadcasters for other purposes which may include wireless broadband. This initiative raises a number of issues that could impact the broadcast industry depending on the use of the spectrum should it be reallocated. We cannot predict the outcome of this initiative or what effects it may have on our business or results of operations.

Other matters that could affect our broadcast properties include technological innovations and developments generally affecting competition in the mass communications industry, such as direct television broadcast satellite service, Class A television service, the continued establishment of wireless cable systems and low power television stations, digital television technologies, the internet and mobility and portability of our broadcast signal to hand-held devices.

For example, in November 2008, the FCC adopted an order allowing new low power devices to operate in the broadcast television spectrum at locations where channels in that spectrum are not in use. The operation of such devices could cause harmful interference to our broadcast signals adversely affecting the operation and profitability of our stations.

Table of Contents

Other Considerations

The preceding summary is not a complete discussion of all provisions of the Communications Act, the 1996 Act or other congressional acts or of the regulations and policies of the FCC, or in some cases, the DOJ. For further information, reference should be made to the Communications Act, the 1996 Act, other congressional acts and regulations and public notices circulated from time to time by the FCC, or in some cases, the DOJ. There are additional regulations and policies of the FCC and other federal agencies that govern political broadcasts, advertising, equal employment opportunity and other matters affecting our business and operations.

ENVIRONMENTAL REGULATION

Prior to our ownership or operation of our facilities, substances or waste that are, or might be considered, hazardous under applicable environmental laws may have been generated, used, stored or disposed of at certain of those facilities. In addition, environmental conditions relating to the soil and groundwater at or under our facilities may be affected by the proximity of nearby properties that have generated, used, stored or disposed of hazardous substances. As a result, it is possible that we could become subject to environmental liabilities in the future in connection with these facilities under applicable environmental laws and regulations. Although we believe that we are in substantial compliance with such environmental requirements and have not in the past been required to incur significant costs in connection therewith, there can be no assurance that our costs to comply with such requirements will not increase in the future or that we will not become subject to new governmental regulations, including those pertaining to potential climate change legislation, that may impose additional restrictions or costs on us. We presently believe that none of our properties have any condition that is likely to have a material adverse effect on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

COMPETITION

Our television stations compete for audience share and advertising revenue with other television stations in their respective designated market areas (DMAs), as well as with other advertising media such as MVPDs, radio, newspapers, magazines, outdoor advertising, transit advertising, telecommunications providers, internet and broadband, yellow page directories and direct mail. Some competitors are part of larger organizations with substantially greater financial, technical and other resources than we have. Other factors that are material to a television station's competitive position include signal coverage, local program acceptance, network affiliation or program service, audience characteristics and assigned broadcast frequency.

Competition in the television broadcasting industry occurs primarily in individual DMAs. Generally, a television broadcasting station in one DMA does not compete with stations in other DMAs. Our television stations are located in highly competitive DMAs. MVPDs can increase competition for a broadcast television station by bringing into its market additional cable network channels. These narrow cable network channels are typically low rated, and, as a result, advertisements are inexpensive to the local advertisers. In addition, certain of our DMAs are overlapped by over-the-air station from adjacent DMAs and MVPDs of stations from other DMAs, which tends to spread viewership and advertising expenditures over a larger number of television stations.

Television stations compete for audience share primarily on the basis of program popularity, which has a direct effect on advertising rates. Our network affiliated stations are largely dependent upon the performance of network provided programs in order to attract viewers. Non-network

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time periods are programmed by the station primarily with syndicated programs purchased for cash, cash and barter or barter-only, as well as through self-produced news, public affairs programs, live local sporting events, paid-programming and other entertainment programming.

Television advertising rates are based upon factors which include the size of the DMA in which the station operates, a program's popularity among the viewers that an advertiser wishes to attract, the number of advertisers competing for the available time, the demographic makeup of the DMA served by the station, the availability of alternative advertising media in the DMA, the aggressiveness and knowledge of the sales forces in the DMA and development of projects, features and programs that tie advertiser messages to programming. We believe that our sales and programming strategies allow us to compete effectively for advertising revenues within our DMAs.

The broadcasting industry is continuously faced with technical changes and innovations, competing entertainment and communications media, changes in labor conditions and governmental restrictions or actions of federal regulatory bodies, including the FCC, any of which could possibly have a material effect on a television station's operations and profits. For instance, the FCC has established Class A television service for qualifying low power television stations. This Class A designation provides low power television stations, which ordinarily have no broadcast frequency rights when the low power signal conflicts with a signal from any full power stations, some additional frequency rights. These rights may allow low power stations to compete more effectively with

Table of Contents

full power stations. We cannot predict the effect of increased competition from Class A television stations in markets where we have full power television stations.

Moreover, technology advances and regulatory changes affecting programming delivery through fiber optic lines, video compression, and new wireless uses could lower entry barriers for new video channels and encourage the further development of increasingly specialized niche programming. Telephone companies are permitted to provide video distribution services, on a common carrier basis, as cable systems or as open video systems, each pursuant to different regulatory schemes. Additionally, in January 2004, the FCC concluded an auction for licenses operating in the 12 GHz band that can be used to provide multi-channel video programming distribution. Those licenses were granted in July 2004. In addition, on March 18, 2008, the FCC concluded an auction for the rights to operate the 700 MHz frequency band that had been used by analog television broadcasters and became available when full power television stations ceased using the spectrum as a result of the digital television transition on June 12, 2009. The winning bidders were announced on March 20, 2008. The FCC has indicated that the spectrum may be used for flexible fixed, mobile, and broadcast uses, including fixed and mobile wireless commercial services; fixed and mobile wireless uses for private, internal radio needs; mobile and other new digital broadcast operations; and, may include two-way interactive, cellular, and mobile television broadcasting services. We are unable to predict what other video technologies might be considered in the future or the effect that technological and regulatory changes will have on the broadcast television industry and on the future profitability and value of a particular broadcast television station.

DTV technology has the potential to permit us to provide viewers multiple channels of digital television over each of our existing standard digital channels, to provide certain programming in HD television format and to deliver other channels of information in the forms of data and programming to the internet, PCs, smart phones, tablet computers and mobile devices. These additional capabilities may provide us with additional sources of revenue, as well as additional competition.

We also compete for programming, which involves negotiating with national program distributors or syndicators that sell first-run and rerun packages of programming. Our stations compete for access to those programs against in-market broadcast station competitors for syndicated products and with national cable networks. Public broadcasting stations generally compete with commercial broadcasters for viewers, but not for advertising dollars.

We believe we compete favorably against other television stations because of our management skill and experience, our ability historically to generate revenue share greater than our audience share, our network affiliations and program service arrangements and our local program acceptance. In addition, we believe that we benefit from the operation of multiple broadcast properties, affording us certain non-quantifiable economies of scale and competitive advantages in the purchase of programming.

EMPLOYEES

As of February 28, 2011, we had approximately 2,350 employees. Approximately 100 employees are represented by labor unions under certain collective bargaining agreements. We have not experienced any significant labor problems and consider our overall labor relations to be good.

AVAILABLE INFORMATION

We regularly use our website as a source of company information and it can be accessed at www.sbg.net. We make available, free of charge through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such documents are electronically submitted to the SEC. In addition, a replay of each of our quarterly earnings conference calls is available on our website until the subsequent quarter's earnings call. The information contained on, or otherwise accessible through, our website is not a part of this Annual Report on Form 10-K and is not incorporated herein by reference.

Table of Contents

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below before investing in our securities. Our business is also subject to the risks that affect many other companies such as general economic conditions, geopolitical events, competition, technological obsolescence and employee relations. The risks described below, along with risks not currently known to us or that we currently believe are immaterial, may impair our business operations and our liquidity in an adverse way.

Our advertising revenue can vary substantially from period to period based on many factors beyond our control. This volatility affects our operating results and may reduce our ability to repay indebtedness or reduce the market value of our securities.

We rely on sales of advertising time for most of our revenues and, as a result, our operating results depend on the amount of advertising revenue we generate. If we generate less advertising revenue, it may be more difficult for us to repay our indebtedness and the value of our business may decline. Our ability to sell advertising time depends on:

- the levels of automobile advertising, which historically have represented about one quarter of our advertising revenue; however, for the year ended December 31, 2010, automobile advertising represented 17.9% of our net time sales;
- the health of the economy in the area where our television stations are located and in the nation as a whole;
- the popularity of our programming and that of our competition;
- the reliability of our ratings information measurements, including new ratings system technologies such as people meters and set-top boxes ;
- changes in the makeup of the population in the areas where our stations are located;
- the activities of our competitors, including increased competition from other forms of advertising-based mediums, such as other broadcast television stations, radio stations, MVPDs, internet and broadband content providers and other print and media outlets serving in the same markets; and
- other factors that may be beyond our control.

After a severe economic recession in 2008 and 2009, we experienced a rebound in advertising spending in 2010 due to a resurgence of the automotive industry, our largest advertising category, and a contentious mid-term election resulting in record political revenues. There can be no assurance that our advertising revenue will not be volatile in the future or that such volatility will not have an adverse impact on our business, financial condition or results of operations.

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our debt obligations.

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We have a high level of debt, totaling \$1,212.1 million at December 31, 2010, compared to the book value of shareholders' equity (deficit) of \$157.1 million on the same date. Our relatively high level of debt poses the following risks, particularly in periods of declining revenues:

- we may be unable to service our debt obligations, including payments on notes as they come due, especially during general negative economic and market industry conditions;
- we may use a significant portion of our cash flow to pay principal and interest on our outstanding debt, especially during general negative economic and market industry conditions;
- the amount available for working capital, capital expenditures, dividends and other general corporate purposes may be limited because a significant portion of cash flow is used to pay principal and interest on outstanding debt;
- our lenders may not be as willing to lend additional amounts to us for future working capital needs, additional acquisitions or other purposes;
- the cost to borrow from lenders may increase;
- our ability to access the capital markets may be limited, and we may be unable to issue securities on pricing or other terms that we find attractive, if at all;
- if our cash flow were inadequate to make interest and principal payments, we might have to restructure or refinance our indebtedness or sell one or more of our stations to reduce debt service obligations;
- we may be more vulnerable to adverse economic conditions than less leveraged competitors and thus, less able to withstand competitive pressures; and

Table of Contents

- because the interest rate under the Bank Credit Agreement is a floating rate, any increase will reduce the funds available to repay our obligations and for operations and future business opportunities and will make us more vulnerable to the consequences of our leveraged capital structure. As of December 31, 2010, approximately \$270.0 million principal amount of our recourse debt relates to the Bank Credit Agreement.

Any of these events could reduce our ability to generate cash available for investment, debt repayment or capital improvements or to respond to events that would enhance profitability.

Commitments we have made to our lenders limit our ability to take actions that could increase the value of our securities and business or may require us to take actions that decrease the value of our securities and business.

Our existing financing agreements prevent us from taking certain actions and require us to meet certain tests. These restrictions and tests may require us to conduct our business in ways that make it more difficult to repay unsecured debt or decrease the value of our securities and business. These restrictions and tests include the following:

- restrictions on additional debt;
- restrictions on our ability to pledge our assets as security for indebtedness;
- restrictions on payment of dividends, the repurchase of stock and other payments relating to capital stock;
- restrictions on some sales of certain assets and the use of proceeds from asset sales;
- restrictions on mergers and other acquisitions, satisfaction of conditions for acquisitions and a limit on the total amount of acquisitions without the consent of bank lenders;
- restrictions on the lines of business we and our subsidiaries may operate; and
- financial ratio and condition tests including the ratio of earnings before interest, tax, depreciation and amortization, as adjusted (adjusted EBITDA) to interest expense, the ratio of first lien indebtedness to adjusted EBITDA and the ratio of Sinclair Television Group, Inc. (STG) total indebtedness to adjusted EBITDA.

Future financing arrangements may contain additional restrictions and tests. All of these restrictive covenants may limit our ability to pursue our business strategies, prevent us from taking action that could increase the value of our securities or may require actions that decrease the value of our securities. In addition, we may fail to meet the tests and thereby default on one or more of our obligations (particularly if the economy weakens and thereby reduces our advertising revenues). If we default on our obligations, creditors could require immediate payment of the obligations or foreclose on collateral. If this happens, we could be forced to sell assets or take other actions that could significantly reduce the value of our securities and business and we may not have sufficient assets or funds to pay our debt obligations.

A failure to meet covenants under our debt instruments could result in a default under such debt instruments, acceleration of amounts due under our debt and loss of assets securing our loans.

Certain of our debt is cross-defaulted with our other debt, which means that a default under certain of our debt may cause a default under certain of our indentures or the Bank Credit Agreement.

If we breach certain of our debt covenants, our lenders could require us to repay the debt immediately, and, if the debt is secured, could immediately take possession of the property securing such debt. In addition, if any other lender declared its loan due and payable as a result of a default, the holders of our outstanding notes, along with the lenders under the Bank Credit Agreement, might be able to require us to pay those debts immediately.

As a result, any default under our debt covenants could have a material adverse effect on our financial condition and our ability to meet our obligations.

Any insolvency or bankruptcy proceeding relating to Cunningham, one of our LMA partners, would cause a default and potential acceleration under the Bank Credit Agreement and could, potentially, result in Cunningham's rejection of our seven LMAs with Cunningham, which would negatively affect our financial condition and results of operations.

Cunningham operates in the same industry as us and hence faces similar financial and economic pressures. Cunningham is our LMA partner in seven markets. Because the seven LMAs with Cunningham are material to our financial condition and results of operations, we are affected by the financial condition of Cunningham or any of its subsidiaries. Any insolvency or bankruptcy proceeding relating to Cunningham or any of its subsidiaries would materially negatively affect our financial condition and results of operations.

Table of Contents

Despite current debt levels, we may be able to incur significantly more debt in the future, which could increase the foregoing risks related to our indebtedness.

At December 31, 2010, we had \$135.9 million available (subject to certain borrowing conditions) for additional borrowings under the revolving credit facility (the Revolving Credit Facility) of the Bank Credit Agreement, all of which was available under our current borrowing capacity. Under the terms of the debt instruments to which we are subject, and provided we meet certain financial and other covenants, we may be able to incur substantial additional indebtedness in the future, including additional senior debt and secured debt. If we incur additional indebtedness, the risks described in the risk factors in this report relating to having substantial debt could intensify.

Financial and economic conditions may have an adverse impact on our industry, business, results of operations or financial condition.

Financial and economic conditions have been challenging and the continuation or worsening of such conditions could further reduce consumer confidence and have an adverse effect on the fundamentals of our business, results of operations and/or financial condition. Poor economic and industry conditions could have a negative impact on our industry or the industry of those customers who advertise on our stations, including, among others, the automotive industry and service businesses, each of which is a significant source of our advertising revenue. Additionally, financial institutions, capital providers, or other consumers may be adversely affected. Potential consequences of any financial and economic decline include:

- the financial condition of those companies that advertise on our stations, including, among others, the automobile manufacturers and dealers, may be adversely affected and could result in a significant decline in our advertising revenue;
- our ability to pursue the acquisition of attractive television and non-television assets may be limited if we are unable to obtain any necessary additional capital on favorable terms, if at all;
- our ability to pursue the divestiture of certain television and non-television assets at attractive values may be limited;
- the possibility that our business partners, such as our counterparties to our outsourcing and news share arrangements, could be negatively impacted and our ability to maintain these business relationships could also be impaired;
- our ability to refinance our existing debt on terms and at interest rates we find attractive, if at all, may be impaired;
- our ability to make certain capital expenditures may be significantly impaired; and
- one or more of the lenders under our Bank Credit Agreement could refuse to fund its commitment to us or could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all.

We must purchase television programming in advance based on expectations about future revenues. Actual revenues may be lower than our expectations. If this happens, we could experience losses that may make our securities less valuable.

One of our most significant costs is television programming. Our ability to generate revenue to cover this cost may affect the value of our securities. If a particular program is not popular in relation to its costs, we may not be able to sell enough advertising time to cover the costs of the program. Since we generally purchase programming content from others rather than producing such content ourselves, we have limited control over the costs of the programming. We usually must purchase programming several years in advance and may have to commit to purchase more than one year's worth of programming. We may replace programs that are doing poorly before we have recaptured any significant portion of the costs we incurred or before we have fully amortized the costs. Any of these factors could reduce our revenues or otherwise cause our costs to escalate relative to revenues. These factors are exacerbated during a weak advertising market. Additionally, our business is subject to the popularity of the programs provided by the networks with which we have network affiliation agreements or which provide us programming.

We may lose a large amount of programming if a network terminates its affiliation or program service arrangement with us, which could increase our costs and/or reduce revenue.

Our 58 television stations that we own and operate, or to which we provide (or for which we are provided) programming services or sales services, are affiliated with networks. The networks produce and distribute programming in exchange for each station's commitment to air the programming at specified times and for commercial announcement time during programming. The amount and quality of programming provided by each network varies.

The non-renewal or termination of any of our network affiliation agreements would prevent us from being able to carry programming of the relevant network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and which may not be as attractive to our target audiences, resulting in reduced revenues.

Table of Contents

Upon the termination of any of our network affiliation agreements, we would be required to establish a new network affiliation agreement for the affected station with another network or operate as an independent station. At such time, the remaining value of the network affiliation asset could become impaired and we would be required to write down the value of the asset to its estimated fair value.

We may not be able to negotiate our network affiliation agreements or program service arrangements at terms comparable to or more favorable than our current agreements upon their expiration.

As network affiliation agreements come up for renewal, we may not be able to negotiate terms comparable to or more favorable than our current agreements. On March 25, 2010, we agreed to terms on a renewal of our eight ABC network affiliation agreements, expiring on August 31, 2015. On December 21, 2010, we agreed to terms of renewal of 20 FOX network affiliation agreements, expiring December 31, 2012. Pursuant to the terms, we are required to pay an annual license fee to ABC and a programming fee to FOX for network programming. All 10 of our affiliation agreements with The CW expire on August 31, 2011. We cannot predict the outcome of any future negotiations relating to our affiliation agreements or what impact, if any, they may have on our financial condition and results of operations. In addition, the impact of an increase in reverse network compensation payments, under which we compensate the network for programming pursuant to our affiliation agreements, may have a negative effect on our financial condition or results of operations.

We may not be able to renegotiate retransmission consent agreements at terms comparable to or more favorable than our current agreements and networks with which we are affiliated are currently, or in the future are expected to, require us to share revenue from retransmission consent agreements with them.

As certain retransmission consent agreements expire, we may not be able to renegotiate such agreements at terms comparable to or more favorable than our current agreements. This may cause revenues and/or revenue growth from our retransmission consent agreements to decrease under the renegotiated terms despite the fact that our current retransmission consent agreements include automatic annual fee escalators. In addition, certain of our networks or program service providers with which we are affiliated are currently, or in the future are expected to, require us to share revenue from retransmission consent agreements with them as part of renewing expiring affiliation agreements or pursuant to certain rights contained in existing affiliation agreements. There can be no assurances that the amounts shared will not increase at expiration of the current contracts.

The effects of the economic environment could require us to record an asset impairment of goodwill and FCC licenses.

We are required to analyze goodwill and certain other intangible assets for impairment. The accounting guidance establishes a method of testing goodwill and FCC licenses for impairment on an annual basis, or on an interim basis if an event occurs that would reduce the fair value of a reporting unit or an indefinite-lived asset below its carrying value.

At least annually, we test our goodwill and FCC licenses for impairment. To perform this test, we estimate the fair values of our reporting units for goodwill and FCC licenses using a combination of observed prices paid for similar assets and liabilities, discounted cash flow models and appraisals. We make certain critical estimates about the future revenue growth rates within each of our markets as well as the discount rates and comparable multiples that would be used by market participants in an arms-length transaction. If these growth rates or multiples decline or if the discount rate increases, our goodwill and/or FCC licenses' carrying amounts could be in excess of the estimated fair value. An impairment of

some or all of the value of these assets could result in a material effect on the consolidated statements of operations in the future. As of December 31, 2010, we had approximately \$660.0 million and \$47.4 million of goodwill and broadcast licenses, respectively. As of December 31, 2010, goodwill and broadcast licenses in aggregate represented 47.6% of our total assets. For additional information regarding impairments to our goodwill and broadcast licenses, see *Note 4. Goodwill, Broadcast Licenses and Other Intangible Assets* in the Notes to our Consolidated Financial Statements.

Table of Contents

Key officers and directors have financial interests that are different and sometimes opposite from ours and we may engage in transactions with these officers and directors that may benefit them to the detriment of other securityholders.

Some of our officers, directors and majority shareholders own stock or partnership interests in businesses that engage in television broadcasting, do business with us or otherwise do business that conflicts with our interests. They may transact some business with us upon approval by the independent members of our board of directors even if there is a conflict of interest or they may engage in business competitive to our business and those transactions may benefit the officers, directors or majority shareholders to the detriment of our securityholders. Each of David D. Smith, Frederick G. Smith, and J. Duncan Smith is an officer and director of Sinclair and Robert E. Smith is a director of Sinclair. Together, the Smiths hold shares of our common stock that control the outcome of most matters submitted to a vote of shareholders.

The Smiths own a controlling interest in Bay Television, Inc., a company that owns WTTA-TV in Tampa/St. Petersburg, Florida, a television station which we program pursuant to an LMA. The Smiths also own businesses that lease real property and tower space to us and engage in other transactions with us. Trusts established by Carolyn C. Smith, a parent of the Smiths for the benefit of her and her grandchildren own Cunningham, our LMA partner in seven markets. In addition, we have been granted the rights to acquire, subject to applicable FCC rules and regulations, Cunningham (although the present rules and regulations of the FCC would not allow us to control the stations of Cunningham (the Cunningham Stations) if we continue to hold television stations in the same market as the Cunningham Stations). David D. Smith, Frederick G. Smith, J. Duncan Smith, Robert E. Smith and David B. Amy, our Executive Vice President and Chief Financial Officer, together own interests in Allegiance Capital Limited Partnership, a limited partnership in which we also hold an interest. Frederick G. Smith owns an interest in Patriot Capital II, L.P., a limited partnership in which we also hold an interest. We can give no assurance that these transactions or any transactions that we may enter into in the future with our officers, directors or majority shareholders, have been, or will be, negotiated on terms as favorable to us as we would obtain from unrelated parties. Maryland law and our financing agreements limit the extent to which our officers, directors and majority shareholders may transact business with us and pursue business opportunities that we might pursue. These limitations do not, however, prohibit all such transactions.

For additional information regarding our related person transactions, see *Note 11. Related Person Transactions*, in the Notes to our Consolidated Financial Statements.

The Smiths exercise control over most matters submitted to a shareholder vote and may have interests that differ from other securityholders. They may, therefore, take actions that are not in the interests of other securityholders.

David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith hold shares representing approximately 82.1% of the common stock voting rights of us as of February 28, 2011 and, therefore, control the outcome of most matters submitted to a vote of shareholders, including, but not limited to, electing directors, adopting amendments to our certificate of incorporation and approving corporate transactions. The Smiths hold substantially all of the Class B Common Stock, which have ten votes per share. Our Class A Common Stock has only one vote per share. In addition, the Smiths hold half our board of directors seats and, therefore, have the power to exert significant influence over our corporate management and policies. The Smiths have entered into a stockholders agreement pursuant to which they have agreed to vote for each other as candidates for election to our board of directors until June 13, 2015.

Although in the past the Smiths have recused themselves from related person transactions, circumstances may occur in which the interests of the Smiths, as the controlling securityholders, could be in conflict with the interests of other securityholders and the Smiths would have the ability to cause us to take actions in their interest. In addition, the Smiths could pursue acquisitions, divestitures or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to our other securityholders.

(See Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* and Item 13. *Certain Relationships and Related Transactions*, which will be included as part of our Proxy Statement for our 2011 Annual Meeting.)

Significant divestitures by the Smiths could cause them to own or control less than 51% of the voting power of us, which would in turn give Cunningham the right to terminate the LMAs and other agreements with Cunningham due to a change in control of us. Any such terminations would have an adverse effect on our results of operations. The FCC's multiple ownership rules limit our ability to operate multiple television stations in some markets and may result in a reduction in our revenue or prevent us from reducing costs. Changes in these rules may threaten our existing strategic approach to certain television markets. See *Changes in rules on local marketing agreements* in the risk factor below.

Table of Contents

Federal regulation of the broadcasting industry limits our operating flexibility, which may affect our ability to generate revenue or reduce our costs.

The FCC regulates our business, just as it does all other companies in the broadcasting industry. We must ask the FCC's approval whenever we need a new license, seek to renew, assign or modify a license, purchase a new station, sell an existing station or transfer the control of one of our subsidiaries that holds a license. Our FCC licenses and those of the stations we program pursuant to LMAs are critical to our operations; we cannot operate without them. We cannot be certain that the FCC will renew these licenses in the future or approve new acquisitions in a timely manner, if at all. If licenses are not renewed or acquisitions are not approved, we may lose revenue that we otherwise could have earned.

In addition, Congress and the FCC may, in the future, adopt new laws, regulations and policies regarding a wide variety of matters (including, but not limited to, technological changes in spectrum assigned to particular services) that could, directly or indirectly, materially and adversely affect the operation and ownership of our broadcast properties. (See *Item 1. Business.*)

The FCC's multiple ownership rules limit our ability to operate multiple television stations in some markets and may result in a reduction in our revenue or prevent us from reducing costs. Changes in these rules may threaten our existing strategic approach to certain television markets.

Changes in rules on television ownership

Congress passed a bill requiring the FCC to establish a national audience reach cap of 39% that was signed into law on January 23, 2004. This law permits broadcast television owners to own more television stations nationally, potentially affecting our competitive position.

In June 2003, the FCC adopted new multiple ownership rules. In September 2003, the Court of Appeals for the Third Circuit stayed the effectiveness of the rules. In June 2004, the court issued a decision which upheld a portion of such rules and remanded the matter, including the local television ownership rule, to the FCC for further justification of the rules. The court left the stay of the 2003 rules in place pending the remand. Several parties, including us, filed petitions with the Supreme Court of the United States seeking review of the Third Circuit decision, but the Supreme Court denied the petitions in June 2005. In July 2006, as part of the FCC's statutorily required quadrennial review of its media ownership rules, the FCC released Further Notice of Proposed Rule Making seeking comment on how to address the issues raised by the Third Circuit's decision, including the local television ownership rules. In February 2008, the FCC released an order containing its current ownership rules, which re-adopted its 1999 local television ownership rule. On February 29, 2008, several parties, including us, separately filed petitions for review in a number of federal appellate courts challenging the FCC's current ownership rules. By lottery, those petitions were consolidated in the U.S. Court of Appeals for the Ninth Circuit. In July 2008, several parties, including us, filed motions to transfer the consolidated proceedings in the U.S. Court of Appeals for the D.C. Circuit and other parties requested transfer to the U.S. Court of Appeals for the Third Circuit. In November 2008, the Ninth Circuit transferred the consolidated proceedings to the Third Circuit where the proceedings are currently pending. These rules would not allow us to control the Cunningham Stations if we continue to hold television stations in the same markets as the Cunningham Stations and could force us to terminate or modify the LMAs with the Cunningham Stations. In addition, if Cunningham were to exercise its put rights under the acquisition and merger agreements and the LMAs, each as amended and/or restated, we may have to find a suitable third party to assume our purchase obligations because we are not permitted to purchase such stations under current FCC rules. We cannot assure you that we would be able to locate such a third party or that any such third party would continue the LMAs (or any alternative arrangements) with us on substantially similar terms that are as favorable to us or at all.

Changes in rules on local marketing agreements

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Certain of our stations have entered into what have commonly been referred to as local marketing agreements or LMAs. One typical type of LMA is a programming agreement between two separately owned television stations serving the same market, whereby the licensee of one station programs substantial portions of the broadcast day and sells advertising time during such programming segments on the other licensee's station subject to the ultimate editorial and other controls being exercised by the latter licensee. We believe these arrangements allow us to reduce our operating expenses and enhance profitability.

In 1999, the FCC established a new local television ownership rule and decided to attribute LMAs for ownership purposes. It grandfathered our LMAs that were entered into prior to November 5, 1996, permitting the applicable stations to continue operations pursuant to the LMAs until the conclusion of the FCC's 2004 biennial review. The FCC stated it would conduct a case-by-case review of grandfathered LMAs and assess the appropriateness of extending the grandfathering periods. Subsequently, the FCC invited comments as to whether, instead of beginning

Table of Contents

the review of the grandfathered LMAs in 2004, it should do so in 2006. The FCC did not initiate any review of grandfathered LMAs in 2004 or as part of its 2006 quadrennial review. We do not know when, or if, the FCC will conduct any such review of grandfathered LMAs. With respect to LMAs executed on or after November 5, 1996, the FCC required that parties come into compliance with the 1999 local television ownership rule by August 6, 2001. We challenged the 1999 local television ownership rule in the U.S. Court of Appeals for the D.C. Circuit, and that court stayed the enforcement of the divestiture of the post-November 5, 1996 LMAs. In 2002, the D.C. Circuit ruled that the 1999 local television ownership rule was arbitrary and capricious and remanded the rule to the FCC. Currently, three of our LMAs are grandfathered under the local television ownership rule because they were entered into prior to November 5, 1996 and the remainder are subject to the stay imposed by the D.C. Circuit. If the FCC were to eliminate the grandfathering of these three LMAs, or the D.C. Circuit were to lift its stay, we would have to terminate or modify these LMAs.

In 2003, the FCC revised its ownership rules, including the local television ownership rule. The effective date of the 2003 ownership rules was stayed by the U. S. Court of Appeals for the Third Circuit and the rules were remanded to the FCC. Because the effective date of the 2003 ownership rules had been stayed and, in connection with the adoption of those rules, the FCC concluded the 1999 rules could not be justified as necessary in the public interest, we took the position that an issue exists regarding whether the FCC has any current legal right to enforce any rules prohibiting the acquisition of television stations. Several parties, including us, filed petitions with the Supreme Court of the United States seeking review of the Third Circuit decision, but the Supreme Court denied the petitions in June 2005.

On November 15, 1999, we entered into a plan and agreement of merger to acquire through merger WMYA-TV in Anderson, South Carolina from Cunningham, but that transaction was denied by the FCC. In light of the change in the 2003 ownership rules, we filed a petition for reconsideration with the FCC and amended our application to acquire the license of WMYA-TV. We also filed applications in November 2003 to acquire the license assets of, at the time, the remaining five Cunningham stations: WRGT-TV, Dayton, Ohio; WTAT-TV, Charleston, South Carolina; WVAH-TV, Charleston, West Virginia; WNUV-TV, Baltimore, Maryland; and WTTE-TV, Columbus, Ohio. The Rainbow/PUSH Coalition (Rainbow/PUSH) filed a petition to deny these five applications and to revoke all of our licenses on the grounds that such acquisition would violate the local television ownership rules. The FCC dismissed our applications in light of the stay of the 2003 ownership rules and also denied the Rainbow/PUSH petition. Rainbow/PUSH filed a petition for reconsideration of that denial and we filed an application for review of the dismissal. In 2005, we filed a petition with the U. S. Court of Appeals for the D. C. Circuit requesting that the Court direct the FCC to take final action on our applications, but that petition was dismissed. On January 6, 2006, we submitted a motion to the FCC requesting that it take final action on our applications. Both the applications and the associated petition to deny are still pending. We believe the Rainbow/PUSH petition is without merit. On February 8, 2008, we filed a petition with the U.S. Court of Appeals for the D.C. Circuit requesting that the Court direct the FCC to take final action on these applications and cease its use of the 1999 local television ownership rule that it re-adopted as the permanent rule in 2008. In July 2008, the D.C. Circuit transferred the case to the U.S. Court of Appeals for the Ninth Circuit, and we filed a petition with the D.C. Circuit challenging that decision, which was denied. We also filed with the Ninth Circuit a motion to transfer that case back to the D.C. Circuit. In November 2008, the Ninth Circuit consolidated our petition seeking final FCC action on our applications with the petitions challenging the FCC's current ownership rules and transferred the proceedings to the Third Circuit. In December 2008, we agreed voluntarily with the parties to the proceeding to dismiss the petition seeking final FCC action on the applications. In addition, if Cunningham were to exercise its put rights under the acquisition and merger agreements and the LMAs, each as amended and/or restated, we may have to find a suitable third party to assume our purchase obligations because we are not permitted to purchase such stations under current FCC rules. In the event of any such assignments, new applications will have to be filed to reflect the third party as the applicant. In that event, upon the closing of the assignment to such third party, our appeals relating to the 1999 local television ownership rules with respect to our three non-grandfathered LMAs may be moot and the three non-grandfathered LMAs may be terminated.

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

- Loss of revenues. If the FCC requires us to modify or terminate existing LMAs, we would lose some or all of the revenues generated from those LMAs. We would lose revenue because we will have less demographic options, a smaller audience distribution and lower revenue share to offer to advertisers. During the year ended December 31, 2010, we generated \$118.5 million of net revenue from our nine LMAs.

- Increased costs. If the FCC requires us to modify or terminate existing LMAs, our cost structure would increase. For example, we likely would incur increased programming costs because we will be competing with the separately owned station for syndicated programming. We may also need to add new employees.

Table of Contents

- Losses on investments. As part of our LMA arrangements, we own the non-license assets used by the stations with which we have LMAs. If certain of these LMA arrangements are no longer permitted, we would be forced to sell these assets, restructure our agreements or find another use for them. If this happens, the market for such assets may not be as good as when we purchased them and, therefore, we cannot be certain of a favorable return on our original investments.
- Termination penalties. If the FCC requires us to modify or terminate existing LMAs before the terms of the LMAs expire, or under certain circumstances, we elect not to extend the terms of the LMAs, we may be forced to pay termination penalties under the terms of some of our LMAs. Any such termination penalties could be material.
- Alternative arrangements. If the FCC requires us to terminate the existing LMAs, we may enter into one or more alternative arrangements, such as outsourcing agreements, relating to the affected stations. Any such arrangements may be on terms that are less beneficial to us than the existing LMAs.

Use of outsourcing agreements

In addition to our LMAs, we have entered into four (and may seek opportunities for additional) outsourcing agreements in which our stations provide or are provided various non-programming related services such as sales, operational and managerial services to or by other stations. Pursuant to these agreements, one of our stations in Nashville, Tennessee and our station in Cedar Rapids, Iowa currently provide services to another station in each's respective market and another party provides services to our stations in Peoria/Bloomington, Illinois and Rochester, New York. We believe this structure allows stations to achieve operational efficiencies and economies of scale, which should otherwise improve broadcast cash flow and competitive positions. While television joint sales agreements (JSAs) are not currently attributable under the FCC rules, on August 2, 2004, the FCC released a notice of proposed rulemaking seeking comments on its tentative conclusion that JSAs should be attributable. We cannot predict the outcome of this proceeding, nor can we predict how any changes, together with possible changes to the ownership rules, would apply to our existing outsourcing agreements. If the FCC were to determine that our outsourcing arrangements were LMAs, we would have to terminate or restructure such arrangements on terms that may not be as advantageous to us as the current arrangements.

Failure of owner/licensee to exercise control

The FCC requires the owner/licensee of a station to maintain independent control over the programming and operations of the station. As a result, the owners/licensees of those stations with which we have LMAs or outsourcing agreements can exert their control in ways that may be counter to our interests, including the right to preempt or terminate programming in certain instances. The preemption and termination rights cause some uncertainty as to whether we will be able to air all of the programming that we have purchased under our LMAs and therefore, uncertainty about the advertising revenue that we will receive from such programming. In addition, if the FCC determines that the owner/licensee is not exercising sufficient control, it may penalize the owner licensee by a fine, revocation of the license for the station or a denial of the renewal of that license. Any one of these scenarios, especially the revocation of or denial of renewal of a license, might result in a reduction of our cash flow and an increase in our operating costs or margins. In addition, penalties might also affect our qualifications to hold FCC licenses, putting our own licenses at risk.

The pendency and indeterminacy of the outcome of these ownership rules, which may limit our ability to provide services to additional or existing stations pursuant to licenses, LMAs, outsourcing agreements or otherwise, expose us to a certain amount of volatility, particularly if the outcomes are adverse to us. Further, resolution of these ownership rules has been and will likely continue to be a cost burden and a distraction to our management and the continued absence of a resolution may have a negative effect on our business.

Competition from other broadcasters or other content providers and changes in technology may cause a reduction in our advertising revenues and/or an increase in our operating costs.

New technology and the subdivision of markets

Cable providers, direct broadcast satellite companies and telecommunication companies are developing new technology that allows them to transmit more channels on their existing equipment to highly targeted audiences, reducing the cost of creating channels and potentially leading to the division of the television industry into ever more specialized niche markets. Competitors who target programming to such sharply defined markets may gain an advantage over us for television advertising revenues. The decreased cost of creating channels may also encourage new competitors to enter our markets and compete with us for advertising revenue. In addition, technologies that allow viewers to digitally record, store and play back television programming may decrease viewership of commercials as recorded by media measurement services such as Nielsen Media Research and, as a result, lower our advertising revenues. The broadcast and advertising industries have agreed on a ratings standard that includes live viewing plus

Table of Contents

viewers who watch a program within 72 hours of its original appearance. However, the effects of new ratings system technologies, including people meters and set-top boxes, and the ability of such technologies to be a reliable standard that can be used by advertisers is currently unknown. In 2010, the Media Rating Council, an independent organization set-up to monitor rating services, revoked Nielsen's accreditation in the 154 markets it measures ratings exclusively by its diary methodology. Approximately 14 of our stations are currently diary only markets. In January 2011, for certain markets, including our diary only markets, we entered into a contract with Rentrak Corporation, an alternative rating service provider, that uses set-top box television measurements to provide us additional measurement information to the ratings service Nielsen provides.

Since digital television technology allows broadcasting of multiple channels within the additional allocated spectrum, this technology could expose us to additional competition from programming alternatives. In addition, technological advancements and the resulting increase in programming alternatives, such as cable television, direct broadcast Satellite systems, pay-per-view, home video and entertainment systems, video-on-demand, mobile video and the Internet have also created new types of competition to television broadcast stations and will increase competition for household audiences and advertisers. We cannot provide any assurances that we will remain competitive with these developing technologies.

Types of competitors

We also face competition from rivals that may have greater resources than we have. These include:

- other local free over-the-air broadcast television and radio stations;
- telecommunication companies;
- cable and satellite system operators;
- print media providers such as newspapers, direct mail and periodicals;
- internet search engines, internet service providers and websites; and
- competition from other emerging technologies including mobile television.

Deregulation

The Telecommunications Act of 1996 and subsequent actions by the FCC and the courts have removed some limits on station ownership, allowing telephone, cable and some other companies to provide video services in competition with us. In addition, the FCC has reallocated and auctioned off a portion of the spectrum for new services including fixed and mobile wireless services and digital broadcast services. As a result of these changes, new companies are able to enter our markets and compete with us.

We could be adversely affected by labor disputes and legislation and other union activity.

The cost of producing and distributing entertainment programming has increased substantially in recent years due to, among other things, the increasing demands of creative talent and industry-wide collective bargaining agreements. Although we generally purchase programming content from others rather than produce such content ourselves, our program suppliers engage the services of writers, directors, actors and on-air and other talent, trade employees and others, some of whom are subject to these collective bargaining agreements. If our program suppliers are unable to renew expiring collective bargaining agreements, it is possible that the affected unions could take action in the form of strikes or work stoppages. Failure to renew these agreements, higher costs in connection with these agreements or a significant labor dispute could adversely affect our business by causing delays in production that lead to declining viewers, and reductions in the profit margins of our programming and the amounts we can charge advertisers for time. Further, any changes in the existing labor laws, including the possible enactment of the Employee Free Choice Act, may further the realization of the foregoing risks.

Unrelated third parties may bring claims against us based on the nature and content of information posted on websites maintained by us.

We host internet services that enable individuals to exchange information, generate content, comment on our content, and engage in various online activities. The law relating to the liability of providers of these online services for activities of their users is currently unsettled both within the United States and internationally. Claims may be brought against us for defamation, negligence, copyright or trademark infringement, unlawful activity, tort, including personal injury, fraud, or other theories based on the nature and content of information that may be posted online or generated by our users. Our defense of such actions could be costly and involve significant time and attention of our management and other resources.

Table of Contents

We may be subject to fines and other penalties related to violations of FCC indecency rules and other FCC rules and policies, the enforcement of which has increased in recent years, and complaints related to such violations may delay our renewal applications with the FCC.

We provide a significant amount of live news reporting that is provided by the broadcast networks or is controlled by our on-air news talent. Although both broadcast network and our on-air talent have generally been professional and careful in what they say, there is always the possibility that information may be reported that is inaccurate or even in violation of certain indecency rules promulgated by the FCC. In addition, entertainment programming provided by broadcast networks may contain content that is in violation of the indecency rules promulgated by the FCC. Because the interpretation by the courts and the FCC of the indecency rules is not always clear, it is sometimes difficult for us to determine in advance what may be indecent programming. We have insurance to cover some of the liabilities that may occur, but the FCC has enhanced its enforcement efforts relating to the regulation of indecency. In addition, in 2006, Congress dramatically increased the penalties for broadcasting indecent programming and potentially subjects broadcasters to license revocation, renewal or qualification proceedings in the event that they broadcast indecent material. We are currently subject to pending FCC inquiries and proceedings relating to alleged violations of indecency, sponsorship identification, children's programming and captioning rules. There can be no assurance that an incident that may lead to significant fines or other penalties by the FCC can be avoided.

In addition, action on many license renewal applications, including those we have filed, has been delayed because of, among other reasons, the pendency of complaints that programming aired by the various networks contained indecent material and complaints regarding alleged violations of sponsorship identification, children's programming and captioning rules. As of February 28, 2011, 15 of our renewal applications were subject to such complaints. We cannot predict when the FCC will address these complaints and act on the renewal applications. We continue to have operating authority until final action is taken on our renewal applications.

The FCC's National Broadband Plan may result in a loss of spectrum for our stations potentially adversely impacting our ability to compete.

The FCC's National Broadband Plan contemplates the voluntary reallocation of spectrum from broadcasters for other purposes which may include wireless broadband. On November 30, 2010, the FCC initiated a Notice of Proposed Rulemaking that seeks comments on three methods that would permit up to 120 MHz of television spectrum to be reallocated for wireless broadband use: (a) encouraging broadcasters voluntarily to return 120 MHz of spectrum to be auctioned for wireless broadband service, with some currently unknown portion of the proceeds to be paid to broadcasters; (b) adoption of rules to encourage two or more digital television stations to share the same 6 MHz channel, thus lessening the spectrum occupied by each station; and (c) to adopt new engineering rules which would make VHF channels more desirable for digital television operations, thus encouraging stations to move from their current UHF channels into the VHF band, freeing UHF spectrum for wireless broadband use. This initiative raises a number of issues that could impact the broadcast industry. We cannot predict whether any of these proposals will be adopted, or, if adopted, the form of such final rules or whether they would have an adverse impact on our ability to compete. Moreover, we cannot predict whether the FCC might adopt even more stringent requirements, or incentives to abandon current spectrum, if its initiatives are adopted but do have the desired result in freeing what the agency deems sufficient spectrum for wireless broadband use.

Costs of complying with changes in governmental laws and regulations may adversely affect our results of operations.

We cannot predict what other governmental laws or regulations will be enacted in the future, how future laws or regulations will be administered or interpreted or how future laws or regulations will affect us. Compliance with new laws or regulations, including proposed legislation to address climate change, or stricter interpretation of existing laws, may require us to incur significant expenditures or impose significant

restrictions on us and could cause a material adverse effect on our results of operations.

The continuation of the wars in Iraq and Afghanistan may negatively impact our advertising revenues and results of operations. Future conflicts, terrorist attacks or other acts of violence may have a similar effect.

The commencement of the war in Iraq in 2002 and activities in Afghanistan resulted in a reduction of advertising revenues as a result of uninterrupted news coverage and/or general economic uncertainty. The continuation of these wars may have a similar negative impact on our advertising revenues and results of operations. If the United States becomes engaged in similar conflicts in the future, there may be a similar adverse effect on our results of operations. Also, any terrorist attacks or other acts of violence may have a similar negative effect on our business or results of operations.

Table of Contents**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

ITEM 2. PROPERTIES

Generally, each of our stations has facilities consisting of offices, studios and tower sites. Transmitter and tower sites are located to provide maximum signal coverage of our stations' markets. We believe that all of our properties, both owned and leased, are generally in good operating condition, subject to normal wear and tear and are suitable and adequate for our current business operations. The following is a summary of our principal owned and leased real properties. Approximately 67,000 square feet of the leased office and studio building is related to our corporate facilities. We believe that no one property represents a material amount of the total properties owned or leased. See *Item 1. Business*, for a listing of our station locations.

| Broadcast Segment | Owned | Leased |
|-----------------------------|---------------------|---------------------|
| Office and studio buildings | 494,030 square feet | 302,433 square feet |
| Office and studio land | 135 acres | 2 acres |
| Transmitter building sites | 79,510 square feet | 67,250 square feet |
| Transmitter and tower land | 1,101 acres | 227 acres |

| Other Operating Divisions Segment | Owned | Leased |
|--|---------------------|---------------------|
| Office and warehouse buildings | | 112,040 square feet |
| Recreational land | 722 acres | |
| Real estate rental property | 344,214 square feet | 9,300 square feet |
| Land held for development and sale | 1,721 acres | |

ITEM 3. LEGAL PROCEEDINGS

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.

ITEM 4. REMOVED AND RESERVED

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our Class A Common Stock is listed for trading on the NASDAQ stock market under the symbol SBGI. Our Class B Common Stock is not traded on a public trading market or quotation system. The following tables set forth for the periods indicated the high and low closing sales prices on the NASDAQ stock market for our Class A Common Stock.

| 2010 | | High | | Low |
|----------------|----|-------------|----|------------|
| First Quarter | \$ | 5.78 | \$ | 4.63 |
| Second Quarter | \$ | 7.79 | \$ | 5.33 |
| Third Quarter | \$ | 7.38 | \$ | 5.39 |
| Fourth Quarter | \$ | 8.47 | \$ | 7.12 |

| 2009 | | High | | Low |
|----------------|----|-------------|----|------------|
| First Quarter | \$ | 3.86 | \$ | 0.89 |
| Second Quarter | \$ | 2.12 | \$ | 1.04 |
| Third Quarter | \$ | 3.81 | \$ | 1.07 |
| Fourth Quarter | \$ | 5.03 | \$ | 2.95 |

As of February 28, 2011, there were approximately 82 shareholders of record of our common stock. This number does not include beneficial owners holding shares through nominee names.

Dividend Policy

In February 2009, we decided it was prudent to suspend the dividend due to the negative economic climate. Amid improvements in general economic conditions and in our performance, in November 2010, our Board of Directors declared a \$0.43 per share common stock dividend payable on December 15, 2010 to holders of record on December 1, 2010. In February 2011, our Board of Directors reinstated our dividend policy, declaring a quarterly common stock dividend of \$0.12 per share. Future dividends on our common shares, if any, will be at the discretion of our Board of Directors and will depend on several factors including our results of operations, cash requirements and surplus, financial condition, covenant restrictions and other factors that the Board of Directors may deem relevant. The Class A Common Stock and Class B Common Stock holders have the same rights related to dividends. Our Bank Credit Agreement and some of our debt instruments contain restrictions on our ability to pay dividends. Under our Bank Credit Agreement, in certain circumstances we may make up to \$40.0 million in unrestricted annual cash payments including but not limited to dividends. Under the indentures governing our 9.25% Second Lien Notes, due 2017 (the 9.25% Notes) and our 8.375% Senior Notes, due 2018 (the 8.375% Notes), we are restricted from paying dividends on our common stock unless certain specified conditions are satisfied, including that:

- no event of default then exists under each indenture or certain other specified agreements relating to our indebtedness; and

- after taking account of the dividends payment, we are within certain restricted payment requirements contained in each indenture.

In addition, under certain of our debt instruments, the payment of dividends is not permissible during a default thereunder.

Issuer Purchases of Equity Securities

During the fourth quarter 2010, we repurchased, pursuant to a tender offer, \$58.0 million in principal amount of the 6.0% Convertible Subordinated Debentures, due 2012 (the 6.0% Notes).

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data for the years ended December 31, 2010, 2009 and 2008 have been derived from our audited consolidated financial statements. The consolidated financial statements for the years ended December 31, 2010, 2009 and 2008 are included elsewhere in this report.

The information below should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations* and the consolidated financial statements included elsewhere in this report.

Table of Contents**STATEMENTS OF OPERATIONS DATA****(In thousands, except per share data)**

| | Years Ended December 31, | | | | |
|---|--------------------------|--------------|--------------|------------|------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Statements of Operations Data: | | | | | |
| Net broadcast revenues (a) | \$ 655,378 | \$ 554,597 | \$ 639,163 | \$ 622,643 | \$ 627,075 |
| Revenues realized from station barter arrangements | 75,210 | 58,182 | 59,877 | 61,790 | 54,537 |
| Other operating divisions revenues | 36,598 | 43,698 | 55,434 | 33,667 | 24,610 |
| Total revenues | 767,186 | 656,477 | 754,474 | 718,100 | 706,222 |
| Station production expenses | 154,133 | 142,415 | 158,965 | 148,707 | 144,236 |
| Station selling, general and administrative expenses | 127,091 | 122,833 | 136,142 | 140,026 | 137,995 |
| Expenses recognized from station barter arrangements | 67,083 | 48,119 | 53,327 | 55,662 | 49,358 |
| Depreciation and amortization (b) | 116,003 | 138,334 | 147,527 | 157,178 | 153,399 |
| Other operating divisions expenses | 30,916 | 45,520 | 59,987 | 33,023 | 24,193 |
| Corporate general and administrative expenses | 26,800 | 25,632 | 26,285 | 24,334 | 22,795 |
| Gain on asset exchange | | (4,945) | (3,187) | | |
| Impairment of goodwill, intangible and other assets | 4,803 | 249,799 | 463,887 | | 15,589 |
| Operating income (loss) | 240,357 | (111,230) | (288,459) | 159,170 | 158,657 |
| Interest expense and amortization of debt discount and deferred financing cost | (116,046) | (80,021) | (87,634) | (102,228) | (115,217) |
| (Loss) gain from extinguishment of debt | (6,266) | 18,465 | 5,451 | (30,716) | (904) |
| (Loss) income from equity and cost investees | (4,861) | 354 | (2,703) | 601 | 6,338 |
| Other income, net | 2,667 | 1,972 | 3,461 | 6,305 | 6,117 |
| Income (loss) from continuing operations before income taxes | 115,851 | (170,460) | (369,884) | 33,132 | 54,991 |
| Income tax (provision)benefit | (40,226) | 32,512 | 121,362 | (16,163) | (6,589) |
| Income (loss) from continuing operations | 75,625 | (137,948) | (248,522) | 16,969 | 48,402 |
| Discontinued operations: | | | | | |
| (Loss) income from discontinued operations, net of related income taxes | (577) | (81) | (141) | 1,219 | 3,701 |
| Gain on sale of discontinued operations, net of related income taxes | | | | 1,065 | 1,774 |
| Net income (loss) | \$ 75,048 | \$ (138,029) | \$ (248,663) | \$ 19,253 | \$ 53,877 |
| Net loss (income) attributable to noncontrolling interest | 1,100 | 2,335 | 2,133 | (279) | 100 |
| Net income (loss) attributable to Sinclair Broadcast Group | \$ 76,148 | \$ (135,694) | \$ (246,530) | \$ 18,974 | \$ 53,977 |
| Earnings (Loss) Per Common Share Attributable to Sinclair Broadcast Group: | | | | | |
| Basic earnings (loss) per share from continuing operations | \$ 0.96 | \$ (1.70) | \$ (2.87) | \$ 0.19 | \$ 0.57 |

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| | | | | | | | | | | |
|--|----|--------|----|--------|-------|--------|-------|------|-------|------|
| Basic (loss) earnings per share from discontinued operations | \$ | (0.01) | \$ | \$ | \$ | 0.03 | \$ | 0.06 | | |
| Basic earnings (loss) per share | \$ | 0.95 | \$ | (1.70) | \$ | (2.87) | \$ | 0.22 | \$ | 0.63 |
| Diluted earnings (loss) per share from continuing operations | \$ | 0.95 | \$ | (1.70) | \$ | (2.87) | \$ | 0.19 | \$ | 0.57 |
| Diluted (loss) earnings per share from discontinued operations | \$ | (0.01) | \$ | \$ | \$ | 0.03 | \$ | 0.06 | | |
| Diluted earnings (loss) per share | \$ | 0.94 | \$ | (1.70) | \$ | (2.87) | \$ | 0.22 | \$ | 0.63 |
| Dividends declared per share | \$ | 0.430 | \$ | \$ | 0.800 | \$ | 0.625 | \$ | 0.450 | |

Balance Sheet Data:

| | | | | | | | | | | |
|---------------------------|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|
| Cash and cash equivalents | \$ | 21,974 | \$ | 23,224 | \$ | 16,470 | \$ | 20,980 | \$ | 67,408 |
| Total assets | \$ | 1,485,924 | \$ | 1,590,029 | \$ | 1,816,407 | \$ | 2,224,187 | \$ | 2,271,580 |
| Total debt (c) | \$ | 1,212,065 | \$ | 1,366,308 | \$ | 1,362,278 | \$ | 1,320,417 | \$ | 1,413,623 |
| Total (deficit) equity | \$ | (157,082) | \$ | (202,222) | \$ | (58,700) | \$ | 269,581 | \$ | 267,329 |

-
- (a) Net broadcast revenues is defined as broadcast revenues, net of agency commissions.
- (b) Depreciation and amortization includes amortization of program contract costs and net realizable value adjustments, depreciation and amortization of property and equipment and amortization of definite-lived intangible assets and other assets.
- (c) Total debt is defined as notes payable, capital leases and commercial bank financing, including the current and long-term portions.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis provides qualitative and quantitative information about our financial performance and condition and should be read in conjunction with our consolidated financial statements and the accompanying notes to those statements. This discussion consists of the following sections:

Executive Overview a description of our business, financial highlights from 2010, information about industry trends and sources of revenues and operating costs;

Critical Accounting Policies and Estimates a discussion of the accounting policies that are most important in understanding the assumptions and judgments incorporated in the consolidated financial statements and a summary of recent accounting pronouncements;

Results of Operations a summary of the components of our revenues by category and by network affiliation or program service arrangement, a summary of other operating data and an analysis of our revenues and expenses for 2010, 2009 and 2008, including comparisons between years and certain expectations for 2011; and

Liquidity and Capital Resources a discussion of our primary sources of liquidity, an analysis of our cash flows from or used in operating activities, investing activities and financing activities, a discussion of our dividend policy and a summary of our contractual cash obligations and off-balance sheet arrangements.

We have two reportable operating segments, broadcast and other operating divisions that are disclosed separately from our corporate activities. Our broadcast segment includes our stations. Our other operating divisions segment primarily earned revenues in 2010 from sign design and fabrication; regional security alarm operating and bulk acquisitions; and real estate ventures. In addition to the revenues noted in 2010, in 2009, our other operating divisions segment earned revenues from information technology staffing, consulting and software development; and transmitter manufacturing. Corporate and unallocated expenses primarily include our costs to operate as a public company and to operate our corporate headquarters location. Corporate is not a reportable segment.

STG, included in the broadcast segment and a wholly owned subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under our Bank Credit Agreement, the 9.25% Notes and the 8.375% Notes and was the primary obligor under the 8.0% Senior Subordinated Notes, due 2012 (the 8.0% Notes) until they were fully redeemed in 2010. Our Class A Common Stock, Class B Common Stock, the 6.0% Notes, the 4.875% Convertible Senior Notes due 2018 (the 4.875% Notes) and the 3.0% Convertible Senior Notes due 2027 (the 3.0% Notes) remain obligations and securities of SBG and are not obligations or securities of STG. SBG is a guarantor under the Bank Credit Agreement, the 9.25% Notes and the 8.375% Notes.

EXECUTIVE OVERVIEW

2010 Events

- In January, we entered into a one-year retransmission consent agreement with Mediacom for continued carriage of the signals of 22 stations owned and/or operated by us in 15 markets; In December, we entered into a further renewal of our retransmission consent agreement with Mediacom for a term expiring January 1, 2013;
- In February, we entered into an agreement for carriage of TheCoolTV, a music video provider on certain of our stations' secondary digital signal;
- In February, we entered into a network affiliation agreement effective September 1, 2010 with The CW for KMYS-TV in San Antonio, Texas, expiring August 31, 2011. KMYS-TV switched from MyNetworkTV to The CW on the effective date;
- In February, we purchased at par approximately \$12.3 million and \$14.3 million of the 3.0% and 4.875% Notes, respectively, pursuant to tender offers;
- In March, we entered into a renewal of nine ABC network affiliation agreements which represents all of our ABC affiliates, effective January 1, 2010 and expiring August 31, 2015;
- In April, we prepaid \$25.0 million of the Bank Credit Agreement's Term Loan B;

Table of Contents

- In May, the put right period for the 3.0% Notes expired and holders representing \$10.0 million of the notes exercised their put rights. Holders of the remaining \$5.4 million of 3.0% Notes can exercise put rights again in May 2017;
- In August, we entered into an agreement with The Country Network, a country music video network, to air on 34 of our stations second or third digital signal;
- In August, we entered into an amendment of our Bank Credit Agreement. Under the amendment we paid down \$35.0 million of the outstanding \$305.0 million balance of our Term Loan B and repriced the remaining outstanding amount of \$270.0 million;
- In September, we repurchased, in the open market, \$17.0 million of the 4.875% Notes;
- In October, we issued \$250.0 million of 8.375% Notes;
- In October, we received \$8.4 million in federal tax refunds;
- In October, we purchased approximately \$58.0 million and \$175.7 million of 6.0% and 8.0% Notes, respectively, pursuant to tender offers;
- In November, our Board of Directors declared a \$0.43 per share common stock dividend paid in December 2010;
- In November, we redeemed all of the remaining \$49.0 million of 8.0% Notes;
- In December, we renewed our FOX affiliation agreements, which were due to expire on March 2012, until December 31, 2012. We also entered into a programming licensing agreement with the FOX network which allows the Company to enter into retransmission consent agreements with distributors for the remainder of the affiliation agreement;
- Excluding political, local revenues have increased 13.0% and national revenues have increased 8.9% during 2010 versus 2009 as advertising levels and retransmission revenues have gained momentum. Production, selling and general and administrative expenses combined have increased 6.0% over the same period primarily due to higher revenues and commissions; and
- Political revenues increased 2.2% compared to 2008 and 34.9% compared to 2006.

2011 Events

- In January, the put right period for the 4.875% Notes expired and no holders of the remaining \$5.7 million outstanding exercised put rights. There are no further put rights through final maturity on July 15, 2018;
- In January, we extended our program service arrangement with MyNetworkTV until Fall 2014;
- In January, we entered into a multi-year retransmission consent agreement with Bright House Networks, LLC for the carriage of six of the stations owned and/or operated by us in four markets;
- In February, our Board of Directors reinstated a quarterly common stock dividend of \$0.12 per share;

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- In February, we entered into a multi-year retransmission consent agreement with Time Warner Cable for continued carriage of 28 of the stations owned and /or operated by us in 17 markets;
- In February, revenue related to the Super Bowl, which aired on our 20 FOX affiliates was \$6.2 million, a 26.5% increase from revenue generated in 2008, the last time FOX aired the Super Bowl; and
- In February, we disclosed our intention to refinance a portion of and to amend certain terms of the Bank Credit Agreement.
- In March, we reached an agreement-in-principle with Comcast Corporation for a multi-year retransmission consent agreement for the continued carriage of 36 stations in 22 markets owned and/or operated by us or to which we provide sales services.

Industry Trends

- Political advertising increases in even-numbered years, such as 2010, due to the advertising expenditures from candidates running in local and national elections. In addition, political revenue has consistently risen between presidential election or mid-term election years such as from 2004 to 2008 or from 2006 to 2010, respectively. In every fourth year, such as 2008, political advertising is usually elevated further due to presidential elections. However, due to the contentious mid-term elections our political revenues in 2010 not only exceeded 2006 results, but exceeded 2008 presidential election year revenues as well;
- The FCC has permitted broadcast television stations to use their digital spectrum for a wide variety of services including multi-channel broadcasts. The FCC must carry rules only apply to a station's primary digital stream;
- A number of other broadcasters, including Sinclair, have joined together in organizations such as the OMVC, M500 and the MCV to focus on efforts to accelerate the nationwide availability of mobile DTV service and work through programming, distribution and aggregation opportunities. There is potential for broadcasters to create an additional revenue stream by providing their signals to mobile devices as well as through other multi-channel initiatives;
- Retransmission consent rules provide a mechanism for broadcasters to seek payment from multi-channel video programming distributors (MVPDs) who carry broadcasters' signals. Recognition of the value of the programming content provided by broadcasters, including local news and other programming and network programming all in HD has generated increased local revenues;

Table of Contents

- Automotive-related advertising is a significant portion of our total net revenues in all periods presented and these revenues trended downward in most of 2009 due to the economic turmoil. However, this sector has dramatically trended upward in 2010 and into 2011 as of the date of this filing, due to improved economic conditions;
- Many broadcasters are enhancing/upgrading their websites to use the internet to deliver rich media content, such as newscasts and weather updates, to attract advertisers;
- Seasonal advertising increases in the second and fourth quarters due to the anticipation of certain seasonal and holiday spending by consumers;
- Broadcasters have found ways to increase returns on their news programming initiatives while continuing to maintain locally produced content through the use of news sharing arrangements;
- Station outsourcing arrangements are becoming more common as broadcasters seek out ways to improve revenues and margins;
- Advertising revenue related to the Olympics occurs in even numbered years and the Super Bowl is aired on a different network each year. Both of these popularly viewed events can have an impact on our advertising revenues; and
- Compensation from networks to their affiliates in exchange for broadcasting of network programming has halted. Networks now require compensation from broadcasters for the use of network programming.

Sources of Revenues and Costs

Our operating revenues are derived from local and national advertisers and, to a much lesser extent, from political advertisers. From 2006 to 2010, we began to generate new local revenues from our retransmission consent agreements. Our revenues from local advertisers had seen a continued upward trend until 2008 and 2009 when non-political revenues fell from 2007 due to the economic recession. We saw an increase in local revenues in 2010. Revenues from national advertisers have continued to trend downward when measured as a percentage of total broadcast revenues. We believe this trend is the result of our focus on increasing local advertising revenues as a percentage of total advertising revenues, combined with a decrease in overall spending by national advertisers and an increase in the number of competitive media outlets providing national advertisers multiple alternatives in which to advertise their goods or services. Our efforts to mitigate the effect of these increasingly competitive media outlets for national advertisers include continuing our efforts to increase local revenues and developing innovative sales and marketing strategies to sell traditional and non-traditional services to our advertisers including the success of multi-channel digital initiatives together with mobile DTV. In addition, our revenue success is dependent on the success and advertising spending levels of the automotive industry.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates including those related to bad debts, program contract costs, intangible assets, income taxes, property and equipment, investments and derivative contracts. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These estimates have been

consistently applied for all years presented in this report and in the past we have not experienced material differences between these estimates and actual results. However, because future events and their effects cannot be determined with certainty, actual results could differ from our estimates and such differences could be material.

We have identified the policies below as critical to our business operations and to the understanding of our results of operations. For a detailed discussion of the application of these and other accounting policies, see *Note 1. Nature of Operations and Summary of Significant Accounting Policies*, in the Notes to our Consolidated Financial Statements.

Valuation of Goodwill, Long-Lived Assets, Intangible Assets and Equity and Cost Method Investments. We periodically evaluate our goodwill, broadcast licenses, long-lived assets, intangible assets and equity and cost method investments for potential impairment indicators. Our judgments regarding the existence of impairment indicators are based on estimated future cash flows, market conditions, operating performance of our stations and legal factors. Future events could cause us to conclude that impairment indicators exist and that the net book value of long-lived assets, intangible assets and equity and cost method investments is impaired. Any resulting impairment loss could have a material adverse impact on our consolidated balance sheets and consolidated statements of operations.

Table of Contents

We have determined our broadcast licenses to be indefinite-lived intangible assets in accordance with the accounting guidance for goodwill and other intangible assets, which requires such assets along with our goodwill to be tested for impairment on an annual basis or more often when certain triggering events occur. As of December 31, 2010, we had \$660.0 million of goodwill, \$47.4 million in broadcast licenses, and \$184.7 million in definite-lived intangibles. We test our broadcast licenses and goodwill by estimating the fair market value of the broadcast licenses, or the fair value of our reporting units in the case of goodwill, using a combination of quoted market prices, observed earnings/cash flow multiples paid for comparable television stations, discounted cash flow models and appraisals. We then compare the estimated fair market value to the book value of these assets to determine if an impairment exists. We aggregate our stations by market for purposes of our goodwill and license impairment testing and we believe that our markets are most representative of our broadcast reporting units because we view, manage and evaluate our stations on a market basis. Furthermore, in our markets operated as duopolies, certain costs of operating the stations are shared including the use of buildings and equipment, the sales force and administrative personnel. Our discounted cash flow model is based on our judgment of future market conditions within each designated marketing area, as well as discount rates that would be used by market participants in an arms-length transaction. Future events could cause us to conclude that market conditions have declined or discount rates have increased to the extent that our broadcast licenses and/or goodwill could be impaired. Any resulting impairment loss could have a material adverse impact on our consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows. Based on assessments performed during the year ended December 31, 2010, we recorded \$4.8 million of impairment on our broadcast licenses and other assets, and during the years ended December 31, 2009 and 2008 we recorded \$249.8 million and \$463.9 million, respectively, in impairment losses on our goodwill, broadcast licenses and other assets. The impairment charge taken in 2008 was primarily due to the severe economic downturn during the fourth quarter, and as a result, we made downward revisions to forecasted cash flows, cash flow multiples and growth rates. Of the \$249.8 million in impairment recorded in 2009, we recorded \$130.1 million in the first quarter of 2009. We performed an interim impairment test in the first quarter of 2009 due to the severe economic downturn and continued decrease in our market capitalization. Accordingly, we made further revisions to our forecasted cash flows, cash flow multiples, and discount rates. The impairment charge taken during the fourth quarter of 2009 was primarily due to the continued deterioration of the economy which resulted in further decreases in our forecasted cash flows and increases in our discount rates. The \$4.8 million impairment charge recorded in 2010 was primarily the result of additional cash outflows for increased signal strength necessary to maintain competitive market positions.

The implied value of our broadcast goodwill is calculated using a discounted cash flow model for 4 years and estimating the terminal value of the reporting units using a multiple of cash flows. The value of our broadcast licenses is calculated using a discounted cash flow model for eight years and estimating the terminal value based on the constant growth model and a compound annual growth rate.

The key assumptions used to determine the fair value of our reporting units to test our goodwill for impairment and to determine the fair value of our broadcast licenses consist of discount rates, revenue and expense growth rates, constant growth rates and comparable business multiples. The revenue and expense growth rates used in our goodwill impairment testing and the revenue, expense and constant growth rates used in determining the fair value of our broadcast licenses have decreased slightly from 2009 to 2010. However, the baseline cash flows to which these growth rates were applied have increased due to a stronger than expected recovery in revenue in 2010. The growth rates are based on market studies, industry knowledge and historical performance.

The discount rates used to determine the fair value of our reporting units to test our goodwill for impairment and to determine the fair value of our broadcast licenses have slightly decreased from 2009 to 2010. The discount rate is based on a number of factors including market interest rates, a weighted average cost of capital analysis based on the target capital structure for a television station, and includes adjustments for market risk and company specific risk. The decrease in the discount rate is primarily due to a slight decrease in the general cost of equity in 2010.

The comparable business multiple used to determine the fair value of our reporting units to test our goodwill for impairment has not changed from 2009 to 2010. Due to the lack of data from comparable sales transactions in the past two years, we estimated the multiple that would most likely be paid for a mature, cash flowing television station in the current marketplace.

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After taking the effect of the above mentioned impairment, as of December 31, 2010, all of our reporting units tested for goodwill impairment had fair values that were greater than the carrying value by more than 10%.

For the year ended December 31, 2010, an increase in our discount rate of 10% and/or a decrease in our multiple of 10% would not result in a goodwill impairment. An increase in our discount rate of greater than 89% or a decrease in our multiple of greater than 39% would likely cause reporting units to fail our Step 1 test for goodwill impairment and could lead to goodwill impairment.

When factors indicate that there may be a decrease in value of an equity or cost method investment, we assess that investment and determine whether a loss in value has occurred. If that loss is deemed to be other than temporary an impairment loss is recorded. For any investments that indicate a potential impairment, we estimate the fair value of those investments using discounted cash flow models, unrelated third party valuations or industry comparables, based on the various facts available to us.

Table of Contents

During 2010, we recorded \$6.7 million of impairment on equity method investments. No impairment of our equity or cost method investments was recorded in 2009 or 2008.

Revenue Recognition. Advertising revenues, net of agency commissions, are recognized in the period during which commercials are aired. All other revenues are recognized as services are provided. The revenues realized from station barter arrangements are recorded as the programs are aired at the estimated fair value of the advertising airtime given in exchange for the program rights.

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

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from extending credit to our customers that are unable to make required payments. If the economy and/or the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. For example, a 10% increase in the balance of our allowance for doubtful accounts as of December 31, 2010, would increase bad debt expense by approximately \$0.3 million. The allowance for doubtful accounts was \$3.2 million and \$2.9 million as of December 31, 2010 and 2009, respectively.

Program Contract Costs. We have agreements with distributors for the rights to televise programming over contract periods, which generally run from one to seven years. Contract payments are made in installments over terms that are generally equal to or shorter than the contract period. Each contract is recorded as an asset and a liability at an amount equal to its gross cash contractual commitment when the license period begins and the program is available for its first showing. The portion of program contracts which become payable within one year is reflected as a current liability in the consolidated balance sheets. As of December 31, 2010 and 2009, we recorded \$45.7 million and \$60.2 million, respectively, in program contract assets and \$97.9 million and \$140.4 million, respectively, in program contract liabilities.

The programming rights are reflected in the consolidated balance sheets at the lower of unamortized cost or estimated net realizable value (NRV). Estimated NRVs are based on management's expectation of future advertising revenue, net of sales commissions, to be generated by the remaining program material available under the contract terms. In conjunction with our NRV analysis of programming rights reflected in our consolidated balance sheets, we perform similar analysis on future programming rights yet to be reflected in our consolidated balance sheets and establish allowances when future payments exceed the estimated NRV. Amortization of program contract costs is generally computed using a four-year accelerated method or a straight-line method, depending on the length of the contract. Program contract costs estimated by management to be amortized within one year are classified as current assets. Program contract liabilities are typically paid on a scheduled basis and are not reflected by adjustments for amortization or estimated NRV. If our estimate of future advertising revenues declines, then additional write downs to NRV may be required.

Income Tax. We recognize deferred tax assets and liabilities based on the differences between the financial statements carrying amounts and the tax bases of assets and liabilities. As of December 31, 2010 and 2009, we recorded \$9.7 million and \$7.3 million, respectively, in deferred tax assets and \$210.3 million and \$169.5 million, respectively, in deferred tax liabilities. We provide a valuation allowance for deferred tax assets if we determine, based on the weight of all available evidence, that it is more likely than not that some or all of the deferred tax assets will not be realized. As of December 31, 2010, valuation allowances have been provided for a substantial amount of our available state net operating losses. Management periodically performs a comprehensive review of our tax positions and accrues amounts for tax contingencies. Based on

these reviews, the status of ongoing audits and the expiration of applicable statute of limitations, accruals are adjusted as necessary in accordance with income tax accounting guidance.

Recent Accounting Pronouncements

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

Table of Contents

In January 2010, the FASB amended the guidance on fair value measurements and disclosures to add two new disclosure provisions to the current fair value disclosure guidance, including (1) details of transfers in and out of level 1 and level 2 measurements, and (2) gross presentation of activity within the level 3 roll forward. The guidance also amends two existing fair value disclosure requirements so that entities are required to disclose (1) the valuation techniques and inputs used to develop fair value measurements for assets and liabilities that are measured at fair value on both a recurring basis and nonrecurring basis in periods subsequent to initial recognition and (2) fair value measurement disclosures for each class of assets and liabilities. A class is defined as a subset of assets or liabilities within a line item in the statement of financial position. The guidance is for interim and annual reporting periods beginning after December 15, 2009, except for the changes to the level 3 roll forward which are effective for fiscal years beginning after December 15, 2010. We added the required disclosures under this guidance to our consolidated financial statements.

In November 2010, the FASB ratified the EITF's amended guidance with respect to goodwill impairment. The amended guidance requires that step two of the goodwill impairment test be performed if the carrying amount of a reporting unit is zero or negative and it is more likely than not that a goodwill impairment exists based on any adverse qualitative factors including an evaluation of the triggering circumstances noted in the guidance. The change is effective for fiscal years and interim changes within those years beginning after December 15, 2010. We do not believe that this guidance will have a material impact on our consolidated financial statements.

RESULTS OF OPERATIONS

In general, this discussion is related to the results of our continuing operations, except for discussions regarding our cash flows, which also include the results of our discontinued operations. Unless otherwise indicated, references in this discussion to 2010, 2009 and 2008 are to our fiscal years ended December 31, 2010, 2009 and 2008, respectively. Additionally, any references to the first, second, third or fourth quarters are to the three months ended March 31, June 30, September 30 and December 31, respectively, for the year being discussed. We have two reportable segments, broadcast and other operating divisions that are disclosed separately from our corporate activities.

Seasonality/Cyclicality

Our operating results are usually subject to seasonal fluctuations. Usually, the second and fourth quarter operating results are higher than the first and third quarters because advertising expenditures are increased in anticipation of certain seasonal and holiday spending by consumers. The negative financial and economic conditions effected the usual seasonal fluctuations in 2009. In 2010, as the economy started to stabilize and recover, our seasonal fluctuations returned to normal.

Our operating results are usually subject to fluctuations from political advertising. In even numbered years, political spending is usually significantly higher than in odd numbered years due to advertising expenditures preceding local and national elections. Additionally, every four years, political spending is elevated further due to advertising expenditures preceding the presidential election. Due to the contentious mid-term elections our political revenues in 2010 not only exceeded 2006 results, but exceeded 2008 presidential election year revenues as well.

Table of Contents**BROADCAST SEGMENT***Operating Data*

The following table sets forth certain of our operating data from continuing operations for the years ended December 31, 2010, 2009 and 2008 (in millions). For definitions of terms, see the footnotes to the table in *Item 6. Selected Financial Data*.

| | Years Ended December 31, | | |
|--|--------------------------|------------|------------|
| | 2010 | 2009 | 2008 |
| Net broadcast revenues | \$ 655.4 | \$ 554.6 | \$ 639.2 |
| Revenues realized from station barter arrangements | 75.2 | 58.2 | 59.9 |
| Other operating divisions revenues | 36.6 | 43.7 | 55.4 |
| Total revenues | 767.2 | 656.5 | 754.5 |
| Station production expenses | 154.1 | 142.4 | 159.0 |
| Station selling, general and administrative expenses | 127.1 | 122.8 | 136.1 |
| Expenses recognized from station barter arrangements | 67.1 | 48.1 | 53.3 |
| Depreciation and amortization | 116.0 | 138.4 | 147.6 |
| Gain on asset exchange | | (4.9) | (3.2) |
| Other operating divisions expenses | 30.9 | 45.5 | 60.0 |
| Corporate general and administrative expenses | 26.8 | 25.6 | 26.3 |
| Impairment of goodwill, intangible and other assets | 4.8 | 249.8 | 463.9 |
| Operating income (loss) | \$ 240.4 | \$ (111.2) | \$ (288.5) |
| Net income (loss) attributable to Sinclair Broadcast Group | \$ 76.1 | \$ (135.7) | \$ (246.5) |

Broadcast Revenues

The following table presents our revenues from continuing operations, net of agency commissions, for the three years ended December 31, 2010, 2009 and 2008 (in millions):

| | 2010 | 2009 | 2008 | Percent Change | |
|------------------------------|----------|----------|----------|----------------|-----------|
| | | | | 10 vs. 09 | 09 vs. 08 |
| Local revenues: | | | | | |
| Non-political | \$ 463.6 | \$ 410.2 | \$ 431.4 | 13.0% | (4.9)% |
| Political | 12.8 | 2.3 | 11.0 | (a) | (a) |
| Total local | 476.4 | 412.5 | 442.4 | 15.5% | (6.8)% |
| National revenues: | | | | | |
| Non-political | 149.8 | 137.5 | 166.7 | 8.9% | (17.5)% |
| Political | 29.2 | 4.6 | 30.1 | (a) | (a) |
| Total national | 179.0 | 142.1 | 196.8 | 26.0% | (27.8)% |
| Total net broadcast revenues | \$ 655.4 | \$ 554.6 | \$ 639.2 | 18.2% | (13.2)% |

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(a) Political revenue is not comparable from year to year due to the cyclicity of elections. See *Political Revenues* below for more information.

Our largest categories of advertising and their approximate percentages of 2010 net time sales, which includes the advertising portion of our local and national revenues, were automotive (17.9%), professional services (15.5%), political (8.0%), schools (7.7%) and fast food (6.2%). No other advertising category accounted for more than 5.0% of our net time sales in 2010. No advertiser accounted for more than 1.0% of our consolidated revenue in 2010. We conduct business with thousands of advertisers.

Our primary types of programming and their approximate percentages of 2010 net time sales were syndicated programming (41.1%), network programming (25.2%), news (20.0%), sports programming (7.4%) and direct advertising programming (6.3%).

Table of Contents

From a network affiliation or program service arrangement perspective, the following table sets forth our affiliate percentages of net time sales for the years ended December 31, 2010 and 2009:

| | # of Stations | Percent of Net Time Sales for the Twelve Months Ended December 31, | | Net Time Sales Percent Change | |
|-------------|---------------|--|-------|-------------------------------|-----------|
| | | 2010 | 2009 | 10 vs. 09 | 09 vs. 08 |
| FOX | 20 | 45.5% | 45.0% | 17.7% | (19.0)% |
| ABC | 9 | 21.9% | 20.0% | 27.4% | (25.6)% |
| MyNetworkTV | 16 | 15.8% | 17.1% | 7.4% | (13.8)% |
| The CW | 10 | 13.0% | 14.2% | 6.3% | (20.3)% |
| CBS | 2 | 3.0% | 2.8% | 23.4% | (16.9)% |
| NBC | 1 | 0.7% | 0.7% | 8.3% | (21.9)% |
| Digital | (a) | 0.1% | 0.2% | 12.5% | 22.3% |
| Total | 58 | | | | |

(a) We broadcast programming from network affiliations or program service arrangements with TheCoolTV, The Country Network, MyNetworkTV, This TV and Estrella on 69 channels through our stations' second and third digital signals.

Net Broadcast Revenues. From a revenue category standpoint, 2010 when compared to 2009 was impacted by increases in most of the advertising sectors as the country's economic conditions in general began to strengthen. Automotive, our largest category in 2010, was up 36.9% compared to 2009 as automotive dealers and manufacturers increased spending in response to an increase in auto sales.

From a revenue category standpoint, 2009 when compared to 2008 was impacted by decreases in virtually all of the advertising sectors. However, during the later half of the year, we did see a positive trend in increased advertising spending which continued through the end of the year. Services was our largest category in 2009; however, during the fourth quarter we began to see a trend back towards the historical norm of automotive advertising representing our largest category as automotive dealers and manufacturers increased spending. During 2009, automotive revenues were helped by the government's Cash for Clunkers program, however, our net times sales from the automotive sector were down 33.6% for 2009 compared to 2008.

Political Revenues. Political revenues, which include time sales from political advertising, increased by \$35.1 million to \$42.0 million for 2010 when compared to 2009. Political revenues are typically higher in election years such as 2010. A contentious mid-term election, resulted in 2010 political spending exceeding 2008's \$41.1 million. Political revenues were only \$6.9 million in 2009 due to the absence of significant elections. We expect political revenues to decrease in 2011 from 2010 levels.

Local Revenues. Excluding political revenues, our local broadcast revenues, which include local times sales, retransmission revenues and other local revenues, were up \$53.4 million for 2010, compared to 2009. The increase is due to an increase in advertising spending particularly in the automotive sector and an increase in retransmission revenues from MVPDs. Excluding political revenues, our local broadcast revenues were down \$21.2 million for 2009 when compared to 2008. This decrease was primarily due to negative financial and economic conditions, which impeded 2009 advertising spending levels, as well as, a decrease due to a change in networks for the Super Bowl programming from FOX to NBC. These decreases were offset by an increase in revenues from retransmission consent agreements with MVPDs.

National Revenues. Our national broadcast revenues, excluding political revenues, which include national time sales and other national revenues, were up \$12.3 million for 2010 when compared to 2009. Over the past few years, national revenues have trended downward; however, our 2010 results were up. This was primarily due to the amplified decline in 2009 from the effects of the recent recession and a rebound in advertising spending in 2010 along with the assistance from an improved automotive sector. Excluding political revenues, our national broadcast revenues were down \$29.2 million for 2009 when compared to 2008. This decrease was partially due to negative financial and economic conditions, which impeded 2009 advertising spending levels.

Table of Contents**Broadcast Expenses**

The following table presents our significant operating expense categories for the years ended December 31, 2010, 2009 and 2008 (in millions):

| | 2010 | 2009 | 2008 | Percent Change (Increase/(Decrease)) | |
|---|----------|----------|----------|---|-----------|
| | | | | 10 vs. 09 | 09 vs. 08 |
| Station production expenses | \$ 154.1 | \$ 142.4 | \$ 159.0 | 8.2% | (10.4)% |
| Station selling, general and administrative expenses | \$ 127.1 | \$ 122.8 | \$ 136.1 | 3.5% | (9.8)% |
| Amortization of program contract costs and net realizable value adjustments | \$ 60.9 | \$ 73.1 | \$ 84.4 | (16.7)% | (13.4)% |
| Corporate general and administrative expenses | \$ 23.7 | \$ 8.6 | \$ 7.3 | 175.6% | 17.8% |
| Gain on asset exchange | \$ | \$ 4.9 | \$ 3.2 | (100.0)% | 53.1% |
| Impairment of goodwill, intangible and other assets | \$ 4.8 | \$ 249.6 | \$ 462.3 | (98.1)% | (46.0)% |

Station production expenses. Station production expenses for 2010 increased compared to 2009. This increase was primarily due to an increase in fees pursuant to network affiliation agreements, increased promotional advertising expenses, increased compensation expense and increased maintenance costs to remove analog equipment. Additionally, news profit share expenses increased due to increased news performance which resulted in higher payments to our news share partner pursuant to news share arrangements with another broadcaster. These increases were partially offset by a decrease in electric expense due to the digital signal conversion in June 2009 and cessation of analog transmission.

Station production expenses for 2009 decreased compared to 2008. This decrease was primarily due to lower compensation expense and electric expenses due to the digital signal conversion in June 2009 and cessation of analog transmission. Additionally, promotional advertising decreased due to our revised media-spending plan.

Station selling, general and administrative expenses. Station selling, general and administrative expenses increased for 2010 compared to 2009. This increase was primarily due to higher national sales representative and local commissions costs due to an increase in sales and increased non-income based tax expenses. These increases were partially offset by decreased trade transaction expense and bad debt expense.

Station selling, general and administrative expenses decreased for 2009 compared to 2008. This decrease was primarily due to lower compensation expense and local commissions and national rep commissions savings due to lower revenues in 2009 compared to 2008.

We expect 2011 station production and station selling, general and administrative expenses, excluding barter, to trend higher than our 2010 results.

Amortization of program contract costs and net realizable value adjustments. The amortization of program contract costs decreased during 2010 compared to 2009 and 2009 compared to 2008. Over the past few years, we have entered into barter arrangements for short-term program contracts which are less expensive and result in lower contract cost amortization. We expect program contract amortization to trend lower in

2011 compared to 2010.

Corporate general and administrative expenses. See explanation under *Corporate and Unallocated Expenses*

Gain on asset exchange. During 2009 and 2008, we recognized a non-cash gain of \$4.9 million and \$3.2 million, respectively, from the exchange of equipment under agreements with Sprint Nextel Corporation and in association with the FCC's decision to allow Sprint Nextel Corporation to utilize our vacated analog spectrum in exchange for the new digital equipment. We received all applicable equipment pursuant to the agreement in 2009.

Impairment of goodwill, intangible and other assets. We completed our annual test of goodwill and broadcast licenses for impairment in fourth quarter 2010, 2009 and 2008. Due to the severity of the economic downturn and the decrease of our market capitalization, we also tested our goodwill and broadcast licenses for impairment during the first quarter 2009. See *Note 4. Goodwill, Broadcast Licenses and Other Intangible Assets*, in the Notes to our Consolidated Financial Statements. During 2010, we recorded impairments of \$4.8 million related to our broadcast licenses and other assets. During 2009, we recorded impairments of \$164.2 million and \$80.4

Table of Contents

million related to our goodwill and broadcast licenses and other assets, respectively. During 2008, we recorded impairments of \$270.4 million and \$191.8 million related to our broadcast licenses and goodwill, respectively.

OTHER OPERATING DIVISIONS SEGMENT REVENUE AND EXPENSE

The following table presents our other operating divisions segment revenue and expenses related to Triangle Signs & Services, LLC (Triangle), a sign designer and fabricator, Alarm Funding Associates, LLC. (Alarm Funding), a regional security alarm operating and bulk acquisition company, G1440 Holdings, Inc. (G1440), an information technology staffing, consulting and software development company, Acrodyne Communications, Inc. (Acrodyne), a manufacturer of television transmissions systems, and real estate ventures and other nominal businesses for the years ended December 31, 2010, 2009, and 2008 (in millions):

| | 2010 | 2009 | 2008 | Percent Change | |
|--------------------------------|---------|---------|---------|----------------|-----------|
| | | | | 10 vs. 09 | 09 vs. 08 |
| Revenues: | | | | | |
| G1440 | \$ | \$ 6.7 | \$ 10.9 | (100.0)% | (38.5)% |
| Acrodyne | \$ | \$ 4.2 | \$ 7.7 | (100.0)% | (45.5)% |
| Triangle | \$ 19.1 | \$ 20.4 | \$ 28.9 | (6.4)% | (29.4)% |
| Alarm Funding | \$ 10.0 | \$ 6.7 | \$ 2.7 | 49.3% | 148.1% |
| Real Estate Ventures and other | \$ 7.5 | \$ 5.7 | \$ 5.2 | 31.6% | 9.6% |
| Expenses: (a) | | | | | |
| G1440 | \$ | \$ 8.5 | \$ 11.4 | (100.0)% | (25.4)% |
| Acrodyne | \$ | \$ 6.8 | \$ 9.5 | (100.0)% | (28.4)% |
| Triangle | \$ 19.8 | \$ 20.6 | \$ 27.0 | (3.9)% | (23.7)% |
| Alarm Funding | \$ 8.0 | \$ 5.8 | \$ 2.9 | 37.9% | 100.0% |
| Real Estate Ventures and other | \$ 9.8 | \$ 8.5 | \$ 13.6 | 15.3% | (37.5)% |

(a) Comprises total expenses of the entity including other operating divisions expenses, depreciation and amortization and applicable other income (expense) items such as interest expense.

G1440 was sold in fourth quarter 2009 and Acrodyne closed its business September 30, 2009.

The decreases in Triangle's results for the year ended December 31, 2010 are primarily due to a decline in order volume in the early part of 2010; however, in later half of 2010 sales were up compared to the same period in 2009 as the economy improved. The increases in Alarm Funding's results are primarily due to the acquisition of new alarm monitoring contracts and the expansion of sales efforts.

Revenues have increased for our consolidated real estate ventures due to the ramp up of leasing activity for properties previously being developed. As of December 31, 2010, we held \$52.6 million of real estate for development and sale and \$49.7 million in equity method investments in real estate ventures.

(Loss) Income from Equity and Cost Method Investments. Results of our equity and cost method investments in private investment funds and real estate ventures are included in (loss) income from equity and cost method investments in our consolidated statements of operations. During 2010, we determined three of our investments were impaired, primarily due to decreases in the underlying values of our real estate investments, and we recorded impairments totaling \$6.7 million. Additionally, during 2010, we recorded losses of \$1.7 million related to other real estate ventures and income of \$3.6 million related to certain private investment funds. During 2009, we recorded income of \$0.4 million primarily related to certain private investment funds. During 2008, we recorded a loss of \$1.0 million related to certain private investment funds and a loss of \$2.8 million related to our real estate ventures. The losses were partially offset by a distribution of \$0.7 million from a direct investment in a privately held small business.

Table of Contents**CORPORATE AND UNALLOCATED EXPENSES**

| | 2010 | | 2009 | | 2008 | | Percent Change (Increase/(Decrease)) | |
|---|------|--------|------|------|------|-------|---|-----------|
| | | | | | | | 10 vs. 09 | 09 vs. 08 |
| Corporate general and administrative expenses | \$ | 2.2 | \$ | 16.0 | \$ | 17.7 | (86.3)% | (9.6)% |
| Interest expense | \$ | 114.1 | \$ | 78.5 | \$ | 86.6 | 45.4% | (9.4)% |
| (Loss) gain from extinguishment of debt | \$ | (6.3) | \$ | 18.5 | \$ | 5.5 | (134.1)% | 236.4% |
| Income tax (provision) benefit | \$ | (40.2) | \$ | 32.5 | \$ | 121.4 | (223.7)% | (73.2)% |

Corporate general and administrative expenses In conjunction with our recent debt restructuring activities, we re-examined our corporate overhead cost allocation methodologies and made applicable changes to the way we allocate costs resulting in greater overhead absorption by our broadcast segment. This allocation change resulted in more corporate general and administrative expenses allocated to the *Broadcast Segment*, thus increasing that segment's corporate general and administrative expenses for 2010 accordingly. Therefore, rather than examining the yearly costs on a segment basis, we will examine the cost variance on an overall basis. The results that follow combine the corporate general and administrative expenses found in the *Broadcast Segment* with the corporate general and administrative expenses found in this section, *Corporate and Unallocated Expenses*. These results exclude general and administrative costs from our other operating divisions segment which are included in the expenses discussed in the *Other Operating Divisions Segment* section.

| | 2010 | | 2009 | | 2008 | | Percent Change (Increase/(Decrease)) | |
|---|------|------|------|------|------|------|---|-----------|
| | | | | | | | 10 vs. 09 | 09 vs. 08 |
| Combined: <i>Broadcast Segment and Corporate and Unallocated Expenses</i> -corporate general and administrative expenses | \$ | 25.9 | \$ | 24.6 | \$ | 25.0 | 5.3% | (1.6)% |

Combined corporate general and administrative expenses increased to \$25.9 million in 2010 from \$24.6 million in 2009. This is primarily due to a 2010 increase in compensation expense including an increase in executive bonuses and stock-based compensation related to stock-settled appreciation rights. The increases were partially offset by a reduction in health and other insurance costs as well as accounting and legal fees.

Combined corporate general and administrative expenses decreased to \$24.6 million in 2009 from \$25.0 million in 2008. This is primarily due to a 2009 decrease in compensation expense and stock-based compensation due to cost cutting efforts.

We expect corporate general and administrative expenses to increase in 2011 compared to 2010.

Interest expense. Interest expense has increased primarily due to the debt refinancings in fourth quarter 2009 and during 2010. As part of these comprehensive debt refinancings, we issued new 9.25% Notes in fourth quarter 2009, amended and restated our Bank Credit Agreement in fourth quarter 2009 and issued new 8.375% Notes in fourth quarter 2010, all of which accrue interest at higher rates than the debt replaced. Additionally, in the third quarter 2010, we further amended our Bank Credit Agreement. Our interest rate was reduced, however, certain costs amounting to \$3.7 million associated with the amendment were expensed as interest. These increases were partially offset by the redemption or

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partial redemption of our 8.0% Notes, a portion of our 6.0% Notes in fourth quarter 2010, and our 3.0% Notes and 4.875% Notes. (See *Liquidity and Capital Resources* below for more information).

The decrease in interest expense in 2009 compared to 2008 was primarily due to a decrease in LIBOR, lowering our interest expense in 2009 on our Bank Credit Agreement. In addition, open market purchases during the first half of 2009 of our 6.0% Notes, 4.875% Notes and 3.0% Notes and partial extinguishment of the 3.0% Notes and 4.875% Notes pursuant to tender offers closed in fourth quarter 2009 lowered interest expense in 2009.

We expect interest expense to decrease in 2011 compared to 2010.

Table of Contents

(Loss) gain from extinguishment of debt. During 2010, through a combination of tender offers, the exercise of holder put rights, and open market repurchases, we redeemed \$64.1 million, \$31.3 million and \$22.3 million of our 6.0% Notes, 4.875% Notes and 3.0% Notes, respectively, resulting in a loss on extinguishment of \$3.2 million, \$0.5 million and \$0.1 million, respectively. Additionally, we made a prepayment on our Term Loan B in second quarter 2010 and amended our Term Loan B in third quarter 2010, resulting in a loss of \$3.1 million from extinguishment of debt. During fourth quarter, we redeemed \$224.7 million in principal amount of our 8.0% Notes resulting in a gain of \$0.7 million from extinguishment of debt.

During 2009, we redeemed \$266.6 million and \$106.5 million face value of the 3.0% Notes and 4.875% Notes, respectively, resulting in a gain of \$0.4 million and \$0.2 million, respectively, from extinguishment of debt. We repurchased, in the open market, \$1.0 million face value of the 6.0% Notes and \$50.7 million face value of the 3.0% Notes, resulting in a gain of \$0.4 million and \$18.5 million, respectively, from extinguishment of debt.

During 2008, we repurchased, in the open market, \$38.7 million face value of the 8.0% Notes, \$18.1 million face value of the 6.0% Notes and \$6.5 million face value of the 4.875% Notes, resulting in a gain of \$5.5 million from extinguishment of debt.

Income tax (provision) benefit. The 2010 income tax provision for our pre-tax income from continuing operations (including the effects of the noncontrolling interest) of \$117.0 million resulted in an effective tax rate of 34.4%. The 2009 income tax benefit for our pre-tax loss from continuing operations (including the effects of the noncontrolling interest) of \$168.1 million resulted in an effective tax rate of 19.3%. The increase in the absolute value of the effective tax rate from 2010 to 2009 is primarily attributable to more impairments in 2009 relating to assets that are not deductible for income tax purposes.

As of December 31, 2010, we had a net deferred tax liability of \$200.7 million as compared to a net deferred tax liability of \$162.2 million as of December 31, 2009. The increase primarily relates to: 1) an increase in net deferred tax liabilities associated with book and tax differences attributable to the amortization and impairment of intangible and FCC license assets and 2) a decrease in deferred tax assets associated with the utilization of federal net operating losses.

The 2009 income tax benefit for our pre-tax loss from continuing operations (including the effects of the noncontrolling interest) of \$168.1 million resulted in an effective tax rate of 19.3%. The 2008 income tax benefit for our pre-tax loss from continuing operations (including the effects of the noncontrolling interest) of \$367.8 million resulted in an effective tax rate of 33.0%. The decrease in the effective tax rate benefit from 2008 to 2009 is primarily attributable to more impairments in 2009 relating to assets that are not deductible for income tax purposes.

As of December 31, 2009, we had a net deferred tax liability of \$162.2 million as compared to a net deferred tax liability of \$195.0 million as of December 31, 2008. The decrease primarily relates to: 1) a decrease in net deferred tax liabilities associated with book and tax differences attributable to the amortization and impairment of intangible and FCC license assets and 2) an increase in deferred tax assets associated with the generation of 2009 federal net operating losses; partially offset by an increase in deferred tax liabilities associated with book and tax differences attributable to contingent convertible debt instruments.

As of December 31, 2010, we had \$26.1 million of gross unrecognized tax benefits. Of this total, \$15.1 million (net of federal effect on state tax issues) and \$6.8 million (net of federal effect on state tax issues) represent the amounts of unrecognized tax benefits that, if recognized, would

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favorably affect our effective tax rates from continuing operations and discontinued operations, respectively. As of December 31, 2009, we had \$26.1 million of gross unrecognized tax benefits. Of this total, \$15.0 million (net of federal effect on state tax issues) and \$6.8 million (net of federal effect on state tax issues) represent the amounts of unrecognized tax benefits that, if recognized, would favorably affect our effective tax rates from continuing operations and discontinued operations, respectively. See *Note 9. Income Taxes* in the Notes to our Consolidated Financial Statements for further information.

We recognized \$1.0 million and \$1.1 million of income tax expense for interest related to uncertain tax positions for the years ended December 31, 2010 and 2009, respectively.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2010, we had \$22.0 million in unrestricted cash and cash equivalent balances and working capital of approximately \$31.3 million, excluding restricted cash. Cash generated by our operations and availability under the Revolving Credit Facility are used as our primary source of liquidity. As of December 31, 2010, we had \$135.9 million of borrowing capacity available on our Revolving Credit Facility. We anticipate that existing cash and cash equivalents, cash flow from our operations and borrowing capacity under the Revolving Credit Facility will be sufficient to satisfy our debt service obligations, capital expenditure requirements and working capital needs for the next twelve months. For our long-term liquidity needs, in addition to the sources described above, we may rely upon the issuance of long-term debt, the issuance of equity or other instruments convertible into or exchangeable for equity, or the sale of non-core assets. However, there can be no assurance that additional financing or capital or buyers of our non-core assets will be available, or that the terms of any transactions will be acceptable or advantageous to us.

On January 26, 2010, we commenced tender offers to purchase for cash any and all of the outstanding 3.0% and 4.875% Notes at 100% of the face value of such notes. The tender offers expired February 23, 2010 and approximately \$12.3 million and \$14.3 million principal amount of the 3.0% and 4.875% Notes, respectively, were tendered and purchased. On May 17, 2010, the put right period for the 3.0% Notes expired and holders representing \$10.0 million in principal amount of the 3.0% Notes exercised their put rights. Holders of the remaining \$5.4 million principal amount of 3.0% Notes can exercise put rights again in May 2017. As of December 31, 2010, the face amount of the outstanding 4.875% Notes was \$5.7 million. As of December 31, 2010, we held \$5.1 million in restricted cash to pay holders of the 4.875% Notes if they exercised their put rights on January 15, 2011. In January 2011, the put option was not exercised, however, pursuant to our Bank Credit Agreement, the \$5.1 million in restricted cash must remain restricted and be used within 120 days towards reducing our overall debt balance. The 4.875% Notes mature on July 15, 2018.

On August 19, 2010, we entered into an amendment of our Bank Credit Agreement. Under the Amendment, we paid down \$35.0 million of the outstanding \$305.0 million balance under the Term Loan B and repriced the remaining \$270.0 million outstanding. The final terms of the Amendment are as follows:

- The Term Loan B bears interest at LIBOR plus 4.00% with a 1.5% LIBOR floor and will continue to amortize principal at a rate of 0.25% per quarter commencing on March 31, 2011, continuing until the scheduled final payment on October 29, 2015 with 94.19% due at maturity or upon earlier termination of the Term Loan B pursuant to the terms in the Bank Credit Agreement.
- We have the right to prepay the Term Loan B at any time; provided, however, that if we prepay, reprice downward or otherwise refinance all or any portion of the Term Loan B prior to August 19, 2011, then we will be required to pay the Term Loan B lenders a prepayment premium equal to 1.00% of the aggregate amount prepaid, repriced or otherwise refinanced. Any prepayments on the Term Loan B are deducted from the scheduled final payment due on October 29, 2015.
- Provision for an additional incremental term loan capacity up to \$100.0 million.
- The terms of the Revolving Credit Facility were not materially effected by the Amendment.

On September 20, 2010, we commenced tender offers to purchase for cash up to \$60.0 million of the outstanding 6.0% Notes and any and all of the outstanding 8.0% Notes. We offered to purchase the 6.0% Notes at a purchase price of \$987.50 per \$1,000 principal amount plus accrued and unpaid interest. We offered to purchase the 8.0% Notes at a purchase price of \$1,002.50 per \$1,000 principal amount, if tendered within the first ten business days of the tender offer period or \$972.50 per \$1,000 principal amount if tendered after such time, plus accrued and unpaid

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interest. The tender offers expired on October 19, 2010 and approximately, \$58.0 million and \$175.7 million principal amount of the 6.0% and 8.0% Notes, respectively, were tendered and purchased. The net proceeds from the offering of the 8.375% Notes, discussed below, were used to fund these tender offers. We redeemed the remaining \$49.0 million of the 8.0% Notes on November 19, 2010 at a purchase price of 100% of the principal amount plus accrued and unpaid interest. As of December 31, 2010, the face amount of the outstanding 6.0% Notes was \$70.0 million.

On October 4, 2010, we issued \$250.0 million aggregate principal amount of 8.375% Notes due October 15, 2018 at 98.567% of their par value. Interest on the 8.375% Notes will be paid on April 15 and October 15 of each year, beginning April 15, 2011. Prior to October 15, 2014, we may redeem the 8.375% Notes in whole or in part, at any time or from time to time at a price equal to 100% of the principal amount of the 8.375% Notes plus accrued and unpaid interest, plus a make-whole premium as set forth in the Indenture.

In February 2011, we disclosed our intention to refinance a portion of and to amend certain terms of the Bank Credit Agreement.

Table of Contents**Debt Ratings**

Our ability to finance working capital needs, capital expenditures and general corporate needs from the public and private markets, as well as the associated cost of funding is dependent, in part, on our credit ratings. During 2010, in conjunction with the Amendment of the Bank Credit Agreement, the 8.375% Notes issuance, and the 6.0% and 8.0% Notes tenders, both Moody's Investor Services (Moody's) and Standard & Poor's Ratings Services (S&P) raised our credit ratings. The 6.0% Notes are not rated. As of the filing date, our credit ratings, as assigned by Moody's and S&P were:

| | Moody's | S&P |
|-----------------------|---------|------|
| Corporate Credit | Ba3 | BB- |
| 8.375% Notes | B2 | B |
| 4.875% and 3.0% Notes | B2(a) | B(b) |
| 9.25% Notes | Ba3 | BB- |
| Bank Credit Agreement | Baa3 | BB+ |

(a) The 3.0% Notes have not been rated by Moody's; this rating reflects the rating for the 4.875% Notes.

(b) The 4.875% Notes have not been rated by S&P; this rating reflects the rating for the 3.0% Notes.

There can be no assurance that our credit ratings will remain at these levels or will not be downgraded in the future, in some cases for reasons beyond our control.

Sources and Uses of Cash

The following table sets forth our cash flows for the years ended December 31, 2010, 2009 and 2008 (in millions):

| | 2010 | 2009 | 2008 |
|--|-----------|----------|-----------|
| Net cash flows from operating activities | \$ 155.0 | \$ 105.4 | \$ 211.8 |
| Cash flows from (used in) investing activities: | | | |
| Acquisition of property and equipment | \$ (11.7) | \$ (7.7) | \$ (25.2) |
| Payments for acquisition of television stations | | | (17.1) |
| Consolidation of variable interest entity | | | 1.3 |
| Payments for acquisitions of other operating divisions companies | | | (53.5) |
| Decrease (increase) in restricted cash | 59.6 | (64.9) | |
| Dividends and distributions from cost method investees | 0.9 | 1.5 | 1.6 |
| Purchase of alarm monitoring contracts | (10.1) | (12.3) | (7.7) |
| Investments in equity and cost method investees | (7.2) | (10.6) | (42.0) |

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| | | | | | | |
|---|----|---------|----|---------|----|---------|
| Other | | 0.4 | | 0.2 | | 0.3 |
| Net cash flows from (used in) investing activities | \$ | 31.9 | \$ | (93.8) | \$ | (142.3) |
| Cash flows (used in) from financing activities: | | | | | | |
| Proceeds from notes payable, commercial bank financing and capital leases | \$ | 283.9 | \$ | 980.9 | \$ | 274.6 |
| Repayments of notes payable, commercial bank financing and capital leases | | (427.4) | | (931.6) | | (255.6) |
| Repurchase of Class A Common Stock | | | | (1.5) | | (29.8) |
| Payments for deferred financing costs | | (7.0) | | (28.8) | | (0.5) |
| Dividends paid on Class A and Class B Common Stock | | (34.2) | | (16.0) | | (66.7) |
| Proceeds from derivative terminations | | | | | | 8.0 |
| Purchase of subsidiary shares from noncontrolling interest | | | | (5.0) | | |
| Noncontrolling interests distributions | | (0.3) | | | | (0.6) |
| Other | | (3.1) | | (2.8) | | (3.4) |
| Net cash flows used in financing activities | \$ | (188.1) | \$ | (4.8) | \$ | (74.0) |

Table of Contents

Operating Activities

Net cash flows from operating activities increased during the year ended December 31, 2010 compared to the same period in 2009. During 2010, we received more cash receipts from customers, net of cash payments to vendors, however, we paid more interest and program payments. In 2010, we received larger tax refunds than in 2009.

Net cash flows from operating activities decreased during the year ended December 31, 2009 compared to the same period in 2008. During 2009, we received less cash receipts from customers, net of cash payments to vendors for operating expenses and working capital cash activities and received less in tax refunds. In 2009, we made a payment of original issuance discount associated with our 3.0% Notes. These decreases to operating cash were partially offset by less interest and tax payments in 2009.

We expect program payments to decrease in 2011 compared to 2010. We expect net interest expense to decrease in 2011 compared to 2010.

Investing Activities

With the exception of restricted cash, net cash flows used in investing activities decreased slightly during the year ended December 31, 2010 compared to the same period in 2009. We decreased our investment in restricted cash in order to use the cash to pay for redemptions of the 3.0% and 4.875% Notes through a combination of tender offers, put rights and open market purchases.

With the exception of restricted cash, net cash flows used in investing activities decreased during the year ended December 31, 2009 compared to the same period in 2008. In 2009, we focused our cash use towards debt and stock redemptions in the first quarter and conservation of cash during the second, third and fourth quarters instead of new investment opportunities. We purchased no other operating divisions companies or television stations during 2009. We decreased our equity investments and capital expenditures. In addition, we increased the purchase of alarm monitoring contracts in 2009 as that business continued to grow. Finally, the increase in 2009 in restricted cash was primarily related to the cash collateral account associated with the 3.0% and 4.875% Notes.

In 2011, we anticipate incurring more capital expenditures than incurred in 2010.

Financing Activities

Net cash flows used in financing activities increased during the year ended December 31, 2010 compared to the same period in 2009. During 2010, we purchased \$117.7 million principal amount of our 3.0% Notes, 4.875% Notes and 6.0% Notes pursuant to a combination of tender offers, put rights and open market purchases. We reduced our Term Loan B by \$60.0 million through a combination of an early repayment and the amendment of our Bank Credit Agreement in 2010. In addition, we fully extinguished the outstanding \$224.7 million principal amount of

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8.0% Notes in 2010. During 2010, we issued \$250.0 million in principal amount of our 8.375% Notes.

Net cash flows used in financing activities decreased during the year ended December 31, 2009 compared to the same period in 2008. We had more debt proceeds than debt repayments in 2009 compared to 2008 primarily due to the cash required to be held in the cash collateral account associated with the 3.0% and 4.875% Notes. In addition, the volume of proceeds and repayment activity was greater in 2009 compared to 2008 as well as the payments made for deferred financing costs due to the refinancings that occurred in the fourth quarter of 2009.

From time to time, we may repurchase additional outstanding debt and stock on the open market. We expect to fund any repurchases with cash generated from operating activities and in some cases, borrowings under our Revolving Credit Facility.

We ceased paying our cash dividend after the first quarter of 2009, however, in November 2010, our Board of Directors declared a \$0.43 per share common stock dividend paid in December 2010. In February 2011, our Board of Directors reinstated a quarterly common stock dividend of \$0.12 per share. Future dividends on our common shares, if any, will be at the discretion of our Board of Directors and will depend on several factors including our results of operations, cash requirements and surplus, financial condition, covenant restrictions and other factors that the Board of Directors may deem relevant. Under the terms of the Bank Credit Agreement, in certain circumstances we may make up to \$40.0 million in unrestricted cash payments including but not limited to dividends and other strategic investments.

Table of Contents**Contractual Obligations**

We have various contractual obligations which are recorded as liabilities in our consolidated financial statements. Other items, such as certain purchase commitments and other executory contracts are not recognized as liabilities in our consolidated financial statements but are required to be disclosed. For example, we are contractually committed to acquire future programming and make certain minimum lease payments for the use of property under operating lease agreements.

The following table reflects a summary of our contractual cash obligations as of December 31, 2010 and the future periods in which such obligations are expected to be settled in cash (in millions):

CONTRACTUAL OBLIGATIONS RELATED TO CONTINUING OPERATIONS (a)

| | Total | 2011 | 2012-2013 | 2014-2015 | 2016 and thereafter (b) |
|--|-------------------|-----------------|------------------|------------------|--------------------------------|
| Notes payable, capital leases and commercial bank financing (c), (d) | \$ 1,748.7 | \$ 95.8 | \$ 265.8 | \$ 419.7 | \$ 967.4 |
| Notes and capital leases payable to affiliates (c) | 34.9 | 5.4 | 9.9 | 6.8 | 12.8 |
| Operating leases | 22.8 | 3.9 | 6.9 | 5.8 | 6.2 |
| Employment contracts | 13.8 | 8.6 | 4.8 | 0.4 | |
| Program content (e) | 284.8 | 111.4 | 142.8 | 30.6 | |
| Programming services (f) | 106.5 | 39.9 | 43.1 | 16.1 | 7.4 |
| Maintenance and support | 1.8 | 1.6 | 0.2 | | |
| Other operating contracts | 4.8 | 0.6 | 1.0 | 0.8 | 2.4 |
| LMA and outsourcing agreements (g) | 2.9 | 0.9 | 1.3 | 0.2 | 0.5 |
| Investments and loan commitments (h) | 14.9 | 14.9 | | | |
| Total contractual cash obligations | \$ 2,235.9 | \$ 283.0 | \$ 475.8 | \$ 480.4 | \$ 996.7 |

(a) Excluded from this table are \$26.1 million of accrued unrecognized tax benefits. Due to inherent uncertainty, we can not make reasonable estimates of the amount and period payments will be made.

(b) Includes a one-year estimate of \$7.3 million in payments related to contracts that automatically renew. We have not calculated potential payments for years after 2016.

(c) Includes interest on fixed rate debt and capital leases. Estimated interest on our recourse variable rate debt has been excluded. Recourse variable rate debt represents \$270.0 million of our \$1.2 billion total face value of debt as of December 31, 2010.

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(d) During 2010, we repurchased \$22.3 million, \$31.3 million, \$64.1 million and \$224.7 million of our 3.0% Notes, 4.875% Notes, 6.0% Notes and 8.0% Notes, respectively. As of December 31, 2010, the outstanding face amount of the 3.0% Notes, 4.875% Notes, 6.0% Notes and 8.0% Notes was \$5.4 million, \$5.7 million, \$70.0 million and zero, respectively.

(e) Our Program content includes contractual amounts owed through the expiration date of the underlying agreement for active and future program contracts, network programming and additional advertising inventory in various dayparts, including prime-time and NFL programming. Active program contracts are included in the balance sheet as an asset and liability while future program contracts are excluded until the cost is known, the program is available for its first showing or telecast and the licensee has accepted the program. Industry protocol typically enables us to make payments for program contracts on a three-month lag, which differs from the contractual timing within the table. Network programming agreements may include variable fee components such as subscriber levels, which in certain circumstances have been estimated and reflected in the table.