SINCLAIR BROADCAST GROUP INC
Form 10-K/A
March 31, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(mark one)

FORM 10-K/A

(Amendment No. 1)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

OR

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

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER: 000-26076

SINCLAIR BROADCAST GROUP, INC.

(Exact name of Registrant as specified in its charter)

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

10706 Beaver Dam Road

Hunt Valley, 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: **None**

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

Class A Common Stock, par value $ 0.01 per share

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

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 o No ý

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. o

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

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o

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

Based on the closing sales price of $9.08 per share as of June 30, 2005, the aggregate market value of the voting and non-voting common equity of the Registrant held by non-affiliates was approximately $421.3 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 March 9, 2006**
Class A Common Stock	47,321,012
Class B Common Stock	38,348,331

Documents Incorporated by Reference - Portions of our definitive Proxy Statement relating to our 2006 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, 2005.

FORWARD-LOOKING STATEMENTS

This report includes or incorporates forward-looking statements within the meaning of 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;

terrorist acts of violence or war and other geopolitical events;

the activities of our competitors;

Industry risks

the business conditions of our advertisers;

competition with other broadcast television stations, radio stations, satellite television providers, internet content providers, cable system operators and telecommunication providers serving in the same markets;

availability and cost of programming;

the effects of governmental regulation of broadcasting or changes in those regulations and court actions interpreting those regulations, including ownership regulations, indecency regulations, political advertising restrictions and regulations regarding the transition from analog to digital over-the-air broadcasting;

the timely transition of digital television over analog by the viewing public;

the continued viability of networks and syndicators that provide us with programming content;

Risks specific to Sinclair Broadcast Group

the effectiveness of our management;

our ability to attract and maintain local and national advertising;

the popularity of syndicated programming we purchase and network programming that we air;

the strength of ratings for our news broadcasts;

our ability to service our outstanding debt;

changes in the makeup of the population in the areas where our stations are located;

changes in local regulations in the areas where our stations are located;

successful integration of outsourcing agreements;

our ability to maintain our affiliation agreements with the relevant networks; and

FCC license renewals.

Other matters may also cause actual results in the future to differ materially from those described in the forward-looking statements. 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.

EXPLANATORY NOTE

We are filing this Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2005, as originally filed with the SEC on March 16, 2006, to correct a typographical error.

Under Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, page 41 of the previously filed Form 10-K, corporate overhead expenses expected in 2006 were incorrectly stated as $225.0 million, rather than $22.5 million. This Amendment No. 1 corrects that error. Other than the correction of this typographical error, this Amendment No. 1 does not include any restatements or corrections of any previously reported financial statements or change any other disclosures.

In accordance with Rule 12b-15 of the Exchange Act, we are required to include in this Amendment No. 1 the entire Item 7. in which the typographical error occurred. Refer to page 12 of this Amendment No. 1 in the discussion regarding Corporate general and administrative expenses for the corrected amount.

This Amendment No. 1 continues to speak as of the date of the original Form 10-K for the year ended December 31, 2005 and we have not updated or amended the disclosures contained herein to reflect events that have occurred since the filing of the original Form 10-K, or modified or updated those disclosures in any way other than as described in the preceding paragraphs. Accordingly, this Amendment No. 1 should be read in conjunction with our filings made with the SEC subsequent to the filing of the original Form 10-K on March 16, 2006.

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 2005, 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, a summary of other operating data and an analysis of our revenues and expenses for 2005, 2004 and 2003, including comparisons between years and expectations for 2006; 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.

EXECUTIVE OVERVIEW

We are one of the largest and most diversified television broadcasting companies 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 36 markets. For the purpose of this report, these 58 stations are referred to as our stations. We currently have 11 duopoly markets where we own and operate two stations within the same market. We have nine LMA markets where, with one exception, we own and operate one station in the market and provide programming and operating services to, or by, another station within the market. In the remaining 16 markets, we own and operate a single television station.

We believe that owning duopolies and operating stations under LMAs enables us to accomplish two very important strategic business objectives: increasing our share of revenues available in each market and operating television stations more efficiently by minimizing costs. We constantly monitor revenue share and cost efficiencies and we aggressively pursue opportunities to improve both by using new technology and by sharing best practices among our station groups.

Sinclair Television Group, Inc. (STG), a wholly owned subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under our existing Bank Credit Agreement, as amended, the 8.75% Senior Subordinated Notes, due 2011 and the 8% Senior Subordinated Notes, due 2012. Our Class A Common Stock, Class B Common Stock, the 6.0% Convertible Debentures, due 2012 and the 4.875% Convertible Senior Notes, due 2018 remain obligations or securities of SBG and are not obligations or securities of STG.

2005 Highlights

Operating income increased 7.1% in 2005 due to expense controls and greater efficiencies in our direct mail new business initiative;

Basic and diluted earnings per share were $2.14 in 2005 versus 2004 earnings per share of $0.16;

Local time sales, excluding political, increased 1.9% in 2005 as a result of our continued focus on new business initiatives including direct mail;

Retransmission fees increased $15.7 million over 2004, including a one-time adjustment of $2.9 million, and, based on current contracts, 2006 retransmission fee consideration is expected to be approximately $25.0 million as a result of our efforts to monetize our retransmission agreements;

Ratings increases at our ABC and FOX stations have resulted in revenue share growth in many of our markets;

We completed the sales of KOVR-TV (CBS) in Sacramento, California and KSMO-TV (WB) in Kansas City, Missouri during 2005 and we completed the sale of WEMT-TV (FOX) in Tri-Cities, Tennessee in January 2006;

We increased our annual dividend rate to $0.40 per common share at the end of 2005 from $0.10 per common share at the end of 2004;

We exchanged our 6% Convertible Preferred Stock for 6% Convertible Debentures, due 2012 in June 2005;

We entered into a news share arrangement with WIAT-TV, the CBS affiliate in Birmingham, Alabama, in order to improve the performance of our news operations of our WB affiliate WTTO-TV; and

We entered into a joint sales and services agreement with Nexstar Broadcasting in Rochester, New York combining their CBS station with our FOX station, in order to improve station performance.

We believe that all of these events will enhance shareholder value.

Industry Trends

Political advertising increases in even-numbered years, such as 2004, due to the advertising expenditures from candidates running in local and national elections. In every fourth year, such as 2004, political advertising is elevated further due to the presidential election;

Seasonal advertising increases in the second and fourth quarters due to the advertising expenditures related to the anticipation of certain seasonal and holiday spending by consumers;

Not all cable system operators and satellite providers pay for the analog or digital signals they receive from broadcasters, but we expect more operators and providers will be paying for these signals in the future as alternative competing video delivery providers increase;

Compensation from networks to their affiliates in exchange for broadcasting of network programming has significantly declined in recent years and may be eliminated in the future in lieu of alternative network and affiliate relationships;

Automotive-related advertising is a significant portion of our total net revenues in all periods presented and these revenues have been trending downward in recent years and we expect this trend to modify in 2006;

The Federal Communications Commission (FCC) has mandated that beginning February 17, 2009, all broadcast television stations must broadcast using only a digital signal and will no longer be able to broadcast using an analog signal;

The FCC has permitted broadcast television stations to use their digital spectrum for a wide variety of services including multi-channel broadcasts. We have announced that we plan to launch a second digital channel using WBFF-TV s digital signal in Baltimore, Maryland on May 1, 2006; and

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.

Sources of Revenues and Costs

Most of our revenues are generated from the transactional spot market rather than the traditional up front and scatter markets that networks access. These operating revenues are derived from local and national advertisers and, to a much lesser extent, from political advertisers. Recently, we have begun to generate revenues from our retransmission fee arrangements, which has replaced the steady decline in revenues from television network compensation. Our revenues from local advertisers have continued to trend upward and revenues from national advertisers have continued to trend downward when measured as a percentage of gross broadcast revenue. 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 increasing 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.

Our primary operating expenses are syndicated program rights fees, commissions on revenues, employee salaries, news gathering and station promotional costs. Amortization and depreciation of costs other than goodwill associated with the acquisition of our stations and interest carrying charges are significant factors in determining our overall profitability.

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 the understanding of our results of operations. For a detailed discussion on the application of these and other accounting policies, see *Note 1. Summary of Significant Accounting Policies,* in the Notes to our Consolidated Financial Statements.

Revenue Recognition. Advertising revenues, net of agency and national representatives   commissions, are recognized in the period during which time spots 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.

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 of the balance of our allowance for doubtful accounts as of December 31, 2005, would reduce net income available to common shareholders by approximately $0.5 million.

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.

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. 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. Payment of 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.

Valuation of Goodwill, Long-Lived Assets and Intangible Assets. We periodically evaluate our goodwill, broadcast licenses, long-lived assets and intangible assets 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 and intangible assets is impaired. Any resulting impairment loss could have a material adverse impact on our consolidated balance sheets and consolidated statements of operations.

We have determined our broadcast licenses to be indefinite-lived intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets*, which requires such assets to be tested for impairment on an annual basis along with our goodwill. We test our broadcast licenses and goodwill by estimating the fair market value of these assets for each of our markets using a combination of quoted market prices, observed earnings 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. 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.

Income Taxes. 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. We provide a valuation allowance for deferred tax assets relating to various federal and state net operating losses (NOL) that are carried forward based on the expected timing of the reversals of existing temporary book/tax basis differences, alternative tax strategies and projected future taxable income. As of December 31, 2005, valuation allowances have been provided for a substantial amount of our available federal and state NOLs. Although realization is not assured for the remaining deferred tax assets, we believe that it is more likely than not that they will be realized in the future. If we are unable to generate sufficient taxable income, or if there is a material change in our projected taxable income or if there is a change in our ability to use NOL carryforwards due to changes in federal and state laws, we will make any necessary adjustments to the valuation allowance. This may result in a substantial increase in our effective tax rate and a material adverse effect on our consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows. 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, reserves are adjusted as necessary. The resolution of audits is unpredictable and could result in tax liabilities that are significantly higher or lower than that which has been provided by us. We believe our reserves are adequate.

Recent Accounting Pronouncements

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS 123R) as a revision to FASB Statement No. 123, *Accounting for Stock-Based Compensation*. We adopted SFAS 123R on January 1, 2006 and we will use the modified prospective transition to account for future share-based payments. SFAS 123R supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (Opinion 25), and amends FASB Statement No. 95, *Statement of Cash Flows*. This standard requires that all share-based payments, including grants of employee stock options and our employee stock purchase plan, be recognized in the income statement as compensation expense based on their fair values.

On April 21, 2005, we accelerated the vesting of 390,039 stock options, which were all of our outstanding unvested options at that time. We accelerated the vesting of these options to prevent recognizing an expense of approximately $0.8 million (pre-tax) in future periods in accordance with SFAS 123R. The acceleration of the vesting effectively resulted in a modification to the original options. In accordance with FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Based Compensation*, we recorded an immaterial compensation charge based on the intrinsic value of the awards as measured on the modification date.

SFAS 123R will require us to recognize a compensation charge for our Employee Stock Purchase Plan. For the years ended December 31, 2005, 2004 and 2003, we estimate that this amount would have been $0.2 million, $0.3 million and $0.4 million, respectively.

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

In June 2005, the Emerging Issues Task Force (EITF) issued EITF No. 05-6, *Determining the Amortization Period for Leasehold Improvements* (EITF 05-6). EITF 05-6 addresses the amortization period for leasehold improvements acquired in a business combination or purchased subsequent to the inception of the lease. EITF 05-6 was effective for reporting periods beginning after July 1, 2005. The adoption of this pronouncement did not have a material impact on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

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 2005, 2004 and 2003 are to our fiscal years ended December 31, 2005, 2004 and 2003, 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.

Broadcast Revenues

Set forth below are the principal types of broadcast revenues from continuing operations received by our stations for the periods indicated and the percentage contribution of each type to our total gross broadcast revenues (in millions):

	Years Ended December 31,								
		2005			2004			2003	
Local/regional advertising	$	413.1	58.5%	$	406.2	55.5%	$	403.5	57.2%
National advertising		251.4	35.6%		258.3	35.3%		267.9	38.0%
Political advertising		2.4	0.3%		38.0	5.2%		5.5	0.8%
Network compensation		13.3	1.9%		14.3	1.9%		15.9	2.3%
Retransmission fee revenue (a)		19.2	2.7%		3.5	0.5%		2.6	0.4%
Other station revenues		6.4	1.0%		12.1	1.6%		10.1	1.3%
Gross broadcast revenues		705.8	100.0%		732.4	100.0%		705.5	100.0%
Less: agency commissions		(91.3)			(97.8)			(93.6)	
Net broadcast revenues		614.5			634.6			611.9	
Revenues realized from station barter arrangements		55.0			57.8			58.8	
Other operating divisions revenues		22.6			13.1			14.6	
Total revenues	$	692.1		$	705.5		$	685.3	

(a) 2005 Retransmission fee revenue includes a one-time adjustment of $2.9 million.

Our primary types of programming and their approximate percentages of 2005 net broadcast revenues from continuing operations were syndicated programming (46.4%), network programming (21.4%), news (13.6%), direct advertising programming (8.0%), sports programming (6.0%), children s programming (0.4%) and other programming. Similarly, our five largest categories of advertising and their approximate percentages of 2005 net broadcast revenues were automotive (23.8%), professional services (13.8%), paid programming including religious programming (8.3%), fast food (7.3%) and retail department stores (6.6%). Other than schools, no other advertising category accounted for more than 5.0% of our broadcast revenues in 2005. Along with the industry, we have seen softness in the auto advertising category and we expect this to continue in 2006. No individual advertiser accounted for more than 1.0% of our consolidated net broadcast revenues in 2005.

The following table presents our time sales revenue from continuing operations, net of agency commissions, by network affiliates for the past three years (in millions):

	# of Stations	Percent of Sales 2005	Net Time Sales (a) 2005	Net Time Sales (a) 2004 (b)	Net Time Sales (a) 2003	Percent Change 05 vs. 04	Percent Change 04 vs. 03
FOX	19(c)	40.0%	$ 230.3	$ 237.6	$ 234.3	(3.1)%	1.4%
WB (d)	18(c)	25.8%	148.2	156.7	157.5	(5.4)%	(0.5)%
ABC	10	22.6%	130.2	141.0	128.1	(7.7)%	10.1%
UPN (d)	6	8.0%	46.2	46.0	42.5	0.4%	8.2%
CBS	2(c)	1.9%	10.7	13.5	12.4	(20.7)%	8.9%
IND (d) (e)	2	1.1%	6.4	5.7	5.3	12.3%	7.5%
NBC	1	0.6%	3.5	4.2	3.3	(16.7)%	(27.3)%
Total	58(c)		$ 575.5	$ 604.7	$ 583.4		

(a) During 2005, several of our stations switched affiliates. We have restated the revenue from those stations in prior years for comparability.

(b) 2004 includes significantly more political revenue than 2005 and 2003 for most of our affiliates.

(c) During 2004, we entered into agreements to sell our CBS station in Sacramento, California and our WB station in Kansas City, Missouri. During 2005, we entered into an agreement to sell our FOX station in Tri-Cities, Tennessee. The time sales from these stations are not included in this table because they are accounted for as time sales from discontinued operations.

(d) In the fall of 2006, our composition of network affiliates will change as a result of our recent agreement to air MyNetworkTV programming and the recent announcements about the merger of UPN and The WB into a network to be called The CW. Refer to our *Markets and Stations* table on page 5 and *Note 18. Subsequent Events,* in the Notes to our Consolidated Financial Statements for addition information.

(e) Stations without a network affiliation.

Operating Data

The following table sets forth certain of our operating data from continuing operations for the years ended December 31, 2005, 2004 and 2003 (in millions). For definitions of terms, see the footnotes to the table in *Item 6. Selected Financial Data*.

	Years Ended December 31, 2005	2004	2003
Net broadcast revenues	$ 614.5	$ 634.6	$ 611.9
Revenues realized from station barter arrangements	55.0	57.8	58.8
Other operating divisions revenues	22.6	13.1	14.6
Total revenues	692.1	705.5	685.3
Station production expenses	152.2	154.7	147.6
Station selling, general and administrative expenses	137.6	145.7	130.9
Expenses recognized from station barter arrangements	50.5	53.4	54.1
Depreciation and amortization	138.9	155.8	160.7
Stock-based compensation	1.7	1.6	1.4
Other operating divisions expenses	20.9	14.9	16.4
Corporate general and administrative expenses	20.8	21.2	19.5
Operating income	$ 169.5	$ 158.2	$ 154.7
Net income	$ 187.3	$ 24.0	$ 24.4
Net income available to common shareholders	$ 182.3	$ 13.8	$ 14.0

Revenue Discussion and Analysis

The following table presents our revenues from continuing operations, net of agency commissions, for the three years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003	Percent Change 05 vs. 04	Percent Change 04 vs. 03
Local revenues:					
Non-Political	$ 359.5	$ 352.9	$ 350.8	1.9%	0.6%
Political	1.2	9.4	1.9	(87.2)%	394.7%
Total Local	360.7	362.3	352.7	(0.4)%	2.7%
National revenues:					
Non-Political	213.8	219.7	227.6	(2.6)%	(3.5)%
Political	0.8	22.7	3.1	(96.5)%	632.3%
Total National	214.6	242.4	230.7	(11.5)%	5.1%
Other revenues	39.2	29.9	28.5	30.8%	4.9%
Total Broadcasting Revenues	$ 614.5	$ 634.6	$ 611.9	(3.2)%	3.7%

Net Broadcast Revenues. From a revenue category standpoint, the year ended December 31, 2005, when compared to 2004, was negatively impacted by a decrease of advertising revenues generated from the political, automotive, movies, telecommunications and food-breakfast sectors, offset by increases in the services, schools and entertainment sectors. Automotive, our single largest category, representing 23.8% of the year s net time sales, was down 5.1%.

Political Revenues. Both local and national political revenues were the primary drivers of higher revenue in 2004, compared to 2005 because 2004 was a presidential election year. In fact, we own television stations in 11 of the 16 so called Battleground States including multiple stations in Ohio, Florida and West Virginia. We expect political revenues to increase in 2006 from 2005 levels, but not to the extent of political revenues from 2004 since 2006 is not a presidential election year.

Local Revenues. Our revenues from local advertisers, excluding political revenues, increased during the year ended December 31, 2005 when compared to 2004. We continue to focus on increasing local advertising revenues through innovative sales and marketing strategies in our markets. Revenues from our new business initiatives increased by $11.0 million during the year ended December 31, 2005 to $26.4 million from $15.4 million during 2004. We expect to continue our focus on new business revenues in 2006. Additionally, during 2004, we implemented an enhanced sales training course for all of our salespeople with a focus on local revenue sales. We have continued these efforts throughout 2005 and will continue these efforts in 2006.

National Revenues. Our revenues from national advertisers, excluding political revenues, have continued to trend downward over time. We believe this trend represents a shift in the way national advertising dollars are being spent and we believe it has recently begun accelerating. Advertisers in major categories like automotive, soft drink and packaged goods are shifting significant portions of their advertising budgets away from spot television into non-traditional media, in-store promotions and product placement in network shows. We expect this trend to continue into 2006.

Other Revenues and Expenses. Our other revenues consist primarily of network compensation, revenues from retransmission agreements with cable and satellite providers, production revenues and revenues from our outsourcing agreements. Compared to 2004, other revenues increased $9.3 million during the year ended December 31, 2005. The increase in other revenues is primarily related to increased retransmission revenues which increased $8.7 million in 2005, excluding a one-time adjustment of $2.9 million. We expect to experience similar growth in our retransmission revenues in 2006. We expect this growth to be partially offset by a reduction in our network compensation, although we cannot predict the extent of this reduction in light of the recent CW network merger announcement.

Expense Discussion and Analysis

The following table presents our significant expense categories for the three years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003	Percent Change 05 vs. 04	Percent Change 04 vs. 03
Station production expenses	$ 152.2	$ 154.7	$ 147.6	(1.6)%	4.8%
Station selling, general and administrative expenses	$ 137.6	$ 145.7	$ 130.9	(5.6)%	11.3%
Amortization of program contract costs	$ 70.7	$ 89.2	$ 98.4	(20.7)%	(9.4)%
Depreciation of property and equipment	$ 50.3	$ 48.2	$ 43.6	4.4%	10.6%
Corporate general and administrative expenses	$ 20.8	$ 21.2	$ 19.5	(1.9)%	8.7%
Amortization of definite-lived intangible assets	$ 18.0	$ 18.5	$ 18.7	(2.7)%	(1.1)%
Interest expense	$ 118.6	$ 120.4	$ 121.2	(1.5)%	(0.7)%
Unrealized gain from derivative instruments	$ 21.8	$ 29.4	$ 17.4	(25.9)%	69.0%
Gain on insurance settlement	$ 1.2	$ 3.3	$	(63.6)%	
Impairment of goodwill	$	$ 44.1	$	(100.0)%	
Income tax provision	$ 37.1	$ 11.5	$ 10.8	222.6%	6.5%

Station production expenses. Station production expenses decreased during the year ended December 31, 2005 compared to 2004 primarily due to decreases in costs related to LMAs and outsourcing agreements of $1.2 million. In addition, there were also decreases in promotion expense due to cutbacks in promotional plans amounting to $1.6 million, news costs of $1.6 million, programming expenses of $0.6 million, production expenses of $0.2 million, music license fees of $0.1 million and other miscellaneous expenses of $0.6 million. These decreases were offset by increases in engineering expenses of $1.3 million, rating service fees of $1.1 million, salary expense of $0.5 million and FOX inventory costs of $0.5 million. We do not expect similar decreases in costs related to existing LMAs and outsourcing agreements in future periods and we expect a 3.0% increase in total station production expense in 2006.

Station production costs increased in 2004 compared to 2003 as a result of news expense related to commencement of News Central during 2003 in the Greensboro, North Carolina; Milwaukee, Wisconsin; Tampa, Florida; Birmingham, Alabama; Las Vegas, Nevada and Cincinnati, Ohio markets of $6.0 million, an increase in rating service fees of $1.8 million, engineering expense of $1.0 million, promotion expense of $0.3 and other miscellaneous decreases of $0.2 million, offset by a decrease in costs related to LMAs and outsourcing agreements of $1.8 million and programming expense of $0.4 million.

Station selling, general and administrative expenses. Station selling, general and administrative expense decreased during the year ended December 31, 2005 compared to 2004 as a result of decreases in sales expenses related to direct mailers of $4.1 million, local and national sales representatives commissions of $3.0 million, salary expense of $1.0 million, workers compensation refunds of $0.8 million, expenses related to an annual sales trip of $0.5 million, bad debt expenses of $0.3 million and electric expenses of $0.2 million. These decreases were offset by a one-time adjustment of $1.0 million to our self-insured healthcare plan during the third quarter of 2005, increases in expense for Cunningham Broadcasting Corporation, a related party entity that we consolidate, of $0.5 million and vacation expense of $0.3 million. We expect station selling, general and administrative expenses to increase about 3% in 2006.

In 2004, we had an increase in sales and other expense related to our direct mail initiative of $6.0 million, an increase in bad debt expense of $1.5 million, an increase in vacation, salary and payroll taxes of $1.9 million, an increase in local and national sales representatives commissions of $2.0 million, an increase in insurance costs of $1.0 million, an increase in trade expense of $0.3 million, an increase in building rent and related expenses of $1.5 million and miscellaneous increases of $0.6 million compared to 2003.

Amortization of program contract costs. The amortization of our programming costs has trended significantly downward since 2003. This is primarily because the costs to acquire syndicated programming had been declining. We do not expect this trend to continue and we expect program contract amortization to return to 2004 levels during 2006.

Depreciation of property and equipment. The depreciation of property and equipment has been increasing since 2003. These increases are primarily related to capital expenditures of $16.7 million, $44.9 million and $69.5 million in 2005, 2004 and 2003, respectively, as we have been completing the final phase of our digital build-out. Additionally, during 2005, a $1.1 million impairment was recognized for certain capitalized software costs that became obsolete as a result of our conversion to a new revenue billing system during the second quarter of 2005. We expect to spend $31.0 million in capital expenditures in 2006 and we expect depreciation expense to remain stable.

Corporate general and administrative expenses. Corporate general and administrative expenses represent the costs to operate our corporate headquarters location. Such costs include, among other things, corporate departmental salaries, bonuses and fringe benefits, directors and officers life insurance, rent, telephone, consulting fees, legal, accounting and director fees. Corporate departments include executive, treasury, finance and accounting, human resources, technology, corporate relations, legal, sales, operations and purchasing.

Corporate general and administrative expenses decreased during the year ended December 31, 2005 compared to 2004 as a result of decreases in salary and training expense related to open positions of $1.1 million, consulting fees of $0.5 million, sales promotion of $0.2 million and other miscellaneous expenses of $0.1 million. These decreases were offset by an increase in expense of $1.4 million related to compliance with the Sarbanes-Oxley Act of 2002, as well as the $0.1 million increase related to our charitable contributions to the Sinclair Relief Fund, a related party charitable organization established in response to the disaster caused by Hurricane Katrina. We expect corporate overhead expenses to increase to $22.5 million in 2006.

During the year ended December 31, 2004, corporate general and administrative expenses increased by $1.7 million from 2003 due to increases in salary expense of $1.2 million, training and education expenses of $0.5 million, corporate relation costs of $0.2 million and a $0.1 million increase related to legal fees. These were offset by decreases in consulting fees of $0.4 million and other miscellaneous decreases of $0.3 million.

Amortization of definite-lived intangible assets. The amortization of definite lived intangibles has trended slightly downward since 2003 and we expect this trend to continue in 2006. Amortization is decreasing slightly over time because a portion of our intangible assets becomes fully amortized each year.

Interest expense. Interest expense presented in the financial statements is related to continuing operations. Interest expense decreased $1.8 million during the year ended December 31, 2005 when compared to 2004. This decrease is related to the use of proceeds from television station sales to repay debt during 2005, partially offset by rising interest rates on our floating rate debt and by the exchange of our Convertible Preferred Stock for Convertible Debentures, which increased interest expense. We expect interest expense to decrease in 2006, assuming no changes in the current interest rate yield curve and no changes in our current debt levels. Interest expense decreased in 2004 by $0.8 million as a result of the refinancing we did in the second quarter in an effort to reduce our overall interest costs.

Derivative instruments. We record gains and losses related to certain of our derivative instruments. We entered into these instruments prior to implementing the Financial Accounting Standards Board Statement No. 133, *Accounting for*

Derivative Instruments and Hedging Activities and due to the way they were structured, they did not qualify as effective hedges (as that term is defined in the accounting guidance). Generally, when derivative instruments are not effective, the change in the fair value of the instruments is recorded in the statement of earnings for each year. The fair value of our derivative instruments is primarily based on the future interest rate curves at the end of each year. During the year ended December 31, 2005, the future interest rate curves reflected increasing interest rates and, therefore, we recorded an unrealized gain from derivative instruments in our consolidated statements of operations. In 2003 and 2004, the future interest rate curves also reflected increasing interest rates, resulting in an unrealized gain from derivative instruments in our consolidated statements of operations. These derivative instruments expire on June 5, 2006, at which time, the fair value will equal zero. Therefore, during the first and second quarters of 2006, the total net unrealized gain from these instruments will equal $2.9 million.

Gain on insurance settlement. In the first quarter of 2003, one of our towers in Charleston, West Virginia collapsed during a severe ice storm. This tower was insured and we used the insurance proceeds to rebuild the tower and to replace the other assets that were destroyed by the collapse. In the fourth quarter of 2004, we completed substantially all of the construction of the new tower and placed it in service, and at that time we recognized a gain on insurance settlement of $3.3 million. In 2005, we recognized a gain on insurance settlement of $1.2 million related to rebuilding the tower and replacing the other assets that were destroyed by the collapse. We do not expect any additional payments or gains related to this claim to occur in 2006.

Impairment of goodwill. On a periodic basis, we test our goodwill for impairment in accordance with the applicable accounting rules. (See *Note 4. Goodwill and Other Intangible Assets,* in the Notes to our Consolidated Financial Statements.) There was no impairment of goodwill to recognize in 2005. In 2004, we recognized a loss of $44.1 million related to an impairment of goodwill in one of our markets.

Income tax provision. The 2005 income tax provision for our pre-tax income from continuing operations of $72.7 million resulted in an effective tax rate of 51.0%. The 2004 income tax provision for our pre-tax income from continuing operations of $26.2 million resulted in an effective tax rate of 44.0%. The increase in the effective tax rate from 2004 to 2005 is primarily attributable to a one-time loss of certain state net operating losses, net of applicable valuation allowances, resulting from a corporate restructuring, offset by the effect of an Ohio tax law change. We expect that the effective tax rate will be approximately 41.0% in 2006.

As of December 31, 2005, we have a net deferred tax liability of $267.8 million as compared to a net deferred tax liability of $196.6 million as of December 31, 2004. The increase in deferred taxes primarily relates to an increase in deferred tax liabilities associated with book and tax differences relating to the amortization of intangible assets and a decrease in deferred tax assets resulting from utilization of Federal net operating losses to offset the gains on sale of several stations during 2005.

Other Operating Divisions Revenue and Expense

During the year ended December 31, 2005, the other operating divisions revenue that related to G1440, our software development and consulting company increased by $2.5 million to $9.2 million or 37.3%, from $6.7 million for 2004. G1440 s operating expenses increased by $1.7 million to $8.1 million for 2005 as compared to $6.4 million for 2004. Other operating divisions revenue related to our ownership interest in Acrodyne increased by $7.0 million to $13.4 million or 109.4%, from revenues of $6.4 million in 2004. Acrodyne s operating expenses increased by $4.3 million to $12.8 million for 2005 as compared to $8.5 million for 2004.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash provided by operations and availability under our Bank Credit Agreement (the Bank Credit Agreement). On May 12, 2005, we amended and restated the Bank Credit Agreement, lowering our annual interest rate and outstanding balances. The Bank Credit Agreement, as in effect on December 31, 2005, includes a Term Loan A Facility (the Term Loan) of $100.0 million and a Revolving Credit Facility (the Revolver) of $175.0 million maturing on December 31, 2011 and June 30, 2011, respectively.

Scheduled payments on the Term Loan and Revolver are calculated at the London Interbank Offered Rate (LIBOR) plus 1.25%, with step-downs tied to a leverage grid. We have the right to terminate the Term Loan or Revolver at any time without prepayment penalty. The Term Loan is repayable in quarterly installments, amortizing as follows:

1.25% per quarter commencing March 31, 2007 to December 31, 2008

3.75% per quarter commencing March 31, 2009 to December 31, 2010

15.0% per quarter commencing March 31, 2011 and continuing through its maturity on December 31, 2011.

Availability under the Revolver does not reduce incrementally and terminates at maturity. We are required to repay the Term Loan and reduce the Revolver with (i) 100% of the net proceeds of any casualty loss or condemnation and (ii) 100% of the net proceeds of any sale or other disposition of our assets in excess of $5.0 million in the aggregate in any 12 month period, to the extent not used to acquire new assets.

As of December 31, 2005, we had $9.7 million in cash balances and negative working capital of approximately $1.7 million. We anticipate that cash flow from our operations and the Revolver will be sufficient to continue paying dividends under our current policy and to satisfy our debt service obligations, capital expenditure requirements and working capital needs for the next year. As of December 31, 2005, we had borrowed a $100.0 million under our Term Loan and $7.5 million under our Revolver. The remaining balance available under the Revolver was $167.5 million as of December 31, 2005. Our ability to draw on our Revolver is based on pro forma trailing cash flow levels as defined in our Bank Credit Agreement. For the year ended December 31, 2005, the entire $167.5 million of current borrowing capacity was available under our Revolver.

On April 22, 2002, we filed a $350.0 million universal shelf registration statement with the Securities and Exchange Commission which will permit us to offer and sell various types of securities from time to time. Offered securities may include common stock, debt securities, preferred stock, depository shares or any combination thereof in amounts, prices and on terms to be announced when the securities are offered. If we decide to offer any securities under our shelf registration, we intend to use the proceeds for general corporate purposes, including, but not limited to, the reduction, redemption or refinancing of debt or other obligations, acquisitions, capital expenditures and working capital. We have $350.0 million of availability under this shelf registration, which expires on November 30, 2008.

Sources and Uses of Cash

The following table sets forth our cash flows for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Net cash flows from operating activities	$ 54.5	$ 120.1	$ 146.5
Net cash flows from (used in) investing activities:			
Capital expenditures	$ (16.7)	$ (44.9)	$ (69.5)
Station sales (acquisitions)	279.7	28.6	(18.0)
Sale of investments	21.5		
Other	0.3	(1.4)	(2.5)
	$ 284.8	$ (17.7)	$ (90.0)
Net cash flows (used in) from financing activities:			
Issuance of debt	$ 52.0	$ 533.0	$ 318.3
Repayment of debt	(360.4)	(620.4)	(129.1)
Dividend payments	(24.2)	(14.5)	(10.4)
Preferred stock redemption			(200.0)
Other	(7.6)	(18.8)	(11.9)
	$ (340.2)	$ (120.7)	$ (33.1)

Operating Activities

Net cash flows from operating activities decreased during 2005 compared to 2004 primarily as a result of television station sales during 2005 and the related cash tax payments as a result of the gains from the sales. Cash tax payments in 2005 were $37.4 million as compared to $0.4 million in cash tax payments in 2004. Additionally, changes in our regular cash flows from operations resulted in net cash outflows of $7.0 million in 2005 compared to net cash inflows of $9.6 million in 2004 from similar operational changes. Interest payments decreased to $120.1 million in 2005 compared to $130.5 million in 2004. We expect to make $114.5 million in interest payments in 2006. Our program payments decreased to $104.0 million in 2005 compared to $110.2 million in 2004. We expect our program payments to continue to trend downwards in 2006.

Net cash flows from operating activities decreased during 2004 compared to 2003 primarily as a result of tax refunds of $40.6 million received during 2003. Most of these refunds were related to tax net operating losses from the 2002 tax return, which was filed in 2003, that were carried back to offset gains on radio station sales in 2000. Our interest payments were $116.9 million in 2003. Our program payments were $105.5 million in 2003.

Investing Activities

Net cash flows from investing activities increased significantly during 2005 compared to the net cash flows used in investing activities in 2004. The primary driver of this increase was cash from the sales of television stations of $295.2 million and the sale of our investment in Atlantic Automotive for $21.5 million. The cash from station sales was offset by $12.8 million cash paid related to the purchase options for WNAB-TV in Nashville, Tennessee and a cash payment of $2.7 million related to the FCC license purchase option for WNYS-TV in Syracuse, New York. Additionally, our cash payments for property and equipment decreased by $28.2 million in 2005, as compared to 2004, primarily because we spent less on digital conversion costs. For 2006, we anticipate incurring approximately $31.3 million of capital expenditures for station maintenance, equipment replacement and consolidation of building and tower needs in some markets. We expect to fund such capital expenditures with cash generated from operating activities and borrowings under our Bank Credit Agreement or an issuance of securities.

Net cash flows used in investing activities decreased during 2004 compared to 2003. Some of this decrease was related to cash from the sale of television stations of $28.6 million in 2004 compared to $18.0 million in cash paid in 2003 related to the purchase options of WNAB. Additionally, our cash payments for property and equipment decreased by $24.6 million in 2004, as compared to 2003, primarily because we spent less on digital conversion costs.

Financing Activities

Net cash flows used in financing activities increased significantly in 2005 compared to 2004 primarily because we utilized the cash from the sales of our television stations to repay debt. Our debt repayments to non-affiliates, net of debt issuances in 2005, was $308.4 million compared to $87.4 million in 2004. Additionally, we paid $14.9 million more in common stock dividend payments in 2005 as compared to 2004. See below for additional information about our common stock dividend payments.

Net cash flows used in financing activities increased in 2004 compared to 2003 primarily because our debt repayments to non-affiliates and preferred securities redemption, net of debt issuance, were $87.4 million in 2004 compared to $10.8 million in 2003. Additionally, we did not pay any dividends on our common stock in 2003.

During 2005, 2004 and 2003, we paid $5.0 million, $10.2 million and $10.4 million in dividends on our Series D Convertible Preferred Stock, respectively. We will not incur these dividend payments in the future because we exchanged the Convertible Preferred Stock for Convertible Debentures on June 15, 2005. For additional information, refer to *Note 5. Notes Payable and Commercial Bank Financing,* in the Notes to our Consolidated Financial Statements.

In May 2004, we declared a quarterly cash dividend on our common stock for the first time in our company s history. On November 1, 2005, the Board of Directors increased the annual dividend paid on our Class A and Class B Common Stock from $0.30 per share to $0.40 per share. We expect to continue to pay the current quarterly dividend rate of $0.10 in each of our future quarters beginning January 2006 and to fund these dividends with cash generated from operating activities and borrowings under our Bank Credit Agreement. The dividends paid for 2005 and 2004 are shown below:

For the quarter ended		**Total dividends paid**	**Payment date**
March 31, 2005	$	4.3 million	April 15, 2005
June 30, 2005	$	6.4 million	July 15, 2005
September 30, 2005	$	6.4 million	October 14, 2005
December 31, 2005	$	8.5 million	January 13, 2006

For the quarter ended		**Total dividends paid**	**Payment date**
June 30, 2004	$	2.1 million	July 15, 2004
September 30, 2004	$	2.1 million	October 15, 2004
December 31, 2004	$	2.1 million	January 14, 2005

During the second quarter, we repurchased, in the open market, $8.0 million of our 8.0% Senior Subordinated Notes, due 2012 at face value and $2.6 million of our 8.75% Senior Subordinated Notes, due 2011 at face value. During the fourth quarter of 2005, we repurchased, in the open market, $5.0 million of our 6.0% Convertible Debentures, due 2012 at face value. We did not repurchase any of our outstanding debt during either of the first or third quarters. From time to time, we may repurchase additional outstanding debt on the open market. We expect to fund any repurchases with cash generated from operating activities and borrowings under our Bank Credit Agreement.

Contractual Cash 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, 2005 and the future periods in which such obligations are expected to be settled in cash (in thousands):

CONTRACTUAL CASH OBLIGATIONS RELATED TO CONTINUING OPERATIONS

	Total	2006	2007-2008	2009-2010	2011 and thereafter (a)
Notes payable, capital leases and commercial bank financing (b)	$ 2,168,856	$ 133,291	$ 208,784	$ 228,171	$ 1,598,610
Notes and capital leases payable to affiliates	33,951	6,439	10,435	3,346	13,731
Fixed rate derivative instrument	15,634	15,634			
Operating leases	26,231	4,003	5,978	5,710	10,540
Employment contracts	14,887	9,009	5,673	205	
Film liability - active	153,749	88,510	49,533	15,706	
Film liability - future (c)	170,484	15,396	66,861	65,895	22,332
Programming services (d)	178,817	33,832	61,055	56,398	27,532
Maintenance and support	10,060	3,138	3,679	2,846	397
Network affiliation agreements	78,579	13,339	26,054	25,736	13,450
Other operating contracts	7,182	2,948	2,638	575	1,021
Total contractual cash obligations	$ 2,858,430	$ 325,539	$ 440,690	$ 404,588	$ 1,687,613

CONTRACTUAL CASH OBLIGATIONS RELATED TO DISCONTINUED OPERATIONS (e)

	Total	2006	2007-2008	2009-2010	2011 and thereafter
Film liability - active	$ 1,407	$ 668	$ 551	$ 188	$
Film liability - future (c)	881	78	326	439	38
Programming services (d)	272	52	108	84	28
Total contractual cash obligations	$ 2,560	$ 798	$ 985	$ 711	$ 66

(a) Includes a one-year estimate of $32.1 million in payments related to contracts that automatically renew. We have not calculated potential payments for years after 2011.

(b) Includes interest on fixed rate debt and capital leases.

(c) Future film liabilities reflect a license agreement for program material that is not yet available for its first showing or telecast and is, therefore, not recorded as an asset or liability on our balance sheet. Pursuant to SFAS No. 63, *Financial Reporting for Broadcasters*, an asset and a liability for the rights acquired and obligations incurred under a license agreement are reported on the balance sheet when the cost of each program is known or reasonably determinable, the program material has been accepted by the licensee in accordance with the conditions of the license agreement and the program is available for its first showing or telecast.

(d) Includes obligations related to rating service fees, music license fees, market research, weather and news services.

(e) This table represents obligations related to WEMT-TV in Tri-Cities, Tennessee. On February 8, 2006, we completed the sale of WEMT and are no longer obligated for any future payments presented.

Off Balance Sheet Arrangements

Off balance sheet arrangements as defined by the Securities and Exchange Commission (SEC) include the following four items: obligations under certain guarantees or contracts; retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangements; obligations under certain derivative arrangements; and obligations under material variable interest. We have entered into arrangements where we have obligations under certain guarantees or contracts because we believe they will help improve shareholder returns.

In 2003, we entered into option agreements with an unrelated third party to purchase certain license and non-license television broadcast assets of WNAB-TV in Nashville, Tennessee. On March 25, 2005, we exercised the option agreements to acquire certain license and non-license assets for $5.0 million and $8.3 million, respectively. On May 31, 2005, we completed the purchase of the non-license broadcast assets. The closing on the license assets is pending approval by the FCC. We paid $4.5 million of the license assets exercise price on December 23, 2005. If the FCC has not granted approval by December 22, 2006, we will be required to pay the remaining $0.5 million to the unrelated third party.

We have determined that WNAB continues to be a variable interest entity (VIE) and that we remain the primary beneficiary of the variable interest as a result of the terms of our outsourcing agreement and our purchase option. As a result, we continue to consolidate the assets and liabilities of WNAB at their fair values, which have been adjusted to reflect an appraisal prepared in connection with the closing of the non-license assets. Goodwill and FCC license book values were increased by $5.8 million and $4.2 million, respectively, upon the closing of the non-license assets in May 2005.

On May 26, 2005, we entered into a twelve-month limited scope liquidity assurance with Acrodyne Communications, Inc. (Acrodyne), one of our majority-owned subsidiaries. Pursuant to this agreement, we will provide Acrodyne sufficient funding to cover any necessary working capital needs through May 25, 2006 should Acrodyne not be able to provide that funding on its own. The exposure to us in this liquidity assurance cannot be estimated nor can its probability of occurrence be estimated. In connection with this liquidity assurance, we established a $0.5 million line of credit for Acrodyne. Interest on any unpaid indebtedness will be calculated on a daily basis at LIBOR plus 225 basis points per annum. As of December 31, 2005, Acrodyne had borrowed $0.4 million under this line of credit. We do not believe the liquidity assurance will have a material impact on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows and, therefore, we have not recorded any liability related to it.

The following table reflects a summary of these off balance sheet arrangements as defined by the SEC as of December 31, 2005 and the future periods in which such arrangements may be settled in cash if certain contingent events occur (in thousands):

	Total (a)	2006	2007-2008	2009-2010	2011 and thereafter
Letters of credit	$ 1,127	$ 392	$ 164	$ 164	$ 407
Guarantees	31	31			
Investments (b)	6,034	6,034			
Purchase commitments	2,710	2,520	190		
LMA and outsourcing agreements (c)	45,558	12,717	20,100	9,986	2,755
Total other commercial commitments	$ 55,460	$ 21,694	$ 20,454	$ 10,150	$ 3,162

(a) There are no off balance sheet arrangements related to discontinued operations.

(b) Commitments to contribute capital to Allegiance Capital, LP, Acrodyne and Sterling Ventures Partners, LP.

(c) Certain LMAs require us to reimburse the licensee owner their operating costs. Certain outsourcing agreements require us to pay a fee to another station for providing non-programming services. The amount will vary each month and accordingly, these amounts were estimated through the date of the agreements expiration, based on historical cost experience.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (3) Exhibits

The following exhibits are filed with this report:

31.3	Certification by David D. Smith, as Chief Executive Officer of Sinclair Broadcast Group, Inc., pursuant to § 302 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. § 7241).
31.4	Certification by David B. Amy, as Chief Financial Officer of Sinclair Broadcast Group, Inc., pursuant to § 302 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. § 7241).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized on this 31st day of March 2006.

SINCLAIR BROADCAST GROUP, INC.

By: /s/ David R. Bochenek
David R. Bochenek
Vice President / Chief Accounting Officer