

SINCLAIR BROADCAST GROUP INC  
Form 10-Q  
August 05, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

COMMISSION FILE NUMBER: 000-26076

# SINCLAIR BROADCAST GROUP, INC.

(Exact name of Registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of  
Incorporation or organization)

**52-1494660**  
(I.R.S. Employer Identification No.)

**10706 Beaver Dam Road**

**Hunt Valley, Maryland 21030**

(Address of principal executive office, zip code)

**(410) 568-1500**

(Registrant's telephone number, including area code)

**None**

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such file). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

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

| <b>Title of each class</b> | <b>Number of shares outstanding as of<br/>July 29, 2011</b> |
|----------------------------|-------------------------------------------------------------|
| Class A Common Stock       | 52,008,622                                                  |
| Class B Common Stock       | 28,933,859                                                  |

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SINCLAIR BROADCAST GROUP, INC.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2011

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Table of Contents**PART 1. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SINCLAIR BROADCAST GROUP, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share data) (Unaudited)**

|                                                                                                  | <b>As of June 30,<br/>2011</b> | <b>As of December 31,<br/>2010</b> |
|--------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------|
| <b>ASSETS</b>                                                                                    |                                |                                    |
| <b>CURRENT ASSETS:</b>                                                                           |                                |                                    |
| Cash and cash equivalents                                                                        | \$ 50,531                      | \$ 21,695                          |
| Current portion of restricted cash                                                               |                                | 5,058                              |
| Accounts receivable, net of allowance for doubtful accounts of \$3,017 and \$3,216, respectively | 118,614                        | 120,977                            |
| Affiliate receivable                                                                             | 58                             | 88                                 |
| Current portion of program contract costs                                                        | 17,678                         | 37,000                             |
| Prepaid expenses and other current assets                                                        | 8,875                          | 5,996                              |
| Deferred barter costs                                                                            | 3,300                          | 3,156                              |
| Assets held for sale                                                                             | 37,870                         | 35,067                             |
| Deferred tax assets                                                                              | 9,658                          | 9,658                              |
| Total current assets                                                                             | 246,584                        | 238,695                            |
| PROGRAM CONTRACT COSTS, less current portion                                                     | 6,042                          | 8,729                              |
| PROPERTY AND EQUIPMENT, net                                                                      | 277,581                        | 272,221                            |
| RESTRICTED CASH, less current portion                                                            | 223                            | 223                                |
| GOODWILL                                                                                         | 659,705                        | 659,605                            |
| BROADCAST LICENSES                                                                               | 47,002                         | 47,375                             |
| DEFINITE-LIVED INTANGIBLE ASSETS, net                                                            | 143,854                        | 150,738                            |
| OTHER ASSETS                                                                                     | 116,307                        | 108,338                            |
| Total assets                                                                                     | \$ 1,497,298                   | \$ 1,485,924                       |
| <b>LIABILITIES AND EQUITY (DEFICIT)</b>                                                          |                                |                                    |
| <b>CURRENT LIABILITIES:</b>                                                                      |                                |                                    |
| Accounts payable                                                                                 | \$ 3,685                       | \$ 5,807                           |
| Accrued liabilities                                                                              | 70,518                         | 64,645                             |
| Income taxes payable                                                                             | 3,799                          | 298                                |
| Current portion of notes payable, capital leases and commercial bank financing                   | 24,556                         | 19,556                             |
| Current portion of notes and capital leases payable to affiliates                                | 2,972                          | 3,196                              |
| Current portion of program contracts payable                                                     | 41,751                         | 68,301                             |
| Deferred barter revenues                                                                         | 3,005                          | 2,522                              |
| Liabilities held for sale                                                                        | 27,281                         | 24,660                             |
| Total current liabilities                                                                        | 177,567                        | 188,985                            |
| <b>LONG-TERM LIABILITIES:</b>                                                                    |                                |                                    |
| Notes payable, capital leases and commercial bank financing, less current portion                | 1,141,405                      | 1,148,673                          |
| Notes payable and capital leases to affiliates, less current portion                             | 18,091                         | 19,573                             |
| Program contracts payable, less current portion                                                  | 22,507                         | 29,593                             |

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|                             |           |           |
|-----------------------------|-----------|-----------|
| Deferred tax liabilities    | 226,087   | 210,335   |
| Other long-term liabilities | 46,948    | 45,847    |
| Total liabilities           | 1,632,605 | 1,643,006 |

EQUITY (DEFICIT):

SINCLAIR BROADCAST GROUP SHAREHOLDERS EQUITY (DEFICIT):

|                                                                                                                                                                                    |              |              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Class A Common Stock, \$.01 par value, 500,000,000 shares authorized, 51,998,503 and 50,284,052 shares issued and outstanding, respectively                                        | 520          | 503          |
| Class B Common Stock, \$.01 par value, 140,000,000 shares authorized, 28,933,859 and 30,083,819 shares issued and outstanding, respectively, convertible into Class A Common Stock | 289          | 301          |
| Additional paid-in capital                                                                                                                                                         | 617,191      | 609,640      |
| Accumulated deficit                                                                                                                                                                | (757,319)    | (771,953)    |
| Accumulated other comprehensive loss                                                                                                                                               | (3,833)      | (3,914)      |
| Total Sinclair Broadcast Group shareholders' deficit                                                                                                                               | (143,152)    | (165,423)    |
| Noncontrolling interests                                                                                                                                                           | 7,845        | 8,341        |
| Total deficit                                                                                                                                                                      | (135,307)    | (157,082)    |
| Total liabilities and equity (deficit)                                                                                                                                             | \$ 1,497,298 | \$ 1,485,924 |

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

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

|                                                                                                                   | <b>Three Months Ended June 30,</b> |                  | <b>Six Months Ended June 30,</b> |                  |
|-------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------|----------------------------------|------------------|
|                                                                                                                   | <b>2011</b>                        | <b>2010</b>      | <b>2011</b>                      | <b>2010</b>      |
| <b>REVENUES:</b>                                                                                                  |                                    |                  |                                  |                  |
| Station broadcast revenues, net of agency commissions                                                             | \$ 159,259                         | \$ 158,709       | \$ 315,118                       | \$ 306,631       |
| Revenues realized from station barter arrangements                                                                | 18,498                             | 17,985           | 35,720                           | 32,761           |
| Other operating divisions revenues                                                                                | 8,830                              | 6,497            | 15,236                           | 11,264           |
| Total revenues                                                                                                    | 186,587                            | 183,191          | 366,074                          | 350,656          |
| <b>OPERATING EXPENSES:</b>                                                                                        |                                    |                  |                                  |                  |
| Station production expenses                                                                                       | 42,917                             | 38,645           | 85,262                           | 74,563           |
| Station selling, general and administrative expenses                                                              | 30,192                             | 30,554           | 60,754                           | 61,196           |
| Expenses recognized from station barter arrangements                                                              | 16,531                             | 15,748           | 32,258                           | 28,979           |
| Amortization of program contract costs and net realizable value adjustments                                       | 12,666                             | 15,303           | 25,284                           | 31,217           |
| Other operating divisions expenses                                                                                | 7,763                              | 6,433            | 14,266                           | 12,109           |
| Depreciation of property and equipment                                                                            | 7,859                              | 9,093            | 15,917                           | 18,714           |
| Corporate general and administrative expenses                                                                     | 7,073                              | 7,250            | 15,737                           | 13,827           |
| Amortization of definite-lived intangible assets                                                                  | 4,028                              | 4,205            | 8,578                            | 8,464            |
| Total operating expenses                                                                                          | 129,029                            | 127,231          | 258,056                          | 249,069          |
| Operating income                                                                                                  | 57,558                             | 55,960           | 108,018                          | 101,587          |
| <b>OTHER INCOME (EXPENSE):</b>                                                                                    |                                    |                  |                                  |                  |
| Interest expense and amortization of debt discount and deferred financing costs                                   | (24,628)                           | (28,132)         | (53,508)                         | (56,895)         |
| Loss from extinguishment of debt                                                                                  | (3,478)                            | (149)            | (4,402)                          | (438)            |
| Income (loss) from equity and cost method investments                                                             | 815                                | (1,024)          | 826                              | (481)            |
| Gain on insurance settlement                                                                                      |                                    |                  | 1,723                            |                  |
| Other income, net                                                                                                 | 585                                | 539              | 1,054                            | 1,183            |
| Total other expense                                                                                               | (26,706)                           | (28,766)         | (54,307)                         | (56,631)         |
| Income from continuing operations before income taxes                                                             | 30,852                             | 27,194           | 53,711                           | 44,956           |
| <b>INCOME TAX PROVISION</b>                                                                                       | <b>(12,476)</b>                    | <b>(10,516)</b>  | <b>(20,501)</b>                  | <b>(17,465)</b>  |
| Income from continuing operations                                                                                 | 18,376                             | 16,678           | 33,210                           | 27,491           |
| <b>DISCONTINUED OPERATIONS:</b>                                                                                   |                                    |                  |                                  |                  |
| Income from discontinued operations, includes income tax provision of \$140, \$244, \$365 and \$447, respectively | 101                                | 274              | 394                              | 455              |
| <b>NET INCOME</b>                                                                                                 | <b>18,477</b>                      | <b>16,952</b>    | <b>33,604</b>                    | <b>27,946</b>    |
| Net loss attributable to the noncontrolling interests                                                             | 102                                | 321              | 254                              | 847              |
| <b>NET INCOME ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP</b>                                                        | <b>\$ 18,579</b>                   | <b>\$ 17,273</b> | <b>\$ 33,858</b>                 | <b>\$ 28,793</b> |
| Dividends declared per share                                                                                      | \$ 0.12                            | \$               | \$ 0.24                          | \$               |
| <b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP:</b>                                        |                                    |                  |                                  |                  |
| Basic earnings per share from continuing operations                                                               | \$ 0.23                            | \$ 0.22          | \$ 0.42                          | \$ 0.36          |
| Basic earnings per share                                                                                          | \$ 0.23                            | \$ 0.22          | \$ 0.42                          | \$ 0.36          |
| Diluted earnings per share from continuing operations                                                             | \$ 0.23                            | \$ 0.21          | \$ 0.42                          | \$ 0.36          |
| Diluted earnings per share                                                                                        | \$ 0.23                            | \$ 0.21          | \$ 0.42                          | \$ 0.36          |
| Weighted average common shares outstanding                                                                        | 80,912                             | 80,307           | 80,746                           | 80,133           |
| Weighted average common and common equivalent shares outstanding                                                  | 81,169                             | 86,985           | 81,004                           | 81,175           |



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AMOUNTS ATTRIBUTABLE TO SINCLAIR

BROADCAST GROUP COMMON SHAREHOLDERS:

|                                                 |    |        |    |        |    |        |    |        |
|-------------------------------------------------|----|--------|----|--------|----|--------|----|--------|
| Income from continuing operations, net of tax   | \$ | 18,494 | \$ | 16,999 | \$ | 33,631 | \$ | 28,198 |
| Income from discontinued operations, net of tax |    | 85     |    | 274    |    | 227    |    | 595    |
| Net income                                      | \$ | 18,579 | \$ | 17,273 | \$ | 33,858 | \$ | 28,793 |

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

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**SINCLAIR BROADCAST GROUP, INC.**  
**CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**

(In thousands) (Unaudited)

|                                                                     | Sinclair Broadcast Group Shareholders |                            |                                  |                        | Other<br>Comprehensive<br>Loss | Noncontrolling<br>Interests | Total Equity<br>(Deficit) |
|---------------------------------------------------------------------|---------------------------------------|----------------------------|----------------------------------|------------------------|--------------------------------|-----------------------------|---------------------------|
|                                                                     | Class A<br>Common<br>Stock            | Class B<br>Common<br>Stock | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit |                                |                             |                           |
| BALANCE, December 31, 2010                                          | \$ 503                                | \$ 301                     | \$ 609,640                       | \$ (771,953)           | \$ (3,914)                     | \$ 8,341                    | \$ (157,082)              |
| Dividends declared on Class A and<br>Class B Common Stock           |                                       |                            |                                  | (19,224)               |                                |                             | (19,224)                  |
| Class A Common Stock issued<br>pursuant to employee benefit plans   | 5                                     |                            | 5,079                            |                        |                                |                             | 5,084                     |
| Class B Common Stock converted<br>into Class A Common Stock         | 12                                    | (12)                       |                                  |                        |                                |                             |                           |
| Class A Common Stock sold by<br>variable interest entity            |                                       |                            | 1,808                            |                        |                                |                             | 1,808                     |
| Tax benefit on share based awards                                   |                                       |                            | 664                              |                        |                                |                             | 664                       |
| Distributions to noncontrolling<br>interest                         |                                       |                            |                                  |                        |                                | (242)                       | (242)                     |
| Amortization of net periodic pension<br>benefit costs, net of taxes |                                       |                            |                                  |                        | 81                             |                             | 81                        |
| Net income (loss)                                                   |                                       |                            |                                  | 33,858                 |                                | (254)                       | 33,604                    |
| BALANCE, June 30, 2011                                              | \$ 520                                | \$ 289                     | \$ 617,191                       | \$ (757,319)           | \$ (3,833)                     | \$ 7,845                    | \$ (135,307)              |

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

|                                                                     | Three months ended<br>June 30, |           | Six months ended<br>June 30, |           |
|---------------------------------------------------------------------|--------------------------------|-----------|------------------------------|-----------|
|                                                                     | 2011                           | 2010      | 2011                         | 2010      |
| Net income                                                          | \$ 18,477                      | \$ 16,952 | \$ 33,604                    | \$ 27,946 |
| Amortization of net periodic pension<br>benefit costs, net of taxes | 40                             | 73        | 81                           | 145       |
| Comprehensive income                                                | 18,517                         | 17,025    | 33,685                       | 28,091    |
| Comprehensive loss attributable to the<br>noncontrolling interests  | 102                            | 321       | 254                          | 847       |
| Comprehensive income attributable to<br>Sinclair Broadcast Group    | \$ 18,619                      | \$ 17,346 | \$ 33,939                    | \$ 28,938 |

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



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

|                                                                                                                                               | <b>Six Months Ended June 30,</b> |               |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|---------------|
|                                                                                                                                               | <b>2011</b>                      | <b>2010</b>   |
| <b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>                                                                                        |                                  |               |
| Net income                                                                                                                                    | \$ 33,604                        | \$ 27,946     |
| Adjustments to reconcile net income to net cash flows from operating activities:                                                              |                                  |               |
| Depreciation of property and equipment                                                                                                        | 16,052                           | 18,857        |
| Recognition of deferred revenue                                                                                                               | (8,398)                          | (10,606)      |
| Amortization of definite-lived intangible and other assets                                                                                    | 9,808                            | 9,400         |
| Amortization of program contract costs and net realizable value adjustments                                                                   | 25,284                           | 31,217        |
| Original debt issuance discount paid                                                                                                          | (13,606)                         | (3,336)       |
| Deferred tax provision                                                                                                                        | 15,674                           | 15,893        |
| Change in assets and liabilities:                                                                                                             |                                  |               |
| Increase in accounts receivable, net                                                                                                          | (729)                            | (5,917)       |
| Decrease in income taxes receivable                                                                                                           |                                  | 691           |
| Increase in prepaid expenses and other current assets                                                                                         | (2,936)                          | (260)         |
| Increase in other assets                                                                                                                      | (522)                            | (169)         |
| Increase in accounts payable and accrued liabilities                                                                                          | 13,719                           | 17,261        |
| Increase in income taxes payable                                                                                                              | 4,165                            |               |
| Increase in other long-term liabilities                                                                                                       | 2,322                            | 60            |
| Payments on program contracts payable                                                                                                         | (36,911)                         | (48,833)      |
| Other, net                                                                                                                                    | 10,261                           | 7,535         |
| Net cash flows from operating activities                                                                                                      | 67,787                           | 59,739        |
| <b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>                                                                                        |                                  |               |
| Acquisition of property and equipment                                                                                                         | (20,656)                         | (4,662)       |
| Acquisition of intangibles                                                                                                                    | (242)                            |               |
| Purchase of alarm monitoring contracts                                                                                                        | (4,432)                          | (3,391)       |
| Decrease in restricted cash                                                                                                                   | 5,058                            | 42,051        |
| Dividends and distributions from equity and cost method investees                                                                             | 1,348                            | 143           |
| Investments in equity and cost method investees                                                                                               | (8,294)                          | (6,362)       |
| Proceeds from insurance settlement                                                                                                            | 1,736                            |               |
| Proceeds from the sale of assets                                                                                                              | 41                               |               |
| Loans to affiliates                                                                                                                           | (87)                             | (68)          |
| Proceeds from loans to affiliates                                                                                                             | 117                              | 70            |
| Net cash flows (used in) from investing activities                                                                                            | (25,411)                         | 27,781        |
| <b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</b>                                                                                        |                                  |               |
| Proceeds from notes payable, commercial bank financing and capital leases                                                                     | 132,951                          | 9,025         |
| Repayments of notes payable, commercial bank financing and capital leases                                                                     | (124,570)                        | (74,611)      |
| Proceeds from exercise of stock options, including excess tax benefits of share based payments of \$0.7 million and \$0 million, respectively | 1,844                            |               |
| Dividends paid on Class A and Class B Common Stock                                                                                            | (19,224)                         |               |
| Payments for deferred financing costs                                                                                                         | (4,401)                          | (1,228)       |
| Proceeds from Class A Common Stock sold by variable interest entity                                                                           | 1,808                            |               |
| Noncontrolling interests distributions                                                                                                        | (242)                            | (37)          |
| Repayments of notes and capital leases to affiliates                                                                                          | (1,706)                          | (1,499)       |
| Net cash flows used in financing activities                                                                                                   | (13,540)                         | (68,350)      |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                                                                              | <b>28,836</b>                    | <b>19,170</b> |
| CASH AND CASH EQUIVALENTS, beginning of period                                                                                                | 21,695                           | 23,224        |
| CASH AND CASH EQUIVALENTS, end of period                                                                                                      | \$ 50,531                        | \$ 42,394     |

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

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**SINCLAIR BROADCAST GROUP, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

*Principles of Consolidation*

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

*Discontinued Operations*

It is our intent to divest a portion of Alarm Funding Associates, LLC (Alarm Funding). In accordance with the Financial Accounting Standards Board's (FASB) guidance on reporting assets held for sale, we reported the financial position and results of operations of this portion of Alarm Funding as assets and liabilities held for sale in the accompanying consolidated balance sheets and income from discontinued operations in the consolidated statements of operations. Discontinued operations have not been segregated in the consolidated statements of cash flows; therefore, amounts for certain captions will not agree with the accompanying consolidated balance sheets and consolidated statements of operations. The operating results of the portion of Alarm Funding which we intend to divest are not included in our consolidated results of operations from continuing operations for the three and six months ended June 30, 2011 and 2010.

*Interim Financial Statements*

The consolidated financial statements for the three and six months ended June 30, 2011 and 2010 are unaudited. In the opinion of management, such financial statements have been presented on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows for these periods as adjusted for the adoption of recent accounting pronouncements discussed below.

As permitted under the applicable rules and regulations of the Securities and Exchange Commission (SEC), the consolidated financial statements do not include all disclosures normally included with audited consolidated financial statements and, accordingly, should be read together with the audited consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC. The consolidated statements of operations presented in the accompanying consolidated financial statements are not necessarily representative of operations for an entire year.

***Variable Interest Entities***

In determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. We consolidate VIEs when we are the primary beneficiary. The assets of our consolidated VIEs can only be used to settle the obligations of the VIE. All the liabilities including debt held by our VIEs are non-recourse to us. However, our senior secured credit facility (Bank Credit Agreement) contains cross-default provisions with the VIE debt of Cunningham Broadcasting Corporation (Cunningham). See *Note 5, Related Person Transactions* for more information.

We have entered into Local Marketing Agreements (LMAs) to provide programming, sales and managerial services for television stations of Cunningham, the license owner of seven television stations as of June 30, 2011. We pay LMA fees to Cunningham and also reimburse all operating expenses. We also have an acquisition agreement in which we have a purchase option to buy the license assets of the television stations which includes the Federal Communications Commission (FCC) license and certain other assets used to operate the station (License Assets). Our applications to acquire the FCC licenses are pending approval. We have determined that the Cunningham stations are VIEs and that based on the terms of the agreements, we are the primary beneficiary of the variable interests because we have the power to direct the activities which significantly impact the economic performance of the VIE through the sales and managerial services we provide and we absorb losses and returns that would be considered significant to Cunningham. See *Note 5, Related Person Transactions* for more information on our arrangements with Cunningham. Included in the accompanying consolidated statements of operations for the three months ended June 30, 2011 and 2010 are net revenues of \$22.6 million and \$23.3 million, respectively, that relate to LMAs with Cunningham. For the six months ended June 30, 2011 and 2010, Cunningham's stations provided us with approximately \$45.9 million and \$45.3 million, respectively, of total

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revenue.

We have outsourcing agreements with other license owners, under which we provide certain non-programming related sales, operational and administrative services. We pay a fee to the license owner based on a percentage of broadcast cash flow and we reimburse all operating expenses. We also have a purchase option to buy the License Assets. For the same reasons noted above regarding our LMAs, we have determined that the outsourced license station assets are VIEs and we are the primary beneficiary.

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

|                                                                                   | As of June 30,<br>2011 | As of December 31,<br>2010 |
|-----------------------------------------------------------------------------------|------------------------|----------------------------|
| <b>ASSETS</b>                                                                     |                        |                            |
| <b>CURRENT ASSETS:</b>                                                            |                        |                            |
| Cash and cash equivalents                                                         | \$ 7,478               | \$ 5,319                   |
| Income taxes receivable                                                           | 6                      |                            |
| Current portion of program contract costs                                         | 301                    | 480                        |
| Prepaid expenses and other current assets                                         | 138                    | 105                        |
| Total current asset                                                               | 7,923                  | 5,904                      |
| PROGRAM CONTRACT COSTS, less current portion                                      | 373                    | 491                        |
| PROPERTY AND EQUIPMENT, net                                                       | 7,077                  | 7,461                      |
| GOODWILL                                                                          | 6,357                  | 6,357                      |
| BROADCAST LICENSES                                                                | 4,208                  | 4,183                      |
| DEFINITE-LIVED INTANGIBLE ASSETS, net                                             | 6,768                  | 6,959                      |
| OTHER ASSETS                                                                      | 890                    | 914                        |
| Total assets                                                                      | \$ 33,596              | \$ 32,269                  |
| <b>LIABILITIES</b>                                                                |                        |                            |
| <b>CURRENT LIABILITIES:</b>                                                       |                        |                            |
| Accounts payable                                                                  | \$ 37                  | \$ 37                      |
| Accrued liabilities                                                               | 319                    | 773                        |
| Income taxes payable                                                              |                        | 44                         |
| Current portion of notes payable, capital leases and commercial bank financing    | 11,064                 | 11,056                     |
| Current portion of program contracts payable                                      | 274                    | 649                        |
| Total current liabilities                                                         | 11,694                 | 12,559                     |
| <b>LONG-TERM LIABILITIES:</b>                                                     |                        |                            |
| Notes payable, capital leases and commercial bank financing, less current portion | 7,951                  | 13,484                     |
| Program contracts payable, less current portion                                   | 211                    | 190                        |
| Total liabilities                                                                 | \$ 19,856              | \$ 26,233                  |

The amounts above represent the consolidated assets and liabilities of the VIEs related to our LMA and outsourcing agreements and have been aggregated as they all relate to our broadcast business. In addition, the risk and reward characteristics of the VIEs are similar.



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

The carrying amounts of our investments in these VIEs for which we are not the primary beneficiary as of June 30, 2011 and December 31, 2010 were as follows (in thousands):

|                                     | As of June 30, 2011 |                  | As of December 31, 2010 |                  |
|-------------------------------------|---------------------|------------------|-------------------------|------------------|
|                                     | Carrying amount     | Maximum exposure | Carrying amount         | Maximum exposure |
| Investments in real estate ventures | \$ 8,273            | \$ 8,273         | \$ 7,769                | \$ 7,769         |
| Investments in investment companies | 26,890              | 26,890           | 24,872                  | 24,872           |
| Total                               | \$ 35,163           | \$ 35,163        | \$ 32,641               | \$ 32,641        |

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The carrying amounts above are included in other assets in the consolidated balance sheets. The income and loss related to these investments are recorded in income from equity and cost method investments in the consolidated statement of operations. We recorded income of \$0.9 million and a loss of \$0.4 million in the quarters ended June 30, 2011 and 2010, respectively. We recorded income of \$0.9 million and \$0.5 million for the six months ended June 30, 2011 and 2010, respectively.

Our maximum exposure is equal to the carrying value of our investments. As of June 30, 2011 and December 31, 2010, our unfunded commitments related to private equity investment funds totaled \$12.9 million and \$14.9 million, respectively.

***Recent Accounting Pronouncements***

In December 2010, the FASB issued 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.

In April 2011, the FASB issued a proposed Accounting Standards Update for goodwill impairment testing. The proposal allows an entity to first consider qualitative factors when deciding whether it is necessary to perform the current two-step goodwill impairment test. An entity would need to perform step-one if it determines qualitatively that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. The proposed changes would be effective prospectively for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early application would be permitted. Although we believe that this guidance may have a significant impact on how we perform our annual goodwill impairment testing, we do not believe it will have a material impact on our consolidated financial statements.

In May 2011, the FASB issued new guidance for fair value measurements. The purpose of the new guidance is to have a consistent definition of fair value between U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). Many of the amendments to GAAP are not expected to have a significant impact on practice; however, the new guidance does require new and enhanced disclosure about fair value measurements. The amendments are effective for interim and annual periods beginning after December 15, 2011 and should be applied prospectively. We do not believe that this guidance will have a material impact on our consolidated financial statements but may require changes to our fair value disclosures.

In June 2011, the FASB issued new guidance on the presentation of comprehensive income in the financial statements. The new guidance does not make any changes to the components that are recognized in net income or other comprehensive income but rather allows an entity to choose whether to present items of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. Each component of net income and other comprehensive income along with their respective totals would need to be displayed under either alternative. The new guidance is effective for fiscal years beginning after December 15, 2011. We do not believe that this guidance will have a material impact on our consolidated financial statements.

***Use of Estimates***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the consolidated financial statements and in the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

***Restricted Cash***

In October 2009, we established a cash collateral account with the proceeds from the sale of 9.25% Senior Secured Second Lien Notes due 2017 (the 9.25% Notes). The cash collateral account restricted the use of cash therein to repurchase the 3.0% Convertible Senior Notes due 2027 (the 3.0% Notes) and our 4.875% Convertible Senior Notes due 2018 (the 4.875% Notes) upon, or prior to, the expiration of the put periods for such notes in May 2010 and January 2011, respectively. Upon expiration of the put period for the 4.875% Notes in January 2011, the unused cash was used to reduce our overall debt balance pursuant to our Bank Credit Agreement. During 2010, we used \$53.6 million of restricted cash to repurchase a portion of the outstanding 3.0% and 4.875% Notes. As of December 31, 2010, all of the restricted cash classified as current related to the 4.875% Notes January 2011 put option. As of June 30, 2011, we had no restricted cash classified as current.

Additionally, under the terms of certain lease agreements, as of June 30, 2011 and December 31, 2010, we were required to hold \$0.2 million of restricted cash related to the removal of analog equipment from some of our leased towers.

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***Dividends***

In February 2011, our Board of Directors reinstated our dividend policy, declaring a quarterly common stock dividend of \$0.12 per share.

In May 2011, our Board of Directors declared a quarterly cash dividend of \$0.12 per share.

***Revenue Recognition***

In first quarter 2011, we adopted the Emerging Issue Task Force's amended guidance on accounting for revenue arrangements with multiple deliverables. The amended guidance clarifies that each deliverable within our multiple-deliverable revenue arrangements is accounted for as a separate unit of accounting if the delivered item or items have value to the client on a standalone basis and for an arrangement that includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the company. The guidance requires us to determine an estimated selling price (ESP) for all deliverables within an arrangement if vendor-specific objective evidence (VSOE) or third-party evidence does not exist. Application of this guidance has not changed the allocation of the arrangement revenue to the elements in our multiple-deliverable arrangements.

We enter into multiple-deliverable revenue arrangements with multi-channel video programming distributors (MVPD's) that may include a combination of retransmission consent fees, advertising, and other marketing elements. We have determined that the retransmission consent fees and advertising elements have value on a standalone basis. The other marketing elements are not valued on a stand alone basis because they are immaterial to the overall arrangement. We include the value of other marketing elements with the retransmission consent fee element.

Due to the complexities and uniqueness of each arrangement, we have determined that our ESP for the retransmission consent fee element is based upon the market, the MVPD, the network affiliation, the number of subscribers, the length of the contract and other factors. We recognize the revenue applicable to the retransmission consent element of the arrangement ratably over the life of the agreement which is representative of the delivery of our television broadcast signal. Each arrangement's life varies, typically ranging one to five years in length.

The advertising element of our multiple-deliverable arrangements is recognized in the period during which the time spots are aired. The advertising revenue is valued using VSOE which is calculated using the average selling unit rate for the advertising spot in which the commercial aired.

Our arrangements generally do not include any performance, cancellation, or refund provisions. Under certain agreements, the counterparty may terminate the agreement if particular actions occur such as the transmission failure of our broadcast signal for a certain period of time.

***Income Taxes***

Our income tax provision for all periods consists of federal and state income taxes. The tax provision for the three and six months ended June 30, 2011 and 2010 is based on the estimated effective tax rate applicable for the full year after taking into account discrete tax items and the effects of the noncontrolling interests.

***Reclassifications***

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

**2. COMMITMENTS AND CONTINGENCIES:**

***Litigation***

We are party to lawsuits and claims from time to time in the ordinary course of business. Actions currently pending are in various preliminary stages and no judgments or decisions have been rendered by hearing boards or courts in connection with such actions. After reviewing developments to date with legal counsel, our management is of the opinion that the outcome of our pending and threatened matters will not have a material adverse effect on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

Various parties have filed petitions to deny or informal objections against our applications for the following stations' license renewals: KGAN, Cedar Rapids, Iowa; WTTO, Birmingham, Alabama; WBFF, Baltimore, Maryland; WVAH, Charleston, West

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Virginia; WTTE, Columbus, Ohio; WRGT, Dayton, Ohio; 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; WMMP-TV, Charleston, South Carolina; WTAT-TV, Charleston, South Carolina; WMYA-TV, Anderson, South Carolina; WICS-TV Springfield, Illinois and WCGV-TV Milwaukee, Wisconsin. The FCC is in the process of considering the renewal applications and we believe the petitions have no merit.

**3. NOTES PAYABLE AND COMMERCIAL BANK FINANCING**

***Bank Credit Agreement***

On January 15, 2011, the put right period for the 4.875% Notes, which mature on July 15, 2018, expired and no holders exercised their put rights. Pursuant to our Bank Credit Agreement, the \$5.1 million in restricted cash held to pay for the put of any 4.875% Notes was used towards reducing our debt balance in March 2011. On January 15, 2011, the 4.875% Notes cash interest rate of 4.875% changed to 2.0% through maturity with the difference of 2.875% being accrued and then paid at maturity. As of June 30, 2011, the face amount of the outstanding 4.875% Notes was \$5.7 million.

On March 15, 2011, we entered into an amendment (the Amendment) of our Bank Credit Agreement. The final terms of the Amendment are as follows:

- A new Term Loan A facility (Term Loan A) of \$115.0 million. The Term Loan A bears interest at LIBOR plus 2.25%. The Term Loan A is repayable in quarterly installments, amortizing as follows:
  - 1.875% per quarter commencing March 31, 2012 to December 31, 2012
  - 2.50% per quarter commencing March 31, 2013 to December 31, 2013
  - 3.125% per quarter commencing March 31, 2014 to December 31, 2015
  - remaining unpaid principal due at maturity on March 15, 2016
  
- We paid down \$45.0 million of the outstanding \$270.0 million Term Loan B facility (Term Loan B). Interest on the Term Loan B was reduced to LIBOR plus 3.00% with a 1.0% LIBOR floor. Principal will continue to amortize at a rate of \$825,000 per quarter through September 30, 2016 ending with a final payment of the remaining unpaid principal due at maturity on October 29, 2016.

- Other amended terms provide us with incremental term loan capacity of \$300.0 million and more flexibility to use our cash balances and the revolving credit facility for restricted payments and television acquisitions, including in certain circumstances the ability to make up to \$100.0 million in unrestricted annual cash payments including but not limited to dividends and other strategic investments.

***6.0% Convertible Subordinated Debentures due 2012***

On April 15, 2011, we completed the redemption of all \$70.0 million of the 6.0% Convertible Subordinated Debentures, due 2012 (the 6.0% Notes) at 100% of the face value of such notes plus accrued and unpaid interest. The redemption of the 6.0% Notes was effected in accordance with the terms of the indenture governing the 6.0% Notes and was funded from the net proceeds of our new Term Loan A. As a result of this redemption, we recorded a loss on extinguishment of debt of \$3.5 million for the quarter ended June 30, 2011.

Table of Contents**4. EARNINGS PER SHARE**

The following table reconciles income (numerator) and shares (denominator) used in our computations of earnings per share for the three and six months ended June 30, 2011 and 2010 (in thousands):

|                                                                                         | Three Months Ended June 30, |           | Six Months Ended June 30, |           |
|-----------------------------------------------------------------------------------------|-----------------------------|-----------|---------------------------|-----------|
|                                                                                         | 2011                        | 2010      | 2011                      | 2010      |
| <b>Income (Numerator)</b>                                                               |                             |           |                           |           |
| Income from continuing operations                                                       | \$ 18,376                   | \$ 16,678 | \$ 33,210                 | \$ 27,491 |
| Income impact of assumed conversion of the 4.875% Notes, net of taxes                   | 42                          | 166       | 83                        | 332       |
| Income impact of assumed conversion of the 6.0% Notes, net of taxes                     |                             | 1,151     |                           |           |
| Net loss attributable to noncontrolling interests included in continuing operations     | 118                         | 321       | 421                       | 707       |
| Numerator for diluted earnings per common share from continuing operations              | 18,536                      | 18,316    | 33,714                    | 28,530    |
| Income from discontinued operations                                                     | 101                         | 274       | 394                       | 455       |
| Net (income) loss attributable to noncontrolling interests from discontinued operations | (16)                        |           | (167)                     | 140       |
| Numerator for diluted earnings attributable to Sinclair Broadcast Group                 | \$ 18,621                   | \$ 18,590 | \$ 33,941                 | \$ 29,125 |
| <b>Shares (Denominator)</b>                                                             |                             |           |                           |           |
| Weighted-average common shares outstanding                                              | 80,912                      | 80,307    | 80,746                    | 80,133    |
| Dilutive effect of stock-settled appreciation rights and stock options                  | 3                           | 56        | 3                         | 28        |
| Dilutive effect of 6.0% Notes                                                           |                             | 5,608     |                           |           |
| Dilutive effect of 4.875% Notes                                                         | 254                         | 1,014     | 255                       | 1,014     |
| Weighted-average common and common equivalent shares outstanding                        | 81,169                      | 86,985    | 81,004                    | 81,175    |

Potentially dilutive securities representing 1.0 million and 1.4 million shares of common stock for the three months ended June 30, 2011 and 2010, respectively, and 1.0 million and 7.0 million for the six months ended June 30, 2011 and 2010, respectively, were excluded from the computation of diluted earnings per common share for these periods because their effect would have been antidilutive. The decrease in potentially dilutive securities is primarily related to the full redemption of our 6.0% Notes. The net income per share amounts are the same for Class A and Class B Common Stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

**5. RELATED PERSON TRANSACTIONS**

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



*Related Person Leases.* Certain assets used by us and our operating subsidiaries are leased from Cunningham Communications, Inc., Keyser Investment Group, Gerstell Development Limited Partnership and Beaver Dam, LLC (entities owned by the controlling shareholders). Lease payments made to these entities were \$1.1 million for each of the three months ended June 30, 2011 and 2010. Lease payments made to these entities were \$2.2 million for each of the six months ended June 30, 2011 and 2010.

*Bay TV.* In January 1999, we entered into a LMA with Bay Television, Inc. (Bay TV), which owns the television station WTTA-TV in Tampa/St. Petersburg, Florida market. Our controlling shareholders own a substantial portion of the equity of Bay TV. Payments made to Bay TV were \$0.4 million and \$0.3 million for the three months ended June 30, 2011 and 2010, respectively and \$1.3 million and \$0.8 million for the six months ended June 30, 2011 and 2010, respectively. We received \$0.1 million and \$0.3 million for the three and six months ended June 30, 2010 from Bay TV for certain equipment leases, which expired in 2010.

*Cunningham Broadcasting Corporation.* We have options from trusts established by Carolyn C. Smith, the mother of our controlling shareholders, for the benefit of her grandchildren that will grant us the right to acquire, subject to applicable FCC rules and regulations, 100% of the capital stock of Cunningham Broadcasting Corporation (Cunningham) or 100% of the capital stock or

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assets of Cunningham's individual subsidiaries. As of June 30, 2011, Cunningham is the owner-operator and FCC licensee of: WNUV-TV in Baltimore, Maryland; WRGT-TV in Dayton, Ohio; WVAH-TV in Charleston, West Virginia; WTAT-TV in Charleston, South Carolina; WMYA-TV in Anderson, South Carolina; WTTE-TV in Columbus, Ohio; and WDBB-TV in Birmingham, Alabama.

In addition to the option agreement, we provide programming under LMA's to Cunningham for airing on WNUV-TV, WRGT-TV, WVAH-TV, WTAT-TV, WMYA-TV, WTTE-TV and WDBB-TV. In February 2011, Cunningham purchased the FCC license for WDBB-TV. We have an LMA with WDBB-TV, which our counterparty assigned to Cunningham in conjunction with Cunningham's purchase.

We made payments to Cunningham under the LMAs and other agreements of \$4.2 million and \$4.3 million for the three months ended June 30, 2011 and 2010, respectively. For the six months ended June 30, 2011 and 2010, we made payments to Cunningham of \$8.4 million and \$8.8 million, respectively, related to the LMAs.

Our Bank Credit Agreement contains certain cross-default provisions with certain material third-party licensees. As of June 30, 2011, Cunningham was the sole material third-party licensee.

*Atlantic Automotive Corporation.* We sold advertising time to and purchased vehicles and related vehicle services from Atlantic Automotive Corporation (Atlantic Automotive), a holding company which owns automobile dealerships and an automobile leasing company. David Smith, our President and Chief Executive Officer, has a controlling interest in, and is a member of the Board of Directors of Atlantic Automotive. We received payments for advertising time totaling less than \$0.1 million for each of the three months ended June 30, 2011 and 2010. We received payments for advertising time of \$0.1 million for each of the six months ended June 30, 2011 and 2010. We paid \$0.4 million and \$0.2 million for vehicles and related vehicle services from Atlantic Automotive during the three months ended June 30, 2011 and 2010, respectively. For the six months ended June 30, 2011 and 2010, we paid fees of \$0.5 million and \$0.3 million, respectively, for vehicles and related vehicle services.

*Thomas & Libowitz P.A.* Basil A. Thomas, a member of our Board of Directors, is the father of Steven A. Thomas, a partner and founder of Thomas & Libowitz, P.A. (Thomas & Libowitz), a law firm providing legal services to us on an ongoing basis. We paid fees of \$0.2 million and \$0.1 million to Thomas & Libowitz during the three months ended June 30, 2011 and 2010, respectively. For each of the six months ended June 30, 2011 and 2010, we paid fees of \$0.3 million to Thomas & Libowitz.

**6. SEGMENT DATA:**

We measure segment performance based on operating income (loss). Our broadcast segment includes stations in 35 markets located predominately in the eastern, mid-western and southern United States. Our other operating divisions segment primarily earned revenues from sign design and fabrication; regional security alarm operating and bulk acquisitions and real estate ventures. In 2011, we determined that a portion of the regional security alarm operating and bulk acquisition results should be accounted for as discontinued operations and therefore that portion is not presented in the tables below for the three and six months ended June 30, 2011 and 2010. All of our other operating divisions are located within the United States. Corporate costs primarily include our costs to operate as a public company and to operate our corporate headquarters location. Corporate is not a reportable segment. We had approximately \$168.9 million and \$166.4 million of intercompany loans between the broadcast segment, operating divisions segment and corporate as of June 30, 2011 and 2010, respectively. We had \$4.9 million and \$4.8 million in intercompany interest expense related to intercompany loans between the broadcast segment, other operating divisions segment

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and corporate for the three months ended June 30, 2011, and 2010, respectively. For the six months ended June 30, 2011 and 2010, we had \$9.7 million and \$9.5 million, respectively, in intercompany interest expense. Intercompany loans and interest expense are excluded from the tables below. All other intercompany transactions are immaterial.

Financial information for our operating segments are included in the following tables for the three and six months ended June 30, 2011 and 2010 (in thousands).

| <b>For the three months ended June 30, 2011</b>                             | <b>Broadcast</b> | <b>Other<br/>Operating<br/>Divisions</b> | <b>Corporate</b> | <b>Consolidated</b> |
|-----------------------------------------------------------------------------|------------------|------------------------------------------|------------------|---------------------|
| Revenue                                                                     | \$ 177,757       | \$ 8,830                                 | \$               | \$ 186,587          |
| Depreciation of property and equipment                                      | 7,140            | 316                                      | 403              | 7,859               |
| Amortization of definite-lived intangible assets and other assets           | 3,742            | 286                                      |                  | 4,028               |
| Amortization of program contract costs and net realizable value adjustments | 12,666           |                                          |                  | 12,666              |
| General and administrative overhead expenses                                | 6,197            | 306                                      | 570              | 7,073               |
| Operating income (loss)                                                     | 58,378           | 153                                      | (973)            | 57,558              |
| Interest expense                                                            |                  | 326                                      | 24,302           | 24,628              |
| Income from equity and cost method investments                              |                  | 815                                      |                  | 815                 |

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| <b>For the three months ended June 30, 2010</b>                             | <b>Broadcast</b> | <b>Other<br/>Operating<br/>Divisions</b> | <b>Corporate</b> | <b>Consolidated</b> |
|-----------------------------------------------------------------------------|------------------|------------------------------------------|------------------|---------------------|
| Revenue                                                                     | \$ 176,694       | \$ 6,497                                 | \$               | \$ 183,191          |
| Depreciation of property and equipment                                      | 8,349            | 314                                      | 430              | 9,093               |
| Amortization of definite-lived intangible assets and other assets           | 4,001            | 204                                      |                  | 4,205               |
| Amortization of program contract costs and net realizable value adjustments | 15,303           |                                          |                  | 15,303              |
| General and administrative overhead expenses                                | 6,382            | 233                                      | 635              | 7,250               |
| Operating income (loss)                                                     | 57,768           | (744)                                    | (1,064)          | 55,960              |
| Interest expense                                                            |                  | 159                                      | 27,973           | 28,132              |
| Loss from equity and cost method investments                                |                  | (1,024)                                  |                  | (1,024)             |

| <b>For the six months ended June 30, 2011</b>                               | <b>Broadcast</b> | <b>Other<br/>Operating<br/>Divisions</b> | <b>Corporate</b> | <b>Consolidated</b> |
|-----------------------------------------------------------------------------|------------------|------------------------------------------|------------------|---------------------|
| Revenue                                                                     | \$ 350,838       | \$ 15,236                                | \$               | \$ 366,074          |
| Depreciation of property and equipment                                      | 14,484           | 625                                      | 808              | 15,917              |
| Amortization of definite-lived intangible assets and other assets           | 8,094            | 484                                      |                  | 8,578               |
| Amortization of program contract costs and net realizable value adjustments | 25,284           |                                          |                  | 25,284              |
| General and administrative overhead expenses                                | 13,818           | 598                                      | 1,321            | 15,737              |
| Operating income (loss)                                                     | 110,906          | (755)                                    | (2,133)          | 108,018             |
| Interest expense                                                            |                  | 666                                      | 52,842           | 53,508              |
| Income from equity and cost method investments                              |                  | 826                                      |                  | 826                 |

| <b>For the six months ended June 30, 2010</b>                               | <b>Broadcast</b> | <b>Other<br/>Operating<br/>Divisions</b> | <b>Corporate</b> | <b>Consolidated</b> |
|-----------------------------------------------------------------------------|------------------|------------------------------------------|------------------|---------------------|
| Revenue                                                                     | \$ 339,392       | \$ 11,264                                | \$               | \$ 350,656          |
| Depreciation of property and equipment                                      | 17,239           | 613                                      | 862              | 18,714              |
| Amortization of definite-lived intangible assets and other assets           | 8,056            | 408                                      |                  | 8,464               |
| Amortization of program contract costs and net realizable value adjustments | 31,217           |                                          |                  | 31,217              |
| General and administrative overhead expenses                                | 12,262           | 444                                      | 1,121            | 13,827              |
| Operating income (loss)                                                     | 106,040          | (2,467)                                  | (1,986)          | 101,587             |
| Interest expense                                                            |                  | 292                                      | 56,603           | 56,895              |
| Loss from equity and cost method investments                                |                  | (481)                                    |                  | (481)               |

**7. FAIR VALUE MEASUREMENTS:**

Accounting guidance provides for valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). A fair value hierarchy using three broad levels prioritizes the inputs to valuation techniques used to measure fair value. The following is a brief description of those three levels:

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- *Level 1:* Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- *Level 3:* Unobservable inputs that reflect the reporting entity's own assumptions.

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The carrying value and fair value of our notes, debentures, program contracts payable and non-cancelable commitments as of June 30, 2011 and December 31, 2010 were as follows (in thousands):

|                                                       | June 30, 2011  |            | December 31, 2010 |            |
|-------------------------------------------------------|----------------|------------|-------------------|------------|
|                                                       | Carrying Value | Fair Value | Carrying Value    | Fair Value |
| 6.0% Convertible Subordinated Debentures due 2012 (a) | \$             | \$         | \$ 66,019         | \$ 70,385  |
| 4.875% Convertible Senior Notes due 2018              | 5,759          | 5,759      | 5,685             | 5,685      |
| 3.0% Convertible Senior Notes due 2027                | 5,400          | 5,400      | 5,400             | 5,400      |
| 8.375% Senior Notes due 2018                          | 246,653        | 262,500    | 246,493           | 258,750    |
| 9.25% Senior Secured Second Lien Notes due 2017       | 488,367        | 550,250    | 487,724           | 544,690    |
| Bank Credit Agreement, Term Loan A                    | 115,000        | 114,713    |                   |            |
| Bank Credit Agreement, Term Loan B                    | 218,194        | 223,390    | 264,352           | 273,240    |
| Cunningham Bank Credit Facility                       | 16,450         | 16,746     | 21,933            | 22,452     |
| Active program contracts payable                      | 64,258         | 60,810     | 97,894            | 89,145     |
| Future program liabilities (b)                        | 166,610        | 137,430    | 88,510            | 72,823     |

(a) On April 15, 2011, we completed the redemption of all \$70.0 million of these debentures at face value. We used the proceeds from the Term Loan A issuance to pay for the redemption.

(b) Future program 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.

The fair value of our 8.375% Senior Notes due 2018 (the 8.375% Notes) and 9.25% Notes is determined using quoted prices. The carrying value of our 3.0% and 4.875% Notes approximates their fair value. Our Term Loan A, Term Loan B and Cunningham's bank credit facility are fair valued using Level 2 hierarchy inputs described above.

Our estimates of active program contracts payable and future program liabilities were based on discounted cash flows using Level 3 inputs described above. The discount rate represents an estimate of a market participants return and risk applicable to program contracts.

## 8. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

Sinclair Television Group, Inc. (STG), a wholly-owned subsidiary and the television operating subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under the Bank Credit Agreement, the 8.375% Notes and the 9.25% 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 4.875% Notes and the 3.0% Notes, as of June 30, 2011 were obligations or securities of SBG and not obligations or securities of STG. SBG was the obligor of the 6.0% Notes until they were fully redeemed in 2011. SBG is a guarantor under the Bank Credit Agreement, the 9.25% Notes and the 8.375% Notes. As of June 30, 2011 our consolidated total debt of \$1,187.0 million included \$1,118.7

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million of debt related to STG and its subsidiaries of which SBG guaranteed \$1,068.2 million.

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

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

Table of Contents**CONDENSED CONSOLIDATING BALANCE SHEET****AS OF JUNE 30, 2011**

(in thousands) (unaudited)

|                                                                | <b>Sinclair<br/>Broadcast<br/>Group, Inc.</b> | <b>Sinclair<br/>Television<br/>Group, Inc.</b> | <b>Guarantor<br/>Subsidiaries<br/>and KDSM,<br/>LLC</b> | <b>Non-<br/>Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Sinclair<br/>Consolidated</b> |         |         |       |           |        |           |
|----------------------------------------------------------------|-----------------------------------------------|------------------------------------------------|---------------------------------------------------------|--------------------------------------------|---------------------|----------------------------------|---------|---------|-------|-----------|--------|-----------|
| Cash                                                           | \$                                            | \$                                             | 34,634                                                  | \$                                         | 417                 | \$                               | 15,480  | \$      | (147) | \$        | 50,531 |           |
| Accounts and other receivables                                 |                                               | 16                                             | 144                                                     | 113,668                                    | 4,991               | (147)                            | 118,672 |         |       |           |        |           |
| Other current assets                                           | 1,900                                         | 6,692                                          | 27,992                                                  | 3,211                                      | (284)               | 39,511                           |         |         |       |           |        |           |
| Assets held for sale                                           |                                               |                                                |                                                         | 37,870                                     |                     | 37,870                           |         |         |       |           |        |           |
| Total current assets                                           | 1,916                                         | 41,470                                         | 142,077                                                 | 61,552                                     | (431)               | 246,584                          |         |         |       |           |        |           |
| Property and equipment, net                                    | 9,048                                         | 12,196                                         | 165,762                                                 | 97,247                                     | (6,672)             | 277,581                          |         |         |       |           |        |           |
| Investment in consolidated subsidiaries                        |                                               | 567,601                                        |                                                         |                                            | (567,601)           |                                  |         |         |       |           |        |           |
| Restricted cash long-term                                      |                                               |                                                | 223                                                     |                                            |                     | 223                              |         |         |       |           |        |           |
| Other long-term assets                                         | 85,766                                        | 338,314                                        | 7,681                                                   | 95,022                                     | (404,434)           | 122,349                          |         |         |       |           |        |           |
| Total other long-term assets                                   | 85,766                                        | 905,915                                        | 7,904                                                   | 95,022                                     | (972,035)           | 122,572                          |         |         |       |           |        |           |
| Acquired intangible assets                                     |                                               |                                                | 827,456                                                 | 31,520                                     | (8,415)             | 850,561                          |         |         |       |           |        |           |
| Total assets                                                   | \$                                            | 96,730                                         | \$                                                      | 959,581                                    | \$                  | 1,143,199                        | \$      | 285,341 | \$    | (987,553) | \$     | 1,497,298 |
| Accounts payable and accrued liabilities                       | \$                                            | 281                                            | \$                                                      | 19,081                                     | \$                  | 52,250                           | \$      | 4,474   | \$    | (1,883)   | \$     | 74,203    |
| Current portion of long-term debt                              | 390                                           | 7,613                                          | 498                                                     | 16,055                                     |                     | 24,556                           |         |         |       |           |        |           |
| Current portion of affiliate long-term debt                    | 932                                           |                                                | 2,040                                                   | 7                                          | (7)                 | 2,972                            |         |         |       |           |        |           |
| Other current liabilities                                      | (8)                                           |                                                | 48,286                                                  | 277                                        |                     | 48,555                           |         |         |       |           |        |           |
| Liabilities held for sale                                      |                                               |                                                |                                                         | 27,362                                     | (81)                | 27,281                           |         |         |       |           |        |           |
| Total current liabilities                                      | 1,595                                         | 26,694                                         | 103,074                                                 | 48,175                                     | (1,971)             | 177,567                          |         |         |       |           |        |           |
| Long-term debt                                                 | 12,943                                        | 1,060,601                                      | 37,812                                                  | 30,049                                     |                     | 1,141,405                        |         |         |       |           |        |           |
| Affiliate long-term debt                                       | 7,915                                         |                                                | 10,177                                                  | 235,597                                    | (235,598)           | 18,091                           |         |         |       |           |        |           |
| Dividends in excess of investment in consolidated subsidiaries | 172,320                                       |                                                |                                                         |                                            | (172,320)           |                                  |         |         |       |           |        |           |
| Other liabilities                                              | 45,109                                        | 1,638                                          | 424,971                                                 | 52,768                                     | (228,944)           | 295,542                          |         |         |       |           |        |           |
| Total liabilities                                              | 239,882                                       | 1,088,933                                      | 576,034                                                 | 366,589                                    | (638,833)           | 1,632,605                        |         |         |       |           |        |           |
| Common stock                                                   | 809                                           |                                                | 10                                                      |                                            | (10)                | 809                              |         |         |       |           |        |           |
| Additional paid-in capital                                     | 617,191                                       | 30,997                                         | 332,738                                                 | 46,814                                     | (410,549)           | 617,191                          |         |         |       |           |        |           |
| Accumulated (deficit) earnings                                 | (757,319)                                     | (158,007)                                      | 236,133                                                 | (128,456)                                  | 50,330              | (757,319)                        |         |         |       |           |        |           |
| Accumulated other comprehensive (loss) income                  | (3,833)                                       | (2,342)                                        | (1,716)                                                 | 394                                        | 3,664               | (3,833)                          |         |         |       |           |        |           |
| Total Sinclair Broadcast Group (deficit) equity                | (143,152)                                     | (129,352)                                      | 567,165                                                 | (81,248)                                   | (356,565)           | (143,152)                        |         |         |       |           |        |           |
| Noncontrolling interests in consolidated subsidiaries          |                                               |                                                |                                                         |                                            | 7,845               | 7,845                            |         |         |       |           |        |           |



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|                                        |    |        |    |         |    |           |    |         |    |           |    |           |
|----------------------------------------|----|--------|----|---------|----|-----------|----|---------|----|-----------|----|-----------|
| Total liabilities and equity (deficit) | \$ | 96,730 | \$ | 959,581 | \$ | 1,143,199 | \$ | 285,341 | \$ | (987,553) | \$ | 1,497,298 |
|----------------------------------------|----|--------|----|---------|----|-----------|----|---------|----|-----------|----|-----------|

Table of Contents**CONDENSED CONSOLIDATING BALANCE SHEET****AS OF DECEMBER 31, 2010**

(in thousands)

|                                                                | Sinclair<br>Broadcast<br>Group, Inc. | Sinclair<br>Television<br>Group, Inc. | Guarantor<br>Subsidiaries<br>and KDSM,<br>LLC | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Sinclair<br>Consolidated |        |         |        |           |    |           |
|----------------------------------------------------------------|--------------------------------------|---------------------------------------|-----------------------------------------------|-----------------------------------|--------------|--------------------------|--------|---------|--------|-----------|----|-----------|
| Cash                                                           | \$                                   | \$                                    | 5,071                                         | \$                                | 1,022        | \$                       | 15,602 | \$      | 21,695 |           |    |           |
| Restricted cash - current                                      |                                      |                                       | 5,058                                         |                                   |              |                          |        |         | 5,058  |           |    |           |
| Accounts and other receivables                                 | 43                                   | 99                                    | 115,615                                       | 5,459                             | (151)        | 121,065                  |        |         |        |           |    |           |
| Other current assets                                           | 1,477                                | 5,492                                 | 46,231                                        | 2,894                             | (284)        | 55,810                   |        |         |        |           |    |           |
| Assets held for sale                                           |                                      |                                       |                                               | 35,067                            |              | 35,067                   |        |         |        |           |    |           |
| Total current assets                                           | 1,520                                | 15,720                                | 162,868                                       | 59,022                            | (435)        | 238,695                  |        |         |        |           |    |           |
| Property and equipment, net                                    | 9,856                                | 2,669                                 | 169,260                                       | 97,209                            | (6,773)      | 272,221                  |        |         |        |           |    |           |
| Investment in consolidated subsidiaries                        |                                      | 609,737                               |                                               |                                   | (609,737)    |                          |        |         |        |           |    |           |
| Restricted cash - long term                                    |                                      |                                       | 223                                           |                                   |              | 223                      |        |         |        |           |    |           |
| Other long-term assets                                         | 79,184                               | 318,137                               | 10,207                                        | 89,878                            | (380,339)    | 117,067                  |        |         |        |           |    |           |
| Total other long-term assets                                   | 79,184                               | 927,874                               | 10,430                                        | 89,878                            | (990,076)    | 117,290                  |        |         |        |           |    |           |
| Acquired intangible assets                                     |                                      |                                       | 829,884                                       | 30,368                            | (2,534)      | 857,718                  |        |         |        |           |    |           |
| Total assets                                                   | \$                                   | 90,560                                | \$                                            | 946,263                           | \$           | 1,172,442                | \$     | 276,477 | \$     | (999,818) | \$ | 1,485,924 |
| Accounts payable and accrued liabilities                       | \$                                   | 512                                   | \$                                            | 19,733                            | \$           | 46,734                   | \$     | 4,539   | \$     | (1,066)   | \$ | 70,452    |
| Current portion of long-term debt                              | 363                                  | 3,300                                 | 391                                           | 15,502                            |              | 19,556                   |        |         |        |           |    |           |
| Current portion of affiliate long-term debt                    | 870                                  |                                       | 2,326                                         | 92                                | (92)         | 3,196                    |        |         |        |           |    |           |
| Other current liabilities                                      |                                      |                                       | 70,428                                        | 693                               |              | 71,121                   |        |         |        |           |    |           |
| Liabilities held for sale                                      |                                      |                                       |                                               | 24,729                            | (69)         | 24,660                   |        |         |        |           |    |           |
| Total current liabilities                                      | 1,745                                | 23,033                                | 119,879                                       | 45,555                            | (1,227)      | 188,985                  |        |         |        |           |    |           |
| Long-term debt                                                 | 79,091                               | 995,269                               | 38,098                                        | 36,215                            |              | 1,148,673                |        |         |        |           |    |           |
| Affiliate long-term debt                                       | 8,403                                |                                       | 11,170                                        | 224,159                           | (224,159)    | 19,573                   |        |         |        |           |    |           |
| Dividends in excess of investment in consolidated subsidiaries | 122,994                              |                                       |                                               |                                   | (122,994)    |                          |        |         |        |           |    |           |
| Other liabilities                                              | 43,750                               | 1,709                                 | 394,192                                       | 47,132                            | (201,008)    | 285,775                  |        |         |        |           |    |           |
| Total liabilities                                              | 255,983                              | 1,020,011                             | 563,339                                       | 353,061                           | (549,388)    | 1,643,006                |        |         |        |           |    |           |
| Common stock                                                   | 804                                  |                                       | 10                                            | 282                               | (292)        | 804                      |        |         |        |           |    |           |
| Additional paid-in capital                                     | 609,640                              | 123,695                               | 445,577                                       | 78,637                            | (647,909)    | 609,640                  |        |         |        |           |    |           |
| Accumulated (deficit) earnings                                 | (771,953)                            | (195,049)                             | 165,316                                       | (154,656)                         | 184,389      | (771,953)                |        |         |        |           |    |           |
| Accumulated other comprehensive (loss) income                  | (3,914)                              | (2,394)                               | (1,800)                                       | (847)                             | 5,041        | (3,914)                  |        |         |        |           |    |           |
| Total Sinclair Broadcast Group shareholders' (deficit) equity  | (165,423)                            | (73,748)                              | 609,103                                       | (76,584)                          | (458,771)    | (165,423)                |        |         |        |           |    |           |
|                                                                |                                      |                                       |                                               |                                   | 8,341        | 8,341                    |        |         |        |           |    |           |

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Noncontrolling interest in consolidated subsidiaries

|                                        |    |        |    |         |    |           |    |         |    |           |    |           |
|----------------------------------------|----|--------|----|---------|----|-----------|----|---------|----|-----------|----|-----------|
| Total liabilities and equity (deficit) | \$ | 90,560 | \$ | 946,263 | \$ | 1,172,442 | \$ | 276,477 | \$ | (999,818) | \$ | 1,485,924 |
|----------------------------------------|----|--------|----|---------|----|-----------|----|---------|----|-----------|----|-----------|

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE THREE MONTHS ENDED JUNE 30, 2011**

(in thousands) (unaudited)

|                                                               | Sinclair<br>Broadcast<br>Group, Inc. | Sinclair<br>Television<br>Group, Inc. | Guarantor<br>Subsidiaries<br>and KDSM,<br>LLC | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Sinclair<br>Consolidated |
|---------------------------------------------------------------|--------------------------------------|---------------------------------------|-----------------------------------------------|-----------------------------------|--------------|--------------------------|
| Net revenue                                                   | \$                                   | \$                                    | \$ 178,037                                    | \$ 10,817                         | \$ (2,267)   | \$ 186,587               |
| Program and production                                        |                                      | 320                                   | 44,631                                        | 77                                | (2,111)      | 42,917                   |
| Selling, general and<br>administrative                        | 571                                  | 6,156                                 | 29,783                                        | 851                               | (96)         | 37,265                   |
| Depreciation, amortization and<br>other operating expenses    | 403                                  | 148                                   | 39,509                                        | 8,753                             | 34           | 48,847                   |
| Total operating expenses                                      | 974                                  | 6,624                                 | 113,923                                       | 9,681                             | (2,173)      | 129,029                  |
| Operating (loss) income                                       | (974)                                | (6,624)                               | 64,114                                        | 1,136                             | (94)         | 57,558                   |
| Equity in earnings of<br>consolidated subsidiaries            | 21,048                               | 31,775                                |                                               |                                   | (52,823)     |                          |
| Interest expense                                              | (621)                                | (22,032)                              | (1,257)                                       | (5,846)                           | 5,128        | (24,628)                 |
| Other (expense) income                                        | (2,456)                              | 5,327                                 | (5,111)                                       | 265                               | (103)        | (2,078)                  |
| Total other income (expense)                                  | 17,971                               | 15,070                                | (6,368)                                       | (5,581)                           | (47,798)     | (26,706)                 |
| Income tax benefit (provision)                                | 1,582                                | 10,508                                | (25,082)                                      | 516                               |              | (12,476)                 |
| (Loss) income from<br>discontinued operations                 |                                      | (84)                                  |                                               | 185                               |              | 101                      |
| Net income (loss)                                             | 18,579                               | 18,870                                | 32,664                                        | (3,744)                           | (47,892)     | 18,477                   |
| Net loss attributable to the<br>noncontrolling interests      |                                      |                                       |                                               |                                   | 102          | 102                      |
| Net income (loss) attributable to<br>Sinclair Broadcast Group | \$ 18,579                            | \$ 18,870                             | \$ 32,664                                     | \$ (3,744)                        | \$ (47,790)  | \$ 18,579                |

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE THREE MONTHS ENDED JUNE 30, 2010**

(in thousands) (unaudited)

|             | Sinclair<br>Broadcast<br>Group, Inc. | Sinclair<br>Television<br>Group, Inc. | Guarantor<br>Subsidiaries<br>and KDSM,<br>LLC | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Sinclair<br>Consolidated |
|-------------|--------------------------------------|---------------------------------------|-----------------------------------------------|-----------------------------------|--------------|--------------------------|
| Net revenue | \$                                   | \$                                    | \$ 177,013                                    | \$ 8,594                          | \$ (2,416)   | \$ 183,191               |

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|                                                            |           |           |           |            |             |           |
|------------------------------------------------------------|-----------|-----------|-----------|------------|-------------|-----------|
| Program and production                                     |           | 175       | 40,552    | 88         | (2,170)     | 38,645    |
| Selling, general and administrative                        | 634       | 6,340     | 30,207    | 735        | (112)       | 37,804    |
| Depreciation, amortization and other operating expenses    | 430       | 119       | 42,825    | 7,452      | (44)        | 50,782    |
| Total operating expenses                                   | 1,064     | 6,634     | 113,584   | 8,275      | (2,326)     | 127,231   |
| Operating (loss) income                                    | (1,064)   | (6,634)   | 63,429    | 319        | (90)        | 55,960    |
| Equity in earnings of consolidated subsidiaries            | 20,244    | 34,178    |           |            | (54,422)    |           |
| Interest expense                                           | (3,787)   | (22,813)  | (1,276)   | (5,291)    | 5,035       | (28,132)  |
| Other income (expense)                                     | 92        | 4,941     | (4,750)   | (889)      | (28)        | (634)     |
| Total other income (expense)                               | 16,549    | 16,306    | (6,026)   | (6,180)    | (49,415)    | (28,766)  |
| Income tax benefit (provision)                             | 1,788     | 9,015     | (22,230)  | 911        |             | (10,516)  |
| (Loss) income from discontinued operations                 |           |           | (68)      | 342        |             | 274       |
| Net income (loss)                                          | 17,273    | 18,687    | 35,105    | (4,608)    | (49,505)    | 16,952    |
| Net loss attributable to the noncontrolling interests      |           |           |           |            | 321         | 321       |
| Net income (loss) attributable to Sinclair Broadcast Group | \$ 17,273 | \$ 18,687 | \$ 35,105 | \$ (4,608) | \$ (49,184) | \$ 17,273 |

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE SIX MONTHS ENDED JUNE 30, 2011**

(in thousands) (unaudited)

|                                                               | <b>Sinclair<br/>Broadcast<br/>Group, Inc.</b> | <b>Sinclair<br/>Television<br/>Group, Inc.</b> | <b>Guarantor<br/>Subsidiaries<br/>and KDSM,<br/>LLC</b> | <b>Non-<br/>Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Sinclair<br/>Consolidated</b> |
|---------------------------------------------------------------|-----------------------------------------------|------------------------------------------------|---------------------------------------------------------|--------------------------------------------|---------------------|----------------------------------|
| Net revenue                                                   | \$                                            | \$                                             | \$ 351,394                                              | \$ 19,193                                  | \$ (4,513)          | \$ 366,074                       |
| Program and production                                        |                                               | 627                                            | 88,615                                                  | 171                                        | (4,151)             | 85,262                           |
| Selling, general and<br>administrative                        | 1,325                                         | 13,784                                         | 59,894                                                  | 1,680                                      | (192)               | 76,491                           |
| Depreciation, amortization and<br>other operating expenses    | 808                                           | 283                                            | 78,977                                                  | 16,169                                     | 66                  | 96,303                           |
| Total operating expenses                                      | 2,133                                         | 14,694                                         | 227,486                                                 | 18,020                                     | (4,277)             | 258,056                          |
| Operating (loss) income                                       | (2,133)                                       | (14,694)                                       | 123,908                                                 | 1,173                                      | (236)               | 108,018                          |
| Equity in earnings of<br>consolidated subsidiaries            | 38,450                                        | 67,098                                         |                                                         |                                            | (105,548)           |                                  |
| Interest expense                                              | (2,579)                                       | (47,521)                                       | (2,489)                                                 | (11,104)                                   | 10,185              | (53,508)                         |
| Gain on sales of securities                                   |                                               |                                                |                                                         | 391                                        | (391)               |                                  |
| Other (expense) income                                        | (2,356)                                       | 10,762                                         | (9,649)                                                 | 661                                        | (217)               | (799)                            |
| Total other income (expense)                                  | 33,515                                        | 30,339                                         | (12,138)                                                | (10,052)                                   | (95,971)            | (54,307)                         |
| Income tax benefit (provision)                                | 2,476                                         | 18,753                                         | (42,821)                                                | 1,091                                      |                     | (20,501)                         |
| (Loss) income from<br>discontinued operations                 |                                               | (191)                                          |                                                         | 585                                        |                     | 394                              |
| Net income (loss)                                             | 33,858                                        | 34,207                                         | 68,949                                                  | (7,203)                                    | (96,207)            | 33,604                           |
| Net loss attributable to the<br>noncontrolling interests      |                                               |                                                |                                                         |                                            | 254                 | 254                              |
| Net income (loss) attributable to<br>Sinclair Broadcast Group | \$ 33,858                                     | \$ 34,207                                      | \$ 68,949                                               | \$ (7,203)                                 | \$ (95,953)         | \$ 33,858                        |

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE SIX MONTHS ENDED JUNE 30, 2010**

(in thousands) (unaudited)

|             | <b>Sinclair<br/>Broadcast<br/>Group, Inc.</b> | <b>Sinclair<br/>Television<br/>Group, Inc.</b> | <b>Guarantor<br/>Subsidiaries<br/>and KDSM,<br/>LLC</b> | <b>Non-<br/>Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Sinclair<br/>Consolidated</b> |
|-------------|-----------------------------------------------|------------------------------------------------|---------------------------------------------------------|--------------------------------------------|---------------------|----------------------------------|
| Net revenue | \$                                            | \$                                             | \$ 340,015                                              | \$ 15,950                                  | \$ (5,309)          | \$ 350,656                       |

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|                                                            |           |           |           |            |             |           |
|------------------------------------------------------------|-----------|-----------|-----------|------------|-------------|-----------|
| Program and production                                     |           | 467       | 78,588    | 170        | (4,662)     | 74,563    |
| Selling, general and administrative                        | 1,125     | 12,205    | 60,429    | 1,569      | (305)       | 75,023    |
| Depreciation, amortization and other operating expenses    | 861       | 198       | 84,342    | 14,120     | (38)        | 99,483    |
| Total operating expenses                                   | 1,986     | 12,870    | 223,359   | 15,859     | (5,005)     | 249,069   |
| Operating (loss) income                                    | (1,986)   | (12,870)  | 116,656   | 91         | (304)       | 101,587   |
| Equity in earnings of consolidated subsidiaries            | 34,283    | 61,558    |           |            | (95,841)    |           |
| Interest expense                                           | (7,811)   | (45,938)  | (2,656)   | (10,424)   | 9,934       | (56,895)  |
| Other income (expense)                                     | 1,176     | 10,367    | (9,903)   | (1,326)    | (50)        | 264       |
| Total other income (expense)                               | 27,648    | 25,987    | (12,559)  | (11,750)   | (85,957)    | (56,631)  |
| Income tax benefit (provision)                             | 3,131     | 17,984    | (40,555)  | 1,975      |             | (17,465)  |
| (Loss) income from discontinued operations                 |           |           | (134)     | 589        |             | 455       |
| Net income (loss)                                          | 28,793    | 31,101    | 63,408    | (9,095)    | (86,261)    | 27,946    |
| Net loss attributable to the noncontrolling interests      |           |           |           |            | 847         | 847       |
| Net income (loss) attributable to Sinclair Broadcast Group | \$ 28,793 | \$ 31,101 | \$ 63,408 | \$ (9,095) | \$ (85,414) | \$ 28,793 |

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2011**

(in thousands) (unaudited)

|                                                                                                      | Sinclair<br>Broadcast<br>Group, Inc. | Sinclair<br>Television<br>Group, Inc. | Guarantor<br>Subsidiaries<br>and KDSM,<br>LLC | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Sinclair<br>Consolidated |
|------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------|-----------------------------------------------|-----------------------------------|--------------|--------------------------|
| NET CASH FLOWS (USED IN)<br>FROM OPERATING ACTIVITIES                                                | \$ (17,819)                          | \$ (46,134)                           | \$ 134,069                                    | \$ (886)                          | \$ (1,443)   | \$ 67,787                |
| CASH FLOWS (USED IN) FROM<br>INVESTING ACTIVITIES:                                                   |                                      |                                       |                                               |                                   |              |                          |
| Acquisition of property and<br>equipment                                                             |                                      | (9,843)                               | (10,353)                                      | (460)                             |              | (20,656)                 |
| Acquisition of intangible and other<br>assets                                                        |                                      |                                       |                                               | (242)                             |              | (242)                    |
| Purchase of alarm monitoring<br>contracts                                                            |                                      |                                       |                                               | (4,432)                           |              | (4,432)                  |
| Distributions from investments                                                                       |                                      |                                       |                                               | 1,348                             |              | 1,348                    |
| Investment in equity and cost method<br>investees                                                    | (2,000)                              |                                       |                                               | (6,294)                           |              | (8,294)                  |
| Decrease in restricted cash                                                                          |                                      | 5,058                                 |                                               |                                   |              | 5,058                    |
| Proceeds from sales of assets                                                                        |                                      |                                       | 41                                            |                                   |              | 41                       |
| Proceeds from sale of securities                                                                     |                                      |                                       |                                               | 1,808                             | (1,808)      |                          |
| Proceeds from insurance settlement                                                                   |                                      |                                       | 1,736                                         |                                   |              | 1,736                    |
| Loans to affiliates                                                                                  | (87)                                 |                                       |                                               |                                   |              | (87)                     |
| Proceeds from loans to affiliates                                                                    | 117                                  |                                       |                                               |                                   |              | 117                      |
| Net cash flows used in investing<br>activities                                                       | (1,970)                              | (4,785)                               | (8,576)                                       | (8,272)                           | (1,808)      | (25,411)                 |
| CASH FLOWS FROM (USED IN)<br>FINANCING ACTIVITIES:                                                   |                                      |                                       |                                               |                                   |              |                          |
| Proceeds from notes payable,<br>commercial bank financing and<br>capital leases                      |                                      | 124,719                               |                                               | 8,232                             |              | 132,951                  |
| Repayments of notes payable,<br>commercial bank financing and<br>capital leases                      | (56,931)                             | (56,293)                              | (291)                                         | (11,055)                          |              | (124,570)                |
| Proceeds from exercise of stock<br>options, including excess tax benefits<br>of share based payments | 1,844                                |                                       |                                               |                                   |              | 1,844                    |
| Proceeds from Class A Common<br>Stock sold by variable interest entity                               |                                      |                                       |                                               |                                   | 1,808        | 1,808                    |
| Payments for deferred financing costs                                                                |                                      | (4,335)                               |                                               | (66)                              |              | (4,401)                  |
| Distributions to noncontrolling<br>interest                                                          |                                      |                                       |                                               | (242)                             |              | (242)                    |
| Dividends paid on Class A and<br>Class B Common Stock                                                | (19,392)                             |                                       |                                               |                                   | 168          | (19,224)                 |
| Repayment of notes and capital<br>leases to affiliates                                               | (425)                                |                                       | (1,281)                                       |                                   |              | (1,706)                  |
| Increase (decrease) in intercompany<br>payables                                                      | 94,693                               | 16,391                                | (124,526)                                     | 12,167                            | 1,275        |                          |



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|                                                      |    |        |        |           |        |       |          |    |        |
|------------------------------------------------------|----|--------|--------|-----------|--------|-------|----------|----|--------|
| Net cash flows from (used in) financing activities   |    | 19,789 | 80,482 | (126,098) | 9,036  | 3,251 | (13,540) |    |        |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS |    |        | 29,563 | (605)     | (122)  |       | 28,836   |    |        |
| CASH AND CASH EQUIVALENTS, beginning of period       |    |        | 5,071  | 1,022     | 15,602 |       | 21,695   |    |        |
| CASH AND CASH EQUIVALENTS, end of period             | \$ | \$     | 34,634 | \$        | 417    | \$    | 15,480   | \$ | 50,531 |

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2010**

(in thousands) (unaudited)

|                                                                           | <b>Sinclair<br/>Broadcast<br/>Group, Inc.</b> | <b>Sinclair<br/>Television<br/>Group, Inc.</b> | <b>Guarantor<br/>Subsidiaries<br/>and KDSM,<br/>LLC</b> | <b>Non-<br/>Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Sinclair<br/>Consolidated</b> |
|---------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------|---------------------------------------------------------|--------------------------------------------|---------------------|----------------------------------|
| <b>NET CASH FLOWS (USED IN)</b>                                           |                                               |                                                |                                                         |                                            |                     |                                  |
| <b>FROM OPERATING ACTIVITIES</b>                                          | \$ (10,068)                                   | \$ (47,501)                                    | \$ 122,426                                              | \$ (4,761)                                 | \$ (357)            | \$ 59,739                        |
| <b>CASH FLOWS FROM (USED IN)</b>                                          |                                               |                                                |                                                         |                                            |                     |                                  |
| <b>INVESTING ACTIVITIES:</b>                                              |                                               |                                                |                                                         |                                            |                     |                                  |
| Acquisition of property and equipment                                     |                                               | (563)                                          | (2,481)                                                 | (1,618)                                    |                     | (4,662)                          |
| Purchase of alarm monitoring contracts                                    |                                               |                                                |                                                         | (3,391)                                    |                     | (3,391)                          |
| Distributions from investments                                            |                                               |                                                |                                                         | 143                                        |                     | 143                              |
| Investments in equity and cost method investees                           | (2,000)                                       |                                                |                                                         | (4,362)                                    |                     | (6,362)                          |
| Decrease in restricted cash                                               |                                               | 41,953                                         | 98                                                      |                                            |                     | 42,051                           |
| Loans to affiliates                                                       | (68)                                          |                                                |                                                         |                                            |                     | (68)                             |
| Proceeds from loans to affiliates                                         | 70                                            |                                                |                                                         |                                            |                     | 70                               |
| Net cash flows (used in) from investing activities                        | (1,998)                                       | 41,390                                         | (2,383)                                                 | (9,228)                                    |                     | 27,781                           |
| <b>CASH FLOWS FROM (USED IN)</b>                                          |                                               |                                                |                                                         |                                            |                     |                                  |
| <b>FINANCING ACTIVITIES:</b>                                              |                                               |                                                |                                                         |                                            |                     |                                  |
| Proceeds from notes payable, commercial bank financing and capital leases |                                               |                                                |                                                         | 9,025                                      |                     | 9,025                            |
| Repayments of notes payable, commercial bank financing and capital leases | (39,732)                                      | (24,499)                                       | (140)                                                   | (10,240)                                   |                     | (74,611)                         |
| Payments for deferred financing costs                                     |                                               | (1,228)                                        |                                                         |                                            |                     | (1,228)                          |
| Distributions to noncontrolling interest                                  |                                               |                                                |                                                         | (37)                                       |                     | (37)                             |
| Repayments of notes and capital leases to affiliates                      | (369)                                         |                                                | (1,130)                                                 |                                            |                     | (1,499)                          |
| Increase (decrease) in intercompany payables                              | 52,167                                        | 50,093                                         | (118,680)                                               | 16,063                                     | 357                 |                                  |
| Net cash flows from (used in) financing activities                        | 12,066                                        | 24,366                                         | (119,950)                                               | 14,811                                     | 357                 | (68,350)                         |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                          |                                               | 18,255                                         | 93                                                      | 822                                        |                     | 19,170                           |
| <b>CASH AND CASH EQUIVALENTS, beginning of period</b>                     |                                               | 10,364                                         | 217                                                     | 12,643                                     |                     | 23,224                           |
| <b>CASH AND CASH EQUIVALENTS, end of period</b>                           | \$                                            | \$ 28,619                                      | \$ 310                                                  | \$ 13,465                                  | \$                  | \$ 42,394                        |

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This report includes or incorporates forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, 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;
- natural disasters such as the earthquake and tsunami devastation in Japan;

**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 reallocation 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 associated with film, acting, writing and other guilds;
- 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;

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- the operation of low power devices in the broadcast spectrum, which could interfere with our broadcast signals;
- 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;
- changes in the makeup of the population in the areas where stations are located;

### 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 agreements;
- 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;
- our ability to effectively respond to technology affecting our industry and to increasing competition from other media providers;
- 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;
- the successful execution of our multi-channel broadcasting initiatives including mobile DTV; and
- the results of prior year tax audits by taxing authorities.

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Other matters set forth in this report and our other reports filed with the SEC, including the *Risk Factors* set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010 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 speak only as of the date 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.

The following table sets forth certain operating data for the three and six months ended June 30, 2011 and 2010:

## STATEMENTS OF OPERATIONS DATA

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

|                                                                                 | Three Months Ended June 30, |            | Six Months Ended June 30, |            |
|---------------------------------------------------------------------------------|-----------------------------|------------|---------------------------|------------|
|                                                                                 | 2011                        | 2010       | 2011                      | 2010       |
| <b>Statement of Operations Data:</b>                                            |                             |            |                           |            |
| Net broadcast revenues (a)                                                      | \$ 159,259                  | \$ 158,709 | \$ 315,118                | \$ 306,631 |
| Revenues realized from station barter arrangements                              | 18,498                      | 17,985     | 35,720                    | 32,761     |
| Other operating divisions revenues                                              | 8,830                       | 6,497      | 15,236                    | 11,264     |
| Total revenues                                                                  | 186,587                     | 183,191    | 366,074                   | 350,656    |
| Station production expenses                                                     | 42,917                      | 38,645     | 85,262                    | 74,563     |
| Station selling, general and administrative expenses                            | 30,192                      | 30,554     | 60,754                    | 61,196     |
| Expenses recognized from station barter arrangements                            | 16,531                      | 15,748     | 32,258                    | 28,979     |
| Amortization of program contract costs and net realizable value adjustments     | 12,666                      | 15,303     | 25,284                    | 31,217     |
| Depreciation and amortization expenses (b)                                      | 11,887                      | 13,298     | 24,495                    | 27,178     |
| Other operating divisions expenses                                              | 7,763                       | 6,433      | 14,266                    | 12,109     |
| Corporate general and administrative expenses                                   | 7,073                       | 7,250      | 15,737                    | 13,827     |
| Operating income                                                                | 57,558                      | 55,960     | 108,018                   | 101,587    |
| Interest expense and amortization of debt discount and deferred financing costs | (24,628)                    | (28,132)   | (53,508)                  | (56,895)   |
| Loss from extinguishment of debt                                                | (3,478)                     | (149)      | (4,402)                   | (438)      |
| Income (loss) from equity and cost method investees                             | 815                         | (1,024)    | 826                       | (481)      |
| Gain on insurance settlement                                                    |                             |            | 1,723                     |            |
| Other income, net                                                               | 585                         | 539        | 1,054                     | 1,183      |
| Income from continuing operations before income taxes                           | 30,852                      | 27,194     | 53,711                    | 44,956     |
| Income tax provision                                                            | (12,476)                    | (10,516)   | (20,501)                  | (17,465)   |
| Income from continuing operations                                               | 18,376                      | 16,678     | 33,210                    | 27,491     |
| Discontinued operations:                                                        |                             |            |                           |            |
| Income from discontinued operations, net of taxes                               | 101                         | 274        | 394                       | 455        |

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|                                                       |    |        |    |        |    |        |    |        |
|-------------------------------------------------------|----|--------|----|--------|----|--------|----|--------|
| Net income                                            |    | 18,477 |    | 16,952 |    | 33,604 |    | 27,946 |
| Net loss attributable to the noncontrolling interests |    | 102    |    | 321    |    | 254    |    | 847    |
| Net income attributable to Sinclair Broadcast Group   | \$ | 18,579 | \$ | 17,273 | \$ | 33,858 | \$ | 28,793 |

**Earnings Per Common Share Attributable to Sinclair Broadcast Group:**

|                                                       |    |      |    |      |    |      |    |      |
|-------------------------------------------------------|----|------|----|------|----|------|----|------|
| Basic earnings per share from continuing operations   | \$ | 0.23 | \$ | 0.22 | \$ | 0.42 | \$ | 0.36 |
| Basic earnings per share                              | \$ | 0.23 | \$ | 0.22 | \$ | 0.42 | \$ | 0.36 |
| Diluted earnings per share from continuing operations | \$ | 0.23 | \$ | 0.21 | \$ | 0.42 | \$ | 0.36 |
| Diluted earnings per share                            | \$ | 0.23 | \$ | 0.21 | \$ | 0.42 | \$ | 0.36 |

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| <b>Balance Sheet Data:</b> | <b>June 30, 2011</b> | <b>December 31, 2010</b> |
|----------------------------|----------------------|--------------------------|
| Cash and cash equivalents  | \$ 50,531            | \$ 21,695                |
| Total assets               | \$ 1,497,298         | \$ 1,485,924             |
| Total debt (c)             | \$ 1,187,024         | \$ 1,190,998             |
| Total equity (deficit)     | \$ (135,307)         | \$ (157,082)             |

- 
- (a) Net broadcast revenues is defined as broadcast revenues, net of agency commissions.
- (b) Depreciation and amortization includes 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.

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 financial events since March 31, 2011.

Results of Operations an analysis of our revenues and expenses for the three and six months ended June 30, 2011 and 2010, including comparisons between quarters and expectations for the three months ended September 30, 2011.

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 and an update of our debt refinancings during the three and six months ended June 30, 2011.

**EXECUTIVE OVERVIEW***Second Quarter 2011 Events*

- In April, we redeemed, in full, the outstanding \$70.0 million aggregate principal amount of our 6.0% Notes;

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- In April, we reached an agreement with Comcast Corporation for a multi-year retransmission consent agreement for the continued carriage of the 36 stations in 22 markets owned and/or operated by us or to which we provide sales services;
- In April, we entered into a multi-year retransmission consent agreement with Cox Communications for continued carriage of the eight stations owned and/or operated by us in five markets;
- In May, our Board of Directors declared a quarterly common stock dividend of \$0.12 per share; and
- In May, we purchased the Ring of Honor wrestling franchise.

### *Other*

- In July, we entered into a renewal of 10 affiliation agreements with The CW (CW) which represents all of the CW affiliates which we own, program or provide sales services to, effective September 1, 2011 and expiring August 31, 2016.

## **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 and analysis to the second quarter of 2011 and 2010 refer to the three months ended June 30, 2011 and 2010, respectively. Additionally, any references to the first, third or fourth quarter are to the three months ended March 31, 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 first and third quarters operating results because advertising expenditures are increased in anticipation of certain seasonal and holiday spending by consumers.

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 usually elevated further due to advertising expenditures preceding the presidential election.



Table of Contents**BROADCAST SEGMENT****Broadcast Revenue**

The following table presents our broadcast revenues from continuing operations, net of agency commissions, for the three and six months ended June 30, 2011 and 2010 (in millions):

|                              | For the Three Months Ended June 30, |          |                | For the Six Months Ended June 30, |          |                |
|------------------------------|-------------------------------------|----------|----------------|-----------------------------------|----------|----------------|
|                              | 2011                                | 2010     | Percent Change | 2011                              | 2010     | Percent Change |
| <b>Local revenues:</b>       |                                     |          |                |                                   |          |                |
| Non-political                | \$ 122.8                            | \$ 116.6 | 5.3%           | \$ 243.4                          | \$ 228.7 | 6.4%           |
| Political                    | 0.3                                 | 0.6      | (a)            | 0.5                               | 0.9      | (a)            |
| Total local                  | 123.1                               | 117.2    | 5.0%           | 243.9                             | 229.6    | 6.2%           |
| <b>National revenues:</b>    |                                     |          |                |                                   |          |                |
| Non-political                | 35.3                                | 38.3     | (7.8)%         | 69.9                              | 72.5     | (3.6)%         |
| Political                    | 0.9                                 | 3.2      | (a)            | 1.3                               | 4.5      | (a)            |
| Total national               | 36.2                                | 41.5     | (12.8)%        | 71.2                              | 77.0     | (7.5)%         |
| Total net broadcast revenues | \$ 159.3                            | \$ 158.7 | 0.4%           | \$ 315.1                          | \$ 306.6 | 2.8%           |

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

*Net broadcast revenues.* When comparing the second quarter 2011 to the same period in 2010, we showed increases in advertising revenues generated from the direct response, retail/department stores, automotive and medical sectors. However, advertising revenues in the political, media, home products, telecommunications and services sectors showed a decrease between the second quarter 2011 and the same period in 2010. Automotive, which typically is our largest category, represented 19.6% of the second quarter's net time sales and was up 2.4% in the second quarter 2011 compared to the same period in 2010.

From a network affiliation or program service arrangement perspective, the following table sets forth our affiliate percentages of net time sales which includes any network compensation for the three and six months ended June 30, 2011 and 2010:

|             | # of Stations | Percent of Net Time Sales for the Three months ended June 30, |       | Net Time Sales Percent Change | Percent of Net Time Sales for the Six months ended June 30, |       | Net Time Sales Percent Change |
|-------------|---------------|---------------------------------------------------------------|-------|-------------------------------|-------------------------------------------------------------|-------|-------------------------------|
|             |               | 2011                                                          | 2010  |                               | 2011                                                        | 2010  |                               |
| FOX         | 20            | 47.1%                                                         | 46.8% | (2.1)%                        | 48.2%                                                       | 47.1% | 2.9%                          |
| ABC         | 9             | 20.8%                                                         | 20.6% | (1.8)%                        | 19.6%                                                       | 19.9% | (0.4)%                        |
| MyNetworkTV | 16            | 15.7%                                                         | 15.4% | (1.1)%                        | 15.6%                                                       | 15.8% | (0.6)%                        |
| The CW      | 10            | 12.3%                                                         | 13.5% | (11.0)%                       | 12.7%                                                       | 13.6% | (5.8)%                        |

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|         |     |      |      |         |      |      |         |
|---------|-----|------|------|---------|------|------|---------|
| CBS     | 2   | 2.8% | 3.0% | (7.2)%  | 2.8% | 2.8% | (1.6)%  |
| NBC     | 1   | 0.5% | 0.6% | (21.7)% | 0.5% | 0.6% | (17.8)% |
| Digital | (a) | 0.8% | 0.1% | 461.4%  | 0.6% | 0.2% | 323.6%  |
| Total   | 58  |      |      |         |      |      |         |

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(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.

*Political Revenues.* Political revenues decreased by \$2.6 million to \$1.2 million for the second quarter 2011 when compared to the same period in 2010. For the six months ended June 30, 2011, political revenues decreased by \$3.6 million to \$1.8 million when compared to the same period in 2010. Political revenues are typically higher in election years such as 2010.

*Local Revenues.* Excluding political revenues, our local broadcast revenues, which include local times sales, retransmission revenues and other local revenues, were up \$6.2 million for the second quarter 2011 when compared to 2010. The increase was primarily driven by increased retransmission revenues from MVPDs. For the six months ended June 30, 2011, our local broadcast revenues, excluding political revenues were up \$14.7 million. The increase is due to an increase in retransmission revenues from MVPDs and an increase in advertising spending particularly in the automotive sector, as well as an increase due to a change in networks for the Super Bowl programming from NBC to FOX.

*National Revenues.* Our national broadcast revenues, excluding political revenues and including national time sales and other national revenues, were down \$3.0 million for the second quarter 2011 compared to same period in 2010. For the six months ended June 30, 2011 when compared to the same period in 2010, our national broadcast revenues were down \$2.6 million. This was primarily due to a decrease in advertising spending by other media advertisers, such as the telecommunications sector.

Table of Contents**Broadcast Expenses**

The following table presents our significant expense categories in our broadcast segment for the three and six months ended June 30, 2011 and 2010 (in millions):

|                                                                             | For the Three Months Ended June 30, |         |                                    | For the Six Months Ended June 30, |         |                                    |
|-----------------------------------------------------------------------------|-------------------------------------|---------|------------------------------------|-----------------------------------|---------|------------------------------------|
|                                                                             | 2011                                | 2010    | Percent Change (Increase/Decrease) | 2011                              | 2010    | Percent Change (Increase/Decrease) |
| Station production expenses                                                 | \$ 42.9                             | \$ 38.6 | 11.1%                              | \$ 85.3                           | \$ 74.6 | 14.3%                              |
| Station selling, general and administrative expenses                        | \$ 30.2                             | \$ 30.6 | (1.3)%                             | \$ 60.8                           | \$ 61.2 | (0.7)%                             |
| Amortization of program contract costs and net realizable value adjustments | \$ 12.7                             | \$ 15.3 | (17.0)%                            | \$ 25.3                           | \$ 31.2 | (18.9)%                            |
| Corporate general and administrative expenses                               | \$ 6.2                              | \$ 6.4  | (3.1)%                             | \$ 13.8                           | \$ 12.3 | 12.2%                              |
| Gain on insurance settlement                                                | \$                                  | \$      | %                                  | \$ 1.7                            | \$      | 100.0%                             |

*Station production expenses.* Station production expenses increased during the second quarter 2011 and six months ended June 30, 2011 compared to the same periods in 2010 primarily due to an increase in fees pursuant to network affiliation agreements, increased compensation expense, increased promotional advertising expenses and increased rating service fees due to annual scheduled rate increases. Additionally, news profit share expenses increased due to better news performance which resulted in higher payments to our news share partners.

*Station selling, general and administrative expense.* Station selling, general and administrative expenses decreased during the second quarter 2011 compared to the same period in 2010, primarily due to lower executive bonuses, decreases in bad debt expense and decreased national sales agency and local commissions costs.

Station selling, general and administrative expenses decreased during the six months ended June 30, 2011 compared to the same period in 2010 primarily due to lower executive bonuses, decreases in bad debt expense from improved collection efforts and decreased national sales agency costs.

We expect station production and station selling, general and administrative expenses in third quarter 2011 to remain flat compared to second quarter 2011.

*Amortization of program contract costs and net realizable value adjustments.* The amortization of program contract costs decreased during the second quarter 2011 and for the six months ended June 30, 2011 compared to the same period in 2010. Over the past few years we have purchased barter and short-term program contracts which are less expensive and result in lower contract cost amortization. We expect program contract amortization to trend slightly higher in third quarter 2011 compared to second quarter 2011.

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

*Gain on insurance settlement.* In the third quarter 2010, our building for WCGV-TV and WVTV-TV in Milwaukee, Wisconsin flooded due to massive storms. In the first quarter 2011, we recognized a gain on insurance settlement of \$1.7 million related to repairing the building and replacing certain equipment.

***OTHER OPERATING DIVISIONS SEGMENT***

Triangle Sign & Service, LLC. (Triangle), a sign designer/fabricator, real estate ventures and other nominal businesses make up our other operating divisions segment. Revenues for our other operating divisions increased \$2.3 million to \$8.8 million during the second quarter 2011 compared to \$6.5 million during the same period in 2010. For the six months ended June 30, 2011, revenues for our other operating divisions increased \$3.9 million to \$15.2 million compared to \$11.3 million during the same period in 2010. The increase is primarily due to increases in Triangle's sign and service contract volume and improved leasing activity for our consolidated real estate ventures. Expenses including other operating divisions expenses, depreciation and amortization and applicable other income (expense) items such as interest expense increased \$1.3 million to \$8.7 million during the second quarter 2011 compared to \$7.4 million during the same period in 2010. For the six months ended June 30, 2011, expenses including other operating divisions expense, depreciation and amortization and applicable other income (expense) items such as interest expense increased \$2.1 million to \$16.1 million compared to \$14.0 during the same period in 2010. This increase was in correlation with the increase in revenue activity.

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*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 income from equity and cost method investments in our consolidated statements of operations. During the six months ended June 30, 2011, we recorded income of \$0.5 million related to our real estate ventures and income of \$0.3 million related to certain private investment funds. During the six months ended June 30, 2010, we recorded income of \$0.8 million related to certain private investment funds and a loss of \$1.3 million related to our real estate ventures.

A portion of the operating results of Alarm Funding Associates, LLC, a regional security alarm operating and bulk acquisition company, are included in discontinued operations in our consolidated results of operations. The results of Alarm Funding operations on a whole have increased due to the acquisition of new alarm monitoring contracts and the expansion of sales efforts.

**CORPORATE AND UNALLOCATED EXPENSES**

|                                               | For the Three Months Ended June 30, |           |                                    | For the Six Months Ended June 30, |           |                                    |
|-----------------------------------------------|-------------------------------------|-----------|------------------------------------|-----------------------------------|-----------|------------------------------------|
|                                               | 2011                                | 2010      | Percent Change (Increase/Decrease) | 2011                              | 2010      | Percent Change (Increase/Decrease) |
| Corporate general and administrative expenses | \$ 0.6                              | \$ 0.6    | %                                  | \$ 1.3                            | \$ 1.1    | 18.2%                              |
| Interest expense                              | \$ 24.3                             | \$ 28.0   | (13.2)%                            | \$ 52.8                           | \$ 56.6   | (6.7)%                             |
| Loss from extinguishment of debt              | \$ (3.5)                            | \$ (0.1)  | 3,400.0%                           | \$ (4.4)                          | \$ (0.4)  | 1,000.0%                           |
| Income tax provision                          | \$ (12.5)                           | \$ (10.5) | 19.0%                              | \$ (20.5)                         | \$ (17.5) | 17.1%                              |

*Corporate general and administrative expenses.* We allocate most of our corporate general and administrative expenses to the broadcast segment. The explanation that follows combines the corporate general and administrative expenses found in the *Broadcast Segment* section 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 our discussion of expenses in the *Other Operating Divisions Segment* section.

Corporate general and administrative expenses increased for the six months ended 2011 compared to the same period in 2010. This is primarily due to an increase in employee bonuses, stock-based compensation from the issuance of stock-settled appreciation rights, the issuance of restricted and unrestricted common stock, an increase in workers compensation expense and an increase in legal fees. These increases were partially offset by a decrease in satellite costs and lower health and other insurance costs.

We expect corporate general and administrative expenses to remain flat in the third quarter 2011 compared to second quarter 2011.

*Interest expense.* Interest expense has decreased primarily due to our amending and restating the Bank Credit Agreement in third quarter 2010 and the first quarter 2011, the redemption of our 8.0% Notes in fourth quarter 2010, our 6.0% Notes in 2010 and second quarter 2011. We expect interest expense to slightly decrease in third quarter 2011 compared to second quarter 2011.

*Loss from extinguishment of debt.* During the six months ended June 30, 2011, we amended our Bank Credit Agreement and paid down a portion of our Term Loan B resulting in a loss of \$0.9 million from extinguishment of debt. Additionally, we completed the redemption of all \$70.0 million of the 6.0% Notes at 100% of the face value of such notes resulting in a loss of \$3.5 million. We used the proceeds from our Term Loan A to pay for the redemption.

During the six months ended June 30, 2010, through a combination of tender offers and the exercise of holder put rights, we redeemed \$14.3 million and \$22.3 million of our 4.875% and 3.0% Notes, respectively, resulting in a loss on extinguishment of \$0.2 million and \$0.1 million, respectively. Additionally, we repurchased, in the open market, \$6.1 million in principal amount of our 6.0% Notes, resulting in a loss of \$0.1 million from extinguishment of debt.

*Income tax provision.* The effective tax rate for the three months ended June 30, 2011 including the effects of the noncontrolling interest was a provision of 40.3% as compared to a provision of 38.2% during the same period in 2010. The increase in the effective tax rate for the three months ended June 30, 2011 as compared to the same period in 2010 is primarily due to a greater valuation allowance on deferred tax assets provided for in 2011.

The effective tax rate for the six months ended June 30, 2011 including the effects of the noncontrolling interest was a provision of 38.0% as compared to a provision of 38.1% during the same period in 2010

Table of Contents**LIQUIDITY AND CAPITAL RESOURCES**

As of June 30, 2011, we had \$50.5 million in cash and cash equivalent balances and working capital of approximately \$69.0 million. Cash generated by our operations and availability under the Revolving Credit Facility are used as our primary source of liquidity. As of June 30, 2011, we had \$75.4 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 April 15, 2011, we completed the redemption of all \$70.0 million of the 6.0% Notes at 100% of the face value of such notes. We used the proceeds from our Term Loan A to pay for the redemption.

***Sources and Uses of Cash***

The following table sets forth our cash flows for the three and six months ended June 30, 2011 and 2010 (in millions):

|                                                                           | For the Three Months<br>Ended June 30, |        |      |        | For the Six Months<br>Ended June 30, |         |      |        |
|---------------------------------------------------------------------------|----------------------------------------|--------|------|--------|--------------------------------------|---------|------|--------|
|                                                                           | 2011                                   |        | 2010 |        | 2011                                 |         | 2010 |        |
| Net cash flows from operating activities                                  | \$                                     | 13.3   | \$   | 23.8   | \$                                   | 67.8    | \$   | 59.7   |
| Cash flows (used in) from investing activities:                           |                                        |        |      |        |                                      |         |      |        |
| Acquisition of property and equipment                                     | \$                                     | (14.6) | \$   | (2.9)  | \$                                   | (20.7)  | \$   | (4.7)  |
| Decrease in restricted cash                                               |                                        |        |      | 15.5   |                                      | 5.1     |      | 42.1   |
| Dividends and distributions from cost method investees                    |                                        | 0.5    |      | 0.1    |                                      | 1.3     |      | 0.1    |
| Purchase of alarm monitoring contracts                                    |                                        | (2.7)  |      | (2.2)  |                                      | (4.4)   |      | (3.4)  |
| Investments in equity and cost method investees                           |                                        | (0.2)  |      | (3.4)  |                                      | (8.3)   |      | (6.4)  |
| Other                                                                     |                                        | (0.2)  |      |        |                                      | 1.6     |      | 0.1    |
| Net cash flows (used in) from investing activities                        | \$                                     | (17.2) | \$   | 7.1    | \$                                   | (25.4)  | \$   | 27.8   |
| Cash flows from (used in) financing activities:                           |                                        |        |      |        |                                      |         |      |        |
| Proceeds from notes payable, commercial bank financing and capital leases | \$                                     | 4.6    | \$   | 4.2    | \$                                   | 133.0   | \$   | 9.0    |
| Repayments of notes payable, commercial bank financing and capital leases |                                        | (62.9) |      | (44.2) |                                      | (124.6) |      | (74.6) |
| Payments for deferred financing costs                                     |                                        | (0.1)  |      |        |                                      | (4.4)   |      | (1.2)  |
| Dividends paid on Class A and Class B Common Stock                        |                                        | (9.6)  |      |        |                                      | (19.2)  |      |        |
| Other                                                                     |                                        | (0.9)  |      | (0.8)  |                                      | 1.7     |      | (1.6)  |
| Net cash flows used in financing activities                               | \$                                     | (68.9) | \$   | (40.8) | \$                                   | (13.5)  | \$   | (68.4) |

*Operating Activities*

Net cash flows from operating activities decreased during the second quarter 2011 compared to the same period in 2010. The primary reason for the decrease was due to an increase in cash paid for interest and interest on accretion of debt discount in the second quarter 2011 compared to the same period in 2010.

Net cash flows from operating activities increased during the six months ended June 30, 2011 compared to the same period in 2010. This increase was primarily the result of less cash paid for program contracts.

We expect program payments to decrease in the third quarter 2011 compared to the second quarter 2011. We expect net interest expense to slightly decrease in the third quarter 2011 compared to the second quarter 2011.

*Investing Activities*

With the exception of restricted cash, net cash flows used in investing activities increased during the second quarter 2011 compared to the same period in 2010. During the second quarter 2011, we increased capital expenditures primarily for news operations and upgrades to our master control systems in order to upgrade these operations to high definition (HD). As of June 30, 2011, four out of the 12 markets with news were broadcasting in HD and 11 out of 35 markets had HD master control



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operations. We are planning to add HD news broadcasts in three additional markets and HD master control operations in 10 additional markets over the next several months.

With the exception of restricted cash, net cash flows used in investing activities increased during the six months ended June 30, 2011 compared to the same period in 2010. We made additional equity investments primarily in real estate and increased capital expenditures primarily for news operations and upgrades to our master control systems. We decreased our investment in restricted cash at the expiration of the put period for the 4.875% Notes and used the cash to pay down our debt balance pursuant to our Bank Credit Agreement.

In third quarter 2011, we anticipate incurring less capital expenditures than incurred in the second quarter 2011.

***Financing Activities***

Net cash flows used in financing activities increased in the second quarter 2011 compared to the same period in 2010. This was primarily due to an increase in our debt repayments in second quarter 2011 compared to the same period in 2010 and the quarterly stock dividend paid in second quarter 2011.

Net cash flows used in financing activities decreased during the six months ended June 30, 2011 compared to the same period in 2010. In first quarter 2011, we amended our Bank Credit Agreement resulting in a new Term Loan A of \$115.0 million and reducing our Term Loan B by \$45.0 million. In February 2011, our Board of Directors reinstated a quarterly common stock dividend of \$0.12 per share and in May 2011, our Board of Directors declared a \$0.12 per share common stock dividend. 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.

**CONTRACTUAL CASH OBLIGATIONS**

As disclosed above under *Liquidity and Capital Resources*, during first quarter 2011, we borrowed \$115.0 million under the Term Loan A and used \$45.0 million to pay down the Term Loan B. On April 15, 2011, we used the remaining net proceeds to complete the redemption of all \$70.0 million of the 6.0% Notes at 100% of the face value of such notes. There were no material changes outside the ordinary course of business to our contractual cash obligations disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

On March 15, 2011, we entered into an amendment of our Bank Credit Agreement. The amendment includes a new Term Loan A of \$115.0 million. Under the amendment, we paid down \$45.0 million of the outstanding \$270.0 million balance under the Term Loan B. The Term Loan

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B will bear interest at LIBOR plus 3.0% with a 1.0% floor. The Term Loan A will bear interest at LIBOR plus 2.25%. Any outstanding amounts accrue interest with a variable rate and therefore increases our risk to rising interest rates.

On April 15, 2011, we completed the redemption of all \$70.0 million of the 6.0% Notes at 100% of the face value of such notes.

Other than the foregoing, there have been no material changes from the quantitative and qualitative discussion about market risk previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### *Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting*

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the design and effectiveness of our disclosure controls and procedures and our internal control over financial reporting as of June 30, 2011.

The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's

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management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The term internal control over financial reporting, as defined in Rules 13a-15d-15(f) under the Exchange Act, means a process designed by, or under the supervision of our Chief Executive and Chief Financial Officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles (GAAP) and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that our receipts and expenditures are being made in accordance with authorizations of management or our Board of Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material adverse effect on our financial statements.

*Assessment of Effectiveness of Disclosure Controls and Procedures*

Based on the evaluation of our disclosure controls and procedures as of June 30, 2011, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

*Changes in Internal Control over Financial Reporting*

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2011, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

*Limitations on the Effectiveness of Controls*

Management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system

must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management's override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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**PART II. OTHER INFORMATION**

**ITEM 1. 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 1A. RISK FACTORS**

There have been no material changes to the Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2010.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the second quarter of 2011, we completed the redemption of all \$70.0 million of the outstanding 6.0% Notes, which were convertible into our Class A Common Stock. The redemption was effected in accordance with the terms of the indenture governing the 6.0% Notes at 100% of the face value of such notes plus accrued and unpaid interest.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. REMOVED AND RESERVED**

**ITEM 5. OTHER INFORMATION**

None.

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**ITEM 6. EXHIBITS**

| <b>Exhibit<br/>Number</b> | <b>Description</b>                                                                                                                                                                                                        |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1                      | Certification by David D. Smith, as Chairman and Chief Executive Officer of Sinclair Broadcast Group, Inc., pursuant to Rule 13a-14(a) of the Exchange Act (15 U.S.C. § 7241).                                            |
| 31.2                      | Certification by David B. Amy, as Chief Financial Officer of Sinclair Broadcast Group, Inc., pursuant to Rule 13a-14(a) of the Exchange Act (15 U.S.C. § 7241).                                                           |
| 32.1                      | Certification by David D. Smith, as Chairman and Chief Executive Officer of Sinclair Broadcast Group, Inc., pursuant to Rule 13a-14(b) of the Exchange Act and § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C § 1350). |
| 32.2                      | Certification by David B. Amy, as Chief Financial Officer of Sinclair Broadcast Group, Inc., pursuant to Rule 13a-14(b) of the Exchange Act and § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C § 1350).                |
| 101.INS*                  | XBRL Instance Document                                                                                                                                                                                                    |
| 101.SCH*                  | XBRL Taxonomy Extension Schema                                                                                                                                                                                            |
| 101.CAL*                  | XBRL Taxonomy Extension Calculation Linkbase                                                                                                                                                                              |
| 101.LAB*                  | XBRL Taxonomy Extension Label Linkbase                                                                                                                                                                                    |
| 101.PRE*                  | XBRL Taxonomy Extension Presentation Linkbase                                                                                                                                                                             |
| 101.DEF*                  | XBRL Taxonomy Extension Definition Linkbase                                                                                                                                                                               |

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\* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized on the 5th day of August 2011.

SINCLAIR BROADCAST GROUP, INC.

By: */s/ David R. Bochenek*  
David R. Bochenek  
Vice President/Chief Accounting Officer  
(Authorized Officer and Chief Accounting Officer)



Table of Contents**EXHIBIT INDEX**

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| 101.INS*              | XBRL Instance Document                                                                                                                                                                                                    |
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