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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER: 000-26076

SINCLAIR BROADCAST GROUP, INC.

(Exact name of Registrant as specified in its charter)

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

10706 Beaver Dam Road

Hunt Valley, MD 21030

(Address of principal executive offices)

(410) 568-1500

(Registrant s telephone number, including area code)

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

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

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

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

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

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

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

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

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

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

Based on the closing sales price of $10.98 per share as of June 30, 2011, the aggregate market value of the voting and non-voting common equity of the Registrant held by non-affiliates was approximately $563.4 million.

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

Title of each class	**Number of shares outstanding as of February 24, 2012**
Class A Common Stock	52,044,092
Class B Common Stock	28,933,859

Documents Incorporated by Reference - Portions of our definitive Proxy Statement relating to our 2012 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K. We anticipate that our Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2011.

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SINCLAIR BROADCAST GROUP, INC.

FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2011

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FORWARD-LOOKING STATEMENTS

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

General risks

- the impact of changes in international, 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 auctioning and 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 fee regulations and political or other advertising restrictions;
- labor disputes and legislation and other union activity associated with film, acting, writing and other guilds and professional sports leagues;

- the broadcasting community s ability to develop a viable mobile digital broadcast television (mobile DTV) strategy and platform and the consumer s appetite for mobile television;

- the operation of low power devices in the broadcast spectrum, which could interfere with our broadcast signals;

- the impact of reverse network compensation payments charged by networks pursuant to their affiliation agreements with broadcasters requiring compensation for network programming;

- 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 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 obtain FCC approval for the purchase of the station assets of Freedom Communications (Freedom) and any future acquisitions, as well as, in certain cases, customary antitrust clearance for any future acquisitions;

- our ability to successfully integrate any acquired businesses;

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

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PART I

ITEM 1. BUSINESS

We are a diversified television broadcasting company that owns or provides certain programming, operating or sales services to more television stations than most other commercial broadcasting groups in the United States. We currently own, provide programming and operating services pursuant to local marketing agreements (LMAs) or provide (or are provided) sales services pursuant to outsourcing agreements to 73 television stations in 45 markets. For the purpose of this report, these 73 stations are referred to as our stations.

We have a mid-size market focus and 62 of our 73 stations are located in television designated market areas (DMAs) that rank between the 14th and 85th largest in the United States among the 210 generally recognized DMAs in the United States by the Nielsen Company (Nielsen) as of November 2011. Our broadcast group is a single reportable segment for accounting purposes and includes the following network affiliations: FOX (20 stations); MyNetworkTV (18 stations; as of September 2009, MyNetworkTV is no longer a network affiliation, however is branded as such); ABC (11 stations); The CW (13 stations); CBS (9 stations); NBC (1 station) and Azteca (1 station). In addition, certain stations broadcast programming on second and third digital signals through network affiliation or program service arrangements with: The CW; MyNetworkTV; This TV, independent programming; TheCoolTV and The Country Network, music video providers; LATV, Azteca, Telemundo and Estrella TV, Spanish-language television networks; and CBS, rebroadcasted content from other primary channels within the same market. Refer to our *Markets and Stations* table later in this Item 1 for more information.

We broadcast free over-the-air programming to television viewing audiences in the communities we serve through our local television stations. The programming that we provide on our primary station channels consists of network provided programs, news produced locally, local sporting events, programming from program service arrangements, syndicated entertainment programs and other locally produced programs such as Ring of Honor wrestling, a franchise we acquired in 2011. We produce news at 28 stations in 20 markets, including three stations where we produce news pursuant to a local news sharing arrangement with a competitive station in that market. We have 13 stations which have local news sharing arrangements with a competitive station in that market that produces the news aired on our station. We provide live local sporting events on many of our stations by acquiring the local television broadcast rights for these events. Additionally, we purchase and barter for popular syndicated programming from third party television producers. See *Operating Strategy* later in this Item 1 for more information regarding the programming we provide.

Our primary source of revenue is the sale of commercial inventory on our television stations to our advertising customers. Our objective is to meet the needs of our advertising customers by delivering significant audiences in key demographics. Our strategy is to achieve this objective by providing quality local news programming and popular network and syndicated programs to our viewing audience. We attract most of our national television advertisers through national marketing representation firms which have offices in New York City, Los Angeles, Chicago and Atlanta. Our local television advertisers are attracted through the use of a local sales force at each of our television stations, which is comprised of approximately 430 sales account executives and local sales managers company-wide.

We also earn revenue from our retransmission consent agreements through payments from the MVPDs in our markets. The MVPDs are local cable companies, satellite television and local telecommunication video providers. The revenues primarily represent payments from the MVPDs for access to our broadcast signal and is typically based on the number of subscribers they have.

Our operating results are subject to cyclical fluctuations from political advertising. Political spending has been significantly higher in the even-number years due to the cyclicality of political advertising. Because of the political election cyclicality, there has been a significant difference in our operating results when comparing even-numbered years performance to the odd numbered years performance. We believe political advertising will continue to be a strong advertising category in our industry, particularly in light of the recent United States Supreme Court decision in *Citizens United v. Federal Election Commission* in which the Supreme Court ruled that federal laws limiting issue advocacy by for profit and non-profit corporations was unconstitutional. With increased spending by Political Action Committees (PACs), including so-called Super PACs and as political-activism around social, political, economic and environmental causes continues to draw attention, political advertising levels may increase further.

We continue to believe the prospects for a viable mobile television service can occur because of the significant advantages over the air, point to multipoint delivery has compared to the limitations and expenses the consumer is facing through the transitional cell phone delivery option. Television broadcasters have the potential capability of delivering nearly unlimited video and data at a fraction of the cost of the existing carrier network. We believe a change to the existing mobile broadcast standard to a standard that is comparable to that used in several other parts of the world is essential. We cannot predict at this time how or if any change to the current US mobile standard will take place.

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We have two reportable operating segments, broadcast and other operating divisions that are disclosed separately from our corporate activities. Our broadcast segment includes our stations. Our other operating divisions segment primarily earned revenues in 2011 from sign design and fabrication; regional security alarm operating and bulk acquisitions; and real estate ventures. In 2009, our other operating divisions segment also earned revenues from information technology staffing, consulting and software development; and transmitter manufacturing. Corporate and unallocated expenses primarily include our costs to operate as a public company and to operate our corporate headquarters location. Corporate is not a reportable segment. See *Note 12. Segment Data*, in the Notes to our Consolidated Financial Statements for more information regarding our operating segments.

We are a Maryland corporation formed in 1986. Our principal offices are located at 10706 Beaver Dam Road, Hunt Valley, Maryland 21030. Our telephone number is (410) 568-1500 and our website address is www.sbgi.net. The information contained on, or accessible through, our website is not part of this annual report on Form 10-K and is not incorporated herein by reference.

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TELEVISION BROADCASTING

Markets and Stations

As of December 31, 2011, we owned and operated, provided programming services to, provided sales services to or had agreed to acquire the following television stations:

Market	Market Rank (a)	Stations	Channel	Status (b)	Network/ Program Service Arrangement (c)	Station Rank in Market (d)	Expiration Date of FCC License
Tampa/St. Petersburg, Florida	14	WTTA WTTA	Primary Second	LMA(e)	MNT TheCoolTV	6 of 9	2/01/13
Minneapolis/St. Paul, Minnesota	15	WUCW WUCW WUCW	Primary Second Third	O&O	CW TheCoolTV The Country Network	7 of 7	4/01/14
St. Louis, Missouri	21	KDNL KDNL KDNL	Primary Second Third	O&O	ABC TheCoolTV The Country Network	4 of 7	2/01/14
Pittsburgh, Pennsylvania	23	WPGH WPMY WPGH WPMY	Primary Primary Second Second	O&O O&O	FOX MNT The Country Network TheCoolTV	4 of 7 6 of 7	8/01/15 8/01/15
Raleigh/Durham, North Carolina	24	WLFL WRDC WLFL WRDC	Primary Primary Second Second	O&O O&O	CW MNT The Country Network TheCoolTV	5 of 8 6 of 8	12/01/04 (f)(m) 12/01/04 (f)(m)
Baltimore, Maryland	27	WBFF WNUV WBFF WBFF WNUV	Primary Primary Second Third Second	O&O LMA(g)	FOX CW This TV The Country Network TheCoolTV	4 of 6 5 of 6	10/01/04 (f)(m) 10/01/12
Nashville, Tennessee	29	WZTV WUXP WNAB WUXP WNAB	Primary Primary Primary Second Second	O&O O&O OSA(h)	FOX MNT CW TheCoolTV The Country Network	4 of 8 5 of 8 6 of 8	8/01/13 8/01/13 8/01/13
Columbus, Ohio	32	WSYX WTTE WSYX WTTE	Primary Primary Second Second	O&O LMA(g)	ABC FOX This TV and MNT TheCoolTV	2 of 6 4 of 6	10/01/13 10/01/05 (f)(m)
Salt Lake City/St. George, Utah	33	KUTV KMYU KUTV KMYU	Primary Primary Second Second	LMA(n) LMA(n)	CBS This TV and MNT This TV and MNT CBS(p)	1 of 7 7 of 7	10/01/14 10/01/14
Milwaukee, Wisconsin	34						

		WCGV	Primary	O&O	MNT	5 of 8	12/01/05 (f)(m)
		WVTV	Primary	O&O	CW	7 of 8	12/01/13
		WCGV	Second		The Country Network		
Cincinnati, Ohio	35	WSTR	Primary	O&O	MNT	5 of 5	10/01/13
		WSTR	Second		TheCoolTV		
San Antonio, Texas	36	KABB	Primary	O&O	FOX	3 of 7	8/01/14
		KMYS	Primary	O&O	CW	5 of 7	8/01/14
		KABB	Second		The Country Network		
		KMYS	Second		TheCoolTV		
Asheville, North Carolina/	37	WLOS	Primary	O&O	ABC	2 of 7	12/01/04 (f)(m)
Greenville/Spartanburg/		WMYA	Primary	LMA(g)	MNT	5 of 7	12/01/04 (f)(m)
Anderson, South Carolina		WLOS	Second		MNT		
		WMYA	Second		TheCoolTV		
		WMYA	Third		The Country Network		
West Palm Beach/Fort Pierce, Florida	38	WPEC	Primary	LMA(o)	CBS	2 of 6	2/01/13
		WTVX	Primary	LMA(n)	CW	5 of 6	2/01/13
		WTCN	Primary	LMA(n)	MNT	6 of 6	2/01/13
		WWHB	Primary	LMA(n)	AZTECA	not available	2/01/13
		WPEC	Second		CBS(p)		
		WPEC	Third		Weather Radar		
		WTVX	Second		AZTECA(p)		
		WTVX	Third		MNT(p)		
		WTVX	Fourth		LATV		

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Market	Market Rank (a)	Stations	Channel	Status (b)	Network/ Program Service Arrangement (c)	Station Rank in Market (d)	Expiration Date of FCC License
Birmingham, Alabama	39	WTTO	Primary	O&O	CW	5 of 8	4/01/05 (f)(m)
		WABM	Primary	O&O	MNT	6 of 8	4/01/13
		WDBB	Primary	LMA(g)	CW	5 of 8 (i)	4/01/13
		WTTO	Second		The Country Network		
		WABM	Second		TheCoolTV		
		WDBB	Second		The Country Network		
Las Vegas, Nevada	40	KVMY	Primary	O&O	MNT	5 of 7	10/01/14
		KVCW	Primary	O&O	CW	6 of 7	10/01/14
		KVMY	Second		Estella TV		
		KVCW	Second		This TV		
		KVCW	Third		The Country Network		
Grand Rapids/Kalamazoo, Michigan	42	WWMT	Primary	LMA(o)	CBS	1 of 7	10/01/13
		WWMT	Second		CW		
Norfolk, Virginia	43	WTVZ	Primary	O&O	MNT	6 of 7	10/01/12
		WTVZ	Second		TheCoolTV		
		WTVZ	Third		The Country Network		
Oklahoma City, Oklahoma	44	KOKH	Primary	O&O	FOX	4 of 8	6/01/14
		KOCB	Primary	O&O	CW	5 of 8	6/01/14
		KOKH	Second		The Country Network		
		KOCB	Second		TheCoolTV		
Greensboro/Winston-Salem/Highpoint, North Carolina	46	WXLV	Primary	O&O	ABC	4 of 7	12/01/04 (f)(m)
		WMYV	Primary	O&O	MNT	5 of 7	12/01/04 (f)(m)
		WXLV	Second		The Country Network		
		WMYV	Second		TheCoolTV		
Austin, Texas	47	KEYE	Primary	LMA(n)	CBS	2 of 7	8/01/14
		KEYE	Second		Telemundo		
Buffalo, New York	51	WUTV	Primary	O&O	FOX	4 of 7	6/01/15
		WNYO	Primary	O&O	MNT	6 of 7	6/01/15
		WUTV	Second		The Country Network		
		WNYO	Second		TheCoolTV		
Providence, Rhode Island/ New Bedford, Massachusetts	53	WLWC	Primary	LMA(n)	CW	5 of 5	4/01/15
		WLWC	Second		LATV		
Richmond, Virginia	57	WRLH	Primary	O&O	FOX	4 of 5	10/01/12
		WRLH	Second		This TV and MNT		
		WRLH	Third		TheCoolTV		
Albany, New York	58	WRGB	Primary	LMA(o)	CBS	1 of 6	6/01/15
		WCWN	Primary	LMA(o)	CW	5 of 6	6/01/15
		WRGB	Second		This TV		
		WCWN	Second		CBS(p)		
Mobile, Alabama/ Pensacola, Florida	60	WEAR	Primary	O&O	ABC	2 of 8	2/01/13
		WFGX	Primary	O&O	This TV and MNT	6 of 8	2/01/13
		WEAR	Second		The Country Network		
		WFGX	Second		TheCoolTV		
Dayton, Ohio	63	WKEF	Primary	O&O	ABC	2 of 5	10/01/13
		WRGT	Primary	LMA(g)	FOX	4 of 5	10/01/05 (f)(m)
		WKEF	Second		TheCoolTV		
		WRGT	Second		This TV and MNT		

Lexington, Kentucky	64	WDKY	Primary	O&O	FOX	3 of 6	8/01/13
		WDKY	Second		TheCoolTV		
Charleston/Huntington, West Virginia	65	WCHS	Primary	O&O	ABC	2 of 5	10/01/12
		WVAH	Primary	LMA(g)	FOX	4 of 5	10/01/04 (f)(m)
		WCHS	Second		TheCoolTV		
		WVAH	Second		The Country Network		
Flint/Saginaw/Bay City, Michigan	68	WSMH	Primary	O&O	FOX	3 of 5	10/01/13
		WSMH	Second		TheCoolTV		
		WSMH	Third		The Country Network		
Des Moines, Iowa	72	KDSM	Primary	O&O	FOX	3 of 6	2/01/14
		KDSM	Second		TheCoolTV		
		KDSM	Third		The Country Network		
Portland, Maine	78	WGME	Primary	O&O	CBS	2 of 6	4/01/15
		WGME	Second		TheCoolTV		
Rochester, New York	79	WUHF	Primary	O&O(j)	FOX	not available	6/01/15
		WUHF	Second		TheCoolTV		

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Market	Market Rank (a)	Stations	Channel	Status (b)	Network/ Program Service Arrangement (c)	Station Rank in Market (d)	Expiration Date of FCC License
Cape Girardeau, Missouri/	81	KBSI	Primary	O&O	FOX	4 of 6	2/01/14
Paducah, Kentucky		WDKA	Primary	LMA	MNT	5 of 6	8/01/13
		KBSI	Second		MNT		
		WDKA	Second		TheCoolTV		
		WDKA	Third		The Country Network		
Springfield/Champaign, Illinois	82	WICS	Primary	O&O	ABC	2 of 6	12/01/05 (f)(m)
		WICD	Primary	O&O	ABC	2 of 6 (k)	12/01/13
		WICS	Second		The Country Network		
		WICD	Second		TheCoolTV		
Syracuse, New York	84	WSYT	Primary	O&O	FOX	4 of 6	6/01/15
		WNYS	Primary	LMA	MNT	5 of 6	6/01/15
		WSYT	Second		The Country Network		
		WNYS	Second		TheCoolTV		
Madison, Wisconsin	85	WMSN	Primary	O&O	FOX	4 of 5	12/01/13
		WMSN	Second		TheCoolTV		
		WMSN	Third		The Country Network		
Chattanooga, Tennessee	86	WTVC	Primary	LMA(o)	ABC	1 of 5	8/01/13
		WTVC	Second		This TV		
Cedar Rapids, Iowa	89	KGAN	Primary	O&O	CBS	3 of 5	2/01/06 (f)(m)
		KFXA	Primary	OSA(l)	FOX	4 of 5	2/01/14
		KGAN	Second		TheCoolTV		
		KFXA	Second		The Country Network		
Charleston, South Carolina	98	WTAT	Primary	LMA(g)	FOX	4 of 5	12/01/04 (f)(m)
		WMMP	Primary	O&O	MNT	5 of 5	12/01/04 (f)
		WMMP	Second		TheCoolTV		
		WMMP	Third		The Country Network		
Tallahassee, Florida	106	WTWC	Primary	O&O	NBC	3 of 5	2/01/13
		WTWC	Second		TheCoolTV		
		WTWC	Third		The Country Network		
Lansing, Michigan	115	WLAJ	Primary	LMA(o)	ABC	4 of 5	10/01/13
		WLAJ	Second		CW		
Peoria/Bloomington, Illinois	116	WYZZ	Primary	O&O(j)	FOX	not available	12/01/13
		WYZZ	Second		TheCoolTV		
		WYZZ	Third		The Country Network		
Medford, Oregon	140	KTVL	Primary	LMA(o)	CBS	2 of 5	2/01/15
		KTVL	Second		CW		
Beaumont, Texas	141	KFDM	Primary	LMA(o)	CBS	1 of 3	8/01/14
		KFDM	Second		CW		

(a) Rankings are based on the relative size of a station s designated market area (DMA) among the 210 generally recognized DMAs in the United States as estimated by Nielsen as of November 2011.

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

(c) When we negotiate the terms of our network affiliations or program service arrangements, we negotiate on behalf of all of our stations affiliated with that entity simultaneously. This results in substantially similar terms for our stations, including the expiration date of the network affiliations or program service arrangements. A summary of these expiration dates for our primary channels as of December 31, 2011 is as follows:

Network/ Program Service Arrangement	**Expiration Date**
FOX	All 20 agreements expire on December 31, 2012
MNT	All 18 agreements expire in the Fall of 2014
ABC	Of the 11 agreements, 9 agreements expire on August 31, 2015 and 2 agreements expire on December 31, 2015
CW	All 13 agreements expire on August 31, 2016
CBS	Of the 9 agreements, 2 agreements expire on December 31, 2012; 2 agreements expire on April 29, 2017, 4 agreements expire on January 31, 2016 and 1 agreement expires December 31, 2015
NBC	Agreement expires on December 31, 2016
Azteca	Agreement expires on February 8, 2013

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(d) The first number represents the rank of each station in its market and is based upon the November 2011 Nielsen estimates of the percentage of persons tuned into each station in the market from 6:00 a.m. to 2:00 a.m., Monday through Sunday. The second number represents the estimated number of television stations designated by Nielsen as local to the DMA, excluding public television stations and stations that do not meet the minimum Nielsen reporting standards (weekly cumulative audience of at least 0.1%) for the Monday through Sunday 6:00 a.m. to 2:00 a.m. time period as of November 2011. This information is provided to us in a summary report by Franco Research Group.

(e) The license assets for this station are currently owned by Bay Television, Inc., a related party. See *Note 10. Related Person Transactions*, in the Notes to our Consolidated Financial Statements for more information.

(f) We, or subsidiaries of Cunningham Broadcasting Company (Cunningham), timely filed applications for renewal of these licenses with the FCC. Unrelated third parties have filed petitions to deny or informal objections against such applications. We opposed the petitions to deny and the informal objections and those applications are pending. See *Note 9. Commitments and Contingencies*, in the Notes to our Consolidated Financial Statements for more information.

(g) The license assets for these stations are currently owned by a subsidiary of Cunningham.

(h) We have entered into an outsourcing agreement with the unrelated third party owner of WNAB-TV to provide certain non-programming related sales, operational and administrative services to WNAB-TV. On July 21, 2005, we filed with the FCC an application to acquire the license television broadcast assets of WNAB-TV in Nashville, Tennessee. The Rainbow/PUSH Coalition (Rainbow/PUSH) filed a petition to deny that application and also requested that the FCC initiate a hearing to investigate whether WNAB-TV was improperly operated with WZTV-TV and WUXP-TV, two of our stations also located in Nashville. The FCC is in the process of considering the transfer of the broadcast license and we believe the Rainbow/PUSH petition has no merit.

(i) WDBB-TV simulcasts the programming broadcast on WTTO-TV pursuant to a programming services agreement. The station rank applies to the combined viewership of these stations. In fourth quarter 2010, the FCC approved Cunningham s acquisition of WDBB s license assets. In February 2011, Cunningham acquired the license assets and we will continue to operate WDBB pursuant to a LMA.

(j) We have entered into outsourcing agreements with unrelated third parties, under which the unrelated third parties provide certain non-programming related sales, operational and managerial services to these stations. We continue to own all of the assets of these stations and to program and control each station s operations.

(k) WICD-TV, a satellite of WICS-TV under FCC rules, simulcasts all of the programming aired on WICS-TV except the news broadcasts. WICD-TV airs its own news broadcasts. The station rank applies to the combined viewership of these stations.

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

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

(n) On September 8, 2011, we entered into a definitive agreement to purchase the assets of Four Points Media Group LLC (Four Points). As of October 1, 2011, we were operating the Four Points stations pursuant to a LMA. On January 3, 2012, we closed the asset acquisition of Four Points, with an effective date of January 1, 2012.

(o) On November 1, 2011, we entered into a definitive agreement to purchase the broadcast assets of Freedom. We expect the transaction to close late in the first quarter or early in the second quarter of 2012 subject to approval by the FCC. While waiting for FCC approval, we are operating the Freedom stations pursuant to a LMA.

(p) These stations rebroadcast program content on second and/or third channels from one of the primary stations listed within the same market.

Operating Strategy

Our operating strategy includes the following elements:

Programming to Attract Viewership. We seek to target our programming offerings to attract viewership, to meet the needs of the communities in which we serve and to meet the needs of our advertising customers. In pursuit of this strategy, we seek to obtain, at attractive prices, popular syndicated programming that is complementary to each station s network programming. We also seek to broadcast live local and national sporting events that would appeal to a large segment of the local community. Moreover, we produce news at 28 stations in 20 markets, including three stations which have a local news sharing agreement with a competitive station in that market. We have 13 stations which have local news sharing arrangements with a competitive station in that market, which produces the news aired on our station.

Television advertising prices are primarily based on ratings information measured and distributed by Nielsen. In 2010, the Media Rating Council, an independent organization set-up to monitor rating services, revoked Nielsen s accreditation in the 154 markets it measures ratings exclusively by its diary methodology. Approximately 20 of our stations are currently diary only markets. For certain markets, including eight of our diary only markets, we entered into a contract with Rentrak Corporation, an alternative rating service provider, that uses set-top box television measurements to provide us additional measurement information to the ratings services Nielsen provides.

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

Developing Local Franchises. We believe the greatest opportunity for a sustainable and growing customer base lies within our local communities. Therefore, we have focused on developing a strong local sales force at each of our television stations, which is comprised of approximately 430 sales account executives and local sales managers company-wide. Excluding political advertising revenue, 71.1% of our net time sales were local for the year ended December 31, 2011, compared to 69.3% in 2010. Excluding political, local revenues have increased 2.7% during 2011 versus 2010. Market share survey results reflect that our stations share of the local television advertising market, held stable at approximately 19.0% in 2011 and 2010. Our goal is to grow our local revenues by increasing our market share and by developing new business opportunities.

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

Our local news initiatives are an important part of our strategy that has resulted in our entering into 13 local news sharing arrangements with other television broadcasters. We are the provider of news services in two instances while in 11 of our news share arrangements, we are the recipient of services. We believe news share arrangements generally provide both higher viewer ratings and revenues for the station receiving the news and generate a profit for the news share provider. Generally, both parties and the local community are beneficiaries of these arrangements.

Developing New Business. We are always striving to develop new business models to complement or enhance our existing television broadcast business. We have developed new ways to bundle online, mobile text messaging and social media advertising with our traditional commercial broadcasting model. We plan to continue to expand our efforts in this area. In addition, we are making progress on standardizing and implementing a viable business platform for mobile DTV. We continue to explore new opportunities and plan to implement new initiatives in 2012.

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

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

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

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

Mobile Digital Broadcast Television (mobile DTV). We are a founding member of the OMVC and M500. The OMVC is an alliance of U.S. commercial and public broadcasters formed to accelerate the development and rollout of mobile DTV products and services. The OMVC is committed to maximizing and developing the full potential of the digital television spectrum. We believe mobile DTV will quickly provide for a viable use of our local stations programming. The OMVC, working within the Advanced Television Systems Committee, has developed a mobile broadcasting standard that allows digital television to be broadcast to numerous mobile devices including smart phones, laptop and tablet computers, video screens in vehicles, portable video players and other mobile and portable devices. In order to receive mobile DTV signals, these devices require a mobile DTV receiver. We believe that the technical ability to receive our television broadcast content on mobile devices will be attractive to individuals. We have installed and are running mobile DTV services at WSYX-TV and WTTE-TV both in Columbus, Ohio, with WNUV-TV in Baltimore, Maryland to follow in the next several months. We will gauge our plans on the successes of these first markets, and deploy within remaining markets accordingly.

Control of Operating and Programming Costs. By employing a disciplined approach to managing programming acquisition and other costs, we have been able to achieve operating margins that we believe are very competitive within the television broadcast industry. We believe our national reach of over 26% of the country provides us with a strong position to negotiate with programming providers and, as a result, the opportunity to purchase high quality programming at more favorable prices. Moreover, we emphasize control of each of our station s programming and operating costs through program-specific profit analysis, detailed budgeting, regionalization of staff and detailed long-term planning models.

Popular Sporting Events. At some of our stations, we have been able to acquire local television broadcast rights for certain sporting events, including NBA basketball, Major League Baseball, NFL football, NHL hockey, ACC basketball and both Big Ten and SEC football and basketball and certain high school sports. We seek to expand our sports broadcasting in DMAs as profitable opportunities arise such as our purchase of the Ring of Honor professional wrestling franchise in May 2011. Our CW and MyNetworkTV stations generally face fewer preemption restrictions on broadcasting live local sporting events compared with our FOX, ABC, CBS and NBC stations, which are required to broadcast a greater number of hours of programming supplied by the networks. In addition, our stations that are affiliated with FOX, ABC, CBS and NBC have network arrangements to broadcast certain NBA basketball games, MLB baseball games, NFL football games, NHL hockey games and NASCAR races, as well as other popular sporting events.

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

Non-broadcast Investments. We have sought ways to diversify our business and return additional value to our shareholders through investments in non-broadcast based businesses and real estate. We carry investments in various companies from different industries including sign design and fabrication and security alarm monitoring and bulk acquisition. In addition, we invest in various real estate ventures including developmental land, operating commercial real estate properties and apartments. We also invest in private equity and structured debt/mezzanine financing investment funds. Currently, operating results from our

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investments represent a small portion of our overall operating results. Our ability to make additional investments is limited by the restrictions of our Bank Credit Agreement. Activity related to our investments is included in our other operating divisions segment.

FEDERAL REGULATION OF TELEVISION BROADCASTING

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

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

License Grant and Renewal

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

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

All of the stations that we currently own and operate or provide programming services or sales services to, pursuant to LMAs or other agreements, are presently operating under regular licenses, which expire as to each station on the dates set forth under *Television Broadcasting* above. Although renewal of a license is granted in the vast majority of cases even when petitions to deny are filed, there can be no assurance that the license of any station will be renewed.

In 2004, we filed with the FCC an application for the license renewal of WBFF-TV in Baltimore, Maryland. Subsequently, an individual named Richard D Amato filed a petition to deny the application. In 2004, we also filed with the FCC applications for the license renewal of television stations: WXLV-TV, Winston-Salem, North Carolina; WMYV-TV, Greensboro, North Carolina; WLFL-TV, Raleigh/Durham, North Carolina;

WRDC-TV, Raleigh/Durham, North Carolina; WLOS-TV, Asheville, North Carolina and WMMP-TV, Charleston, South Carolina. An organization calling itself Free Press filed a petition to deny the renewal applications of these stations and also the renewal applications of two other stations in those markets, which we program pursuant to LMAs: WTAT-TV, Charleston, South Carolina and WMYA-TV, Anderson, South Carolina. Several individuals and an organization named Sinclair Media Watch also filed informal objections to the license renewal applications of WLOS-TV and WMYA-TV, raising essentially the same arguments presented in the Free Press petition. The FCC is in the process of considering these renewal applications and we believe the objections have no merit.

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

On August 1, 2005, we filed applications with the FCC requesting renewal of the broadcast licenses for WICS-TV and WICD-TV in Springfield/Champaign, Illinois. Subsequently, various viewers filed informal objections requesting that the FCC deny these renewal applications. On September 30, 2005, we filed an application with the FCC for the renewal of the broadcast license for KGAN-TV in Cedar Rapids, Iowa. On December 28, 2005, an organization calling itself Iowans for Better Local Television filed

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a petition to deny that application. In April 2009, the FCC granted the license renewal application for WICD-TV and KGAN-TV. The FCC is in the process of considering the WICS-TV renewal applications and we believe the objections and petitions requesting denial have no merit.

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

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

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

The FCC has made it difficult for us to predict the impact on our license renewals from allegations related to the airing of indecent material that may arise in the ordinary course of our business. For example, on Veterans Day in November 2004, we preempted (did not air) Saving Private Ryan, a program that was aired during ABC s network programming time. We were concerned that since the program contained the use of the F-word (indecent material as defined by the FCC) airing the programming could result in a fine or other negative consequences for one or more of our ABC stations. In February 2005, the FCC dismissed all complaints filed against ABC stations regarding this program. The FCC s decision justified what some may consider indecent material as appropriate in the context of the program. Although this ruling has expanded the programming opportunities of our stations, it still leaves us at risk because what might be determined as legitimate context by us may not be deemed so by the FCC and the FCC will not rule beforehand as this may be considered a restriction of free speech. For example, in September 2006, we preempted a CBS network documentary on the events that happened on September 11, 2001 because the program contained what some have argued is indecent material and the FCC would not provide, in advance of the airing of the documentary, any guidance on whether that material was appropriate in the context of the program. In 2007, the U.S. Court of Appeals for the Second Circuit held that the FCC s indecency policy regarding fleeting expletives was arbitrary and capricious when the FCC determined that fleeting expletives aired during the *Golden Globes* and *Billboard Music Awards* violated its indecency rules. The FCC challenged the decision and the case was argued before the Supreme Court in November 2008. Also in 2008 the U.S. Court of Appeals for the Third Circuit rejected an FCC decision concluding, among other things, that a fleeting display of nudity during the Superbowl halftime show was indecent. On April 28, 2009, the Supreme Court overturned the *Golden Globes* and *Billboard Music Awards* decision of the Second Circuit and held that the FCC had adequately justified its departure from prior decisions in determining that it could sanction a station for a single F-word or S-word broadcast on that station. However, the Supreme Court also remanded the case back to the Second Circuit for further consideration to resolve any First Amendment Constitutional issues raised by the FCC s enforcement policy. On May 16, 2009, the Supreme Court remanded the Superbowl halftime show case to the Third Circuit in order to consider the impact of the Supreme Court s *Golden Globes* and *Billboard Music Awards* decision and to consider the same First Amendment issues that were remanded to the Second Circuit. On July 13, 2010, the Second Circuit struck down the FCC s indecency policy in its entirety. On January 10, 2012, the Supreme Court heard oral arguments to consider whether the Second Circuit was correct in deciding that the FCC s indecency ban is unconstitutional because it violates the First Amendment by being so vague as to deprive broadcasters of clear notice as to what is and is not permissible. The pending Supreme Court decision and the FCC s unclear policy make it difficult for us to determine what may be indecent programming.

Ownership Matters

General. The Communications Act prohibits the assignment of a broadcast license or the transfer of control of a broadcast license without the prior approval of the FCC. In determining whether to permit the assignment or transfer of control of, or the grant or renewal of, a broadcast license, the FCC considers a number of factors pertaining to the licensee, including compliance

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with various rules limiting common ownership of media properties, the character of the licensee and those persons holding attributable interests in that licensee and compliance with the Communications Act s limitations on ownership by non-U. S. citizens or their representatives or by a foreign government or a representative thereof, or by any corporation organized under the laws of a foreign country (collectively, aliens).

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

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

The Communications Act prohibits the issuance of a broadcast license to, or the holding of a broadcast license by, any corporation of which more than 20% of the capital stock is owned of record or voted by aliens. The Communications Act also authorizes the FCC, if the FCC determines that it would be in the public interest, to prohibit the issuance of a broadcast license to, or the holding of a broadcast license by, any corporation directly or indirectly controlled by any other corporation of which more than 25% of the capital stock is owned of record or voted by aliens. The FCC has issued interpretations of existing law under which these restrictions in modified form apply to other forms of business organizations, including partnerships.

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

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

The relevant 2008 ownership rules are as follows:

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

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

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by clear and convincing evidence that, post-merger, the merged entity will increase the diversity of independent news outlets and increase competition among independent news sources in the relevant market.

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

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

All but seven of the stations we own and operate, or to which we provide programming services, are UHF. We reach over 26% of U. S. television households or 14.7% taking into account the FCC s UHF discount.

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

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

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

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

Antitrust Regulation. The Department of Justice (DOJ) and the Federal Trade Commission have increased their scrutiny of the television industry since the adoption of the 1996 Act and have reviewed matters related to the concentration of ownership within markets (including

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

Expansion of our broadcast operations on both a local and national level will continue to be subject to the FCC s ownership rules, DOJ review and any changes the FCC or Congress may adopt. On December 22, 2011, the FCC released a Notice of Proposed Rulemaking in its Quadrennial Review of the Multiple Ownership Rules and is considering changes to the FCC s rules regarding broadcast-newspaper cross ownership restrictions, the possible elimination of rules restricting the ownership of radio and TV in the same market, the potential attribution of TV shared services agreements meaning potentially making a shared services agreement count as an ownership interest in a multiple ownership analysis and other possible revisions to the local radio and TV ownership limitations or exceptions that would allow for waivers of the limits in defined circumstances. The proceeding remains pending. Any further relaxation of the FCC s ownership rules may increase the level of competition in one or more markets in which our stations are located, more specifically to the extent that any of our competitors may have greater resources and thereby may be in a superior position to take advantage of such changes. Conversely, any such relaxation or invalidation of such rules may provide us the opportunity to expand should we have the resources and find the terms advantageous.

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Local Marketing Agreements

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

If we are required to terminate or modify our LMAs, our business could be adversely affected in several ways, including losses on investments and termination penalties. For more information on the risks, see *Risk Factors The FCC s multiple ownership rules limit our ability to operate multiple television stations in some markets and may result in a reduction in our revenue or prevent us from reducing costs. Changes in these rules may threaten our existing strategic approach to certain television markets Changes in rules on local marketing agreements.*

The following paragraphs discuss various proceedings relevant to our LMAs.

In 1999, the FCC established a new local television ownership rule. LMAs fell under this rule, however, the rule grandfathered LMAs that were entered into prior to November 5, 1996, and permitted the applicable stations to continue operations pursuant to the LMAs until the conclusion of the FCC s 2004 biennial review. The FCC stated it would conduct a case-by-case review of grandfathered LMAs and assess the appropriateness of extending the grandfathering periods. The FCC did not initiate any review of grandfathered LMAs in 2004 or as part of its 2006 quadrennial review. We do not know when, or if, the FCC will conduct any such review of grandfathered LMAs. For LMAs executed on or after November 5, 1996, the FCC required compliance with the 1999 local television ownership rule by August 6, 2001. We challenged the 1999 rules in the U.S. Court of Appeals for the D.C. Circuit (D.C. Circuit), resulting in the exclusion of post-November 5, 1996 LMAs from the 1999 rules. In 2002, the D.C. Circuit ruled in *Sinclair Broadcast Group, Inc. v. F.C.C.*, 284 F.3d 114 (D.C. Cir. 2002) that the 1999 local television ownership rule was arbitrary and capricious and sent the rule back to the FCC for further refinement.

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

In July 2006, the FCC released a Further Notice of Proposed Rule Making seeking comment on how to address the issues raised by the Third Circuit s decision. In January 2008, the FCC released an order containing ownership rules that re-adopted the 1999 rules. On February 29, 2008, several parties, including us, separately filed petitions for review in a number of federal appellate courts challenging the 1999 rules. Those petitions were consolidated in the U.S. Court of Appeals for the Ninth Circuit (Ninth Circuit) and in November 2008, transferred by the Ninth Circuit to the Third Circuit and on July 7, 2011, the Third Circuit upheld the FCC s local television ownership rules. On December 5, 2011, we joined with a number of other parties on a Petition for a Writ of Certiorari filed with the Supreme Court requesting that the Court overrule the decision of the Third Circuit. That request remains pending at the Supreme Court.

On November 15, 1999, we entered into an agreement to acquire WMYA-TV (formerly WBSC-TV) in Anderson, South Carolina from Cunningham Broadcasting Corporation (Cunningham), but that transaction was denied by the FCC. Since none of the FCC rule changes ever became effective, we filed a petition for reconsideration with the FCC and amended our application to acquire the license of WMYA-TV. We also filed applications in November 2003 to acquire the license assets of the remaining five Cunningham stations: WRGT-TV, Dayton, Ohio; WTAT-TV, Charleston, South Carolina; WVAH-TV, Charleston, West Virginia; WNUV-TV, Baltimore, Maryland; and WTTE-TV, Columbus, Ohio. Rainbow/PUSH filed a petition to deny these five applications and to revoke all of our licenses. The FCC dismissed our applications and denied the Rainbow/PUSH petition due to the above mentioned 2003 Third Circuit decision. Rainbow/PUSH filed a petition for reconsideration of that denial and we filed an application for review of the dismissal. In 2005, we filed a petition with the D. C. Circuit requesting that the Court direct the FCC to take final action on our applications, but that petition was dismissed. On January 6, 2006, we submitted a motion to the FCC requesting that it take final action on our applications. The applications and the associated petition to deny are still pending. We believe the Rainbow/PUSH petition is without merit.

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

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

Must-Carry/Retransmission Consent

Pursuant to the Cable Act of 1992, television broadcasters are required to make triennial elections to exercise either certain must-carry or retransmission consent rights in connection with their carriage by cable systems in each broadcaster s local market. We have elected to exercise our retransmission consent rights with respect to all our stations.This election was made by October 1, 2011 for the period January 1, 2012 through December 31, 2014. By electing to exercise must-carry rights, a broadcaster demands carriage and receives a specific channel on cable systems within its DMA, in general, as defined by the Nielsen DMA Market and Demographic Rank Report of the prior year. These must-carry rights are not absolute and their exercise is dependent on variables such as:

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

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

Syndicated Exclusivity/Territorial Exclusivity

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

Digital Television

The FCC has taken a number of steps to implement digital television (DTV) broadcasting services and has ruled that television broadcast licensees may use their digital channels for a wide variety of services such as HD television, multiple standard definition television programming, audio, data and other types of communications, subject to the requirement that each broadcaster provide

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at least one free video channel equal in quality to the current technical standard and further subject to the requirement that broadcasters pay a fee of 5% of gross revenues from any DTV ancillary or supplementary service for which there is a subscription fee or for which the licensee receives a fee from a third party.

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

We operate our television stations at different power levels pursuant to our FCC licenses, applicable permits or special temporary authority granted by the FCC. The following table is a summary of our operating status as of February 24, 2012:

DTV Operating Status	**# of Stations(a)**
Owned stations operating with approved digital license, at full power	50
Owned stations operating at full power with special temporary authority	1
LMA/JSA stations operating with approved digital license, at full power	20
	71

(a) WWHB-TV and WTCN-TV both in West Palm Beach, Florida, are two low power analog stations not included in this table.

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

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

Digital must-carry. In February 2005, the FCC adopted an order stating that cable television systems are required to carry a must-carry station s primary video stream but is not required to carry any of the station s other programming streams in those situations where a station chooses to transmit multiple programming streams. On September 11, 2007, the FCC adopted an order requiring, after the digital transition, all cable operators to make the primary digital stream of must-carry television stations viewable by all cable subscribers, regardless of whether they are using analog or digital television equipment. The FCC indicated that it would consider requests for a waiver of this requirement by small cable system operators, where compliance with that requirement would be unduly burdensome. In March 2008, the FCC adopted an order requiring satellite carriers to carry digital-only stations upon request in markets in which the satellite carriers are providing local-into-local service pursuant to the statutory copyright license. The FCC also required that satellite carriers carry the HD signals of digital-only stations in HD format if any broadcaster in the same market is carried in HD. This latter requirement is being implemented over a four-year phase-in period which started in February 2009. Accordingly, until February 2013, satellite carriers will be permitted in a certain percentage of markets to choose what HD signals it will carry. Any impairment on viewers ability to obtain our digital HD signals retransmitted by satellite in markets in which we operate could result in a loss of viewers for those stations and could negatively impact station revenues. In the associated notice of proposed rulemaking released with the order, the FCC invited comments on, among other things, whether satellite carriers should be required to carry the signals of all local broadcast stations in HD and standard definition (SD) if the carriers retransmit the signals of any local station in the same market in both HD and SD and whether satellite carriers must make the primary digital stream of must-carry stations viewable by all subscribers, regardless of whether those subscribers are using analog or digital television equipment.

Multi-Channel Digital Broadcasting. FCC rules allow broadcasters to transmit additional digital channels within the spectrum allocated to each FCC license holder. This provides viewers with additional programming alternatives at no additional cost to them. Our television stations are experimenting with broadcasting on second and third digital channels in accordance with these rules, airing various alternative programming formats. We are airing second or third digital channels comprised of: The CW; MyNetworkTV; TheCoolTV and the Country Network, music video providers; This TV, independent programming; Estrella TV, LATV, Azteca and Telemundo, Spanish-language television networks; and CBS, rebroadcasted content from other primary channels within the same market.

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

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Capital and operating costs. We have incurred and will continue to incur costs to replace equipment in certain stations in order to provide high definition news programming.

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

Emergency Alert System. In November 2005, the FCC adopted an order requiring that digital broadcasters comply with the FCC s present Emergency Alert System (EAS) rules. It also issued a further notice of proposed rulemaking seeking comments on what actions the FCC should take to expedite the development of a digitally based public alert and warning system. On July 12, 2007, the FCC adopted an order allowing mandatory use of EAS by state governments and requiring that all EAS participants, including television broadcasters, be able to receive messages formatted pursuant to a procedure to be adopted by the Federal Emergency Management Agency. In a further notice, the FCC invited comments on, among other things, how the EAS rules could be modified to ensure that non-English speakers and persons with disabilities are reached by EAS messages and whether local, county, tribal, or other state governmental entities should be allowed to initiate mandatory state and local alerts. On November 23, 2010, the FCC issued an Order requiring all broadcasters to acquire and install the equipment necessary to use the Common Alerting Protocol (CAP) standard for EAS alerts by September 30, 2011. On February 3, 2011, the FCC released an Order which requires national testing of the EAS and requires broadcast stations to submit data from such tests to the FCC. On September 16, 2011, the FCC released an Order extending the CAP-compliance deadline until June 30, 2012. The new EAS requirements and any additional FCC EAS requirements on broadcasters could increase our costs.

Restrictions on Broadcast Programming

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

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

- stations must provide reasonable access for the purchase of time by legally qualified candidates for federal office;
- stations must provide equal opportunities for the purchase of equivalent amounts of comparable broadcast time by opposing candidates for the same elective office; and

- during the 45 days preceding a primary or primary run-off election and during the 60 days preceding a general or special election, legally qualified candidates for elective office may be charged no more than the station s lowest unit charge for the same class and amount of time for the same period.

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

Programming and Operation

General. The Communications Act requires broadcasters to serve the public interest. The FCC has relaxed or eliminated many of the more formalized procedures it had developed in the past to promote the broadcast of certain types of programming responsive to the needs of a station s community of license. FCC licensees continue to be required, however, to present programming that is responsive to the needs and interests of their communities and to maintain certain records demonstrating such responsiveness. Complaints from viewers concerning a station s programming may be considered by the FCC when it evaluates renewal applications of a licensee, although such complaints may be filed at any time and generally may be considered by the FCC

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at any time. Stations also must pay regulatory and application fees and follow various rules promulgated under the Communications Act that regulate, among other things, political advertising, sponsorship identifications, obscene and indecent broadcasts and technical operations, including limits on radio frequency radiation.

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

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

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

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

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

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

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

Localism. On October 27, 2011, the FCC issued an Order vacating its 2008 decision proposing to update the way television broadcasters inform the public about how they are serving their local communities. Specifically, the FCC is now proposing to largely replace the requirement that television stations maintain a paper public file at their main studios with a requirement to submit documents for inclusion in an online public file to be hosted by the FCC. In a related proceeding, on November 14, 2011, the FCC released a Notice of Inquiry regarding the use of a standardized disclosure form for television stations to provide the public with the information on how stations are serving the public interest in an effort to help stations meet their obligation to provide programming that addresses a local community s needs and interests.

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

Pending Matters

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

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

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

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

On December 22, 2011, the FCC released a Notice of Proposed Rulemaking in its Quadrennial Review of the Multiple Ownership Rules and is considering changes to the FCC s rules regarding broadcast-newspaper cross ownership restrictions, the possible elimination of rules restricting the ownership of radio and TV in the same market, the potential attribution of TV shared services agreements meaning potentially making a shared services agreement count as an ownership interest in a multiple ownership analysis and other possible revisions to the local radio and TV ownership limitations or exceptions that would allow for waivers of the limits in defined circumstances. The proceeding remains pending.

Congress recently passed legislation providing the FCC with authority to conduct so-called incentive auctions . Incentive auction authority allows the FCC to share the proceeds of spectrum auctions with incumbent television station licensees who give up their licenses (or in some cases, move to a different channel) to facilitate spectrum auctions. The legislation contemplates that the FCC will encourage broadcasters to tender their licenses for auction. The FCC would then repack non-tendering broadcasters into the lower portions of the UHF band and auction new flexible use wireless licenses in the upper portion of the UHF band. The proposals for television stations to participate in the incentive auctions are voluntary and at this time we have not decided whether the company will participate on behalf of any of its stations. It is anticipated that the FCC will conduct a number of rulemaking proceedings in the near future to resolve these issues and at this time we cannot predict the final outcome of these proceedings.

Other Considerations

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

ENVIRONMENTAL REGULATION

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

COMPETITION

Our television stations compete for audience share and advertising revenue with other television stations in their respective DMAs, as well as with other advertising media such as MVPDs, radio, newspapers, magazines, outdoor advertising, transit

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advertising, telecommunications providers, internet and broadband, yellow page directories and direct mail. Some competitors are part of larger organizations with substantially greater financial, technical and other resources than we have. Other factors that are material to a television station s competitive position include signal coverage, local program acceptance, network affiliation or program service, audience characteristics and assigned broadcast frequency.

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

Television stations compete for audience share primarily on the basis of program popularity, which has a direct effect on advertising rates. Our network affiliated stations are largely dependent upon the performance of network provided programs in order to attract viewers. Non-network time periods are programmed by the station primarily with syndicated programs purchased for cash, cash and barter or barter-only, as well as through self-produced news, public affairs programs, live local sporting events, paid-programming and other entertainment programming.

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

The broadcasting industry is continuously faced with technical changes and innovations, competing entertainment and communications media, changes in labor conditions and governmental restrictions or actions of federal regulatory bodies, including the FCC, any of which could possibly have a material affect on a television station s operations and profits. For instance, the FCC has established Class A television service for qualifying low power television stations. This Class A designation provides low power television stations, which ordinarily have no broadcast frequency rights when the low power signal conflicts with a signal from any full power stations, some additional frequency rights. These rights may allow low power stations to compete more effectively with full power stations. We cannot predict the effect of increased competition from Class A television stations in markets where we have full power television stations.

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

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

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

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

EMPLOYEES

As of February 24, 2012, we had approximately 3,130 employees. Approximately 160 employees are represented by labor unions under certain collective bargaining agreements. We have not experienced any significant labor problems and consider our overall labor relations to be good.

AVAILABLE INFORMATION

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

ITEM 1A.   RISK FACTORS

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

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

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

- the levels of automobile advertising, which historically have represented about one quarter of our advertising revenue; however, for the year ended December 31, 2011, automobile advertising represented 20.9% of our net time sales;
- the health of the economy in the area where our television stations are located and in the nation as a whole;
- the popularity of our programming and that of our competition;
- the levels of political advertising, which are affected by campaign finance laws and the ability of political candidates and political action committees to raise and spend funds and are subject to seasonal fluctuations;
- the reliability of our ratings information measurements, including new ratings system technologies such as people meters and set-top boxes ;
- changes in the makeup of the population in the areas where our stations are located;
- the activities of our competitors, including increased competition from other forms of advertising-based mediums, such as other broadcast television stations, radio stations, MVPDs, internet and broadband content providers and other print and media outlets serving in the same markets; and
- other factors that may be beyond our control.

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

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

We have a high level of debt, totaling $1,206 million at December 31, 2011, compared to the book value of shareholders deficit of $111.4 million on the same date. Further, the foregoing amount of debt does not include $180.0 million in term loans under our Bank Credit Agreement that were used to fund the station acquisitions from Four Points in the first quarter of 2012 and $350.0 million of undrawn commitments under the term loans of our Bank Credit Agreement that are intended to be used to fund the station acquisitions from Freedom. Our relatively high level of debt poses the following risks, particularly in periods of declining revenues:

- we may be unable to service our debt obligations, including payments on notes as they come due, especially during general negative economic and market industry conditions;
- we may use a significant portion of our cash flow to pay principal and interest on our outstanding debt, especially during general negative economic and market industry conditions;
- the amount available for working capital, capital expenditures, dividends and other general corporate purposes may be limited because a significant portion of cash flow is used to pay principal and interest on outstanding debt;
- our lenders may not be as willing to lend additional amounts to us for future working capital needs, additional acquisitions or other purposes;
- the cost to borrow from lenders may increase;
- our ability to access the capital markets may be limited, and we may be unable to issue securities with pricing or other terms that we find attractive, if at all;
- if our cash flow were inadequate to make interest and principal payments, we might have to restructure or refinance our indebtedness or sell one or more of our stations to reduce debt service obligations;
- we may be more vulnerable to adverse economic conditions than less leveraged competitors and thus, less able to withstand competitive pressures; and
- because the interest rate under the Bank Credit Agreement is a floating rate, any increase will reduce the funds available to repay our obligations and for operations and future business opportunities and will make us more vulnerable to the consequences of our leveraged capital structure. As of December 31, 2011, approximately $348.7 million principal amount of our recourse debt relates to the Bank Credit Agreement.

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

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

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

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

Future financing arrangements may contain additional restrictions and tests. All of these restrictive covenants may limit our ability to pursue our business strategies, prevent us from taking action that could increase the value of our securities or may require actions that decrease the value of our securities. In addition, we may fail to meet the tests and thereby default on one or more of our obligations (particularly if the economy weakens and thereby reduces our advertising revenues). If

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we default on our obligations, creditors could require immediate payment of the obligations or foreclose on collateral. If this happens, we could be forced to sell assets or take other actions that could significantly reduce the value of our securities and business and we may not have sufficient assets or funds to pay our debt obligations.

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

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

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

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

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

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

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

At December 31, 2011, we had $85.5 million available (subject to certain borrowing conditions) for additional borrowings under the revolving credit facility (the Revolving Credit Facility) of the Bank Credit Agreement, all of which was available under our current borrowing capacity. Further, at December 31, 2011, we had $530.0 million of undrawn commitments under the term loans of our Bank Credit Agreement that are intended to be used to fund the station acquisitions from Freedom and Four Points. Under the terms of the debt instruments to which we are subject, and provided we meet certain financial and other covenants, we may be able to incur substantial additional indebtedness in the future, including additional senior debt and secured debt. If we incur additional indebtedness, the risks described in the risk factors in this report relating to having substantial debt could intensify.

Our strategic acquisitions could pose various risks and increase our leverage.

We have pursued and intend to selectively continue to pursue strategic acquisitions, subject to market conditions, our liquidity and the availability of attractive acquisition candidates, with the goal of improving our business. In the first quarter of 2012, we closed on the asset acquisition of seven television stations from Four Points and we expect to close the acquisition of eight television stations from Freedom late in the first quarter or early in the second quarter of 2012. If we fail to close the acquisition of the stations from Freedom by July 1, 2012, we risk losing the term loan commitments under our Bank Credit Agreement. We may not be able to find replacement funding if we lose the term loan commitments and we may be required to pay a termination fee depending on the circumstances of termination.

We may not be able to identify other attractive acquisition targets or we may not be able to fund additional acquisitions in the future. Acquisitions involve inherent risks, such as increasing leverage and debt service requirements and combining company cultures and facilities, which could have a material adverse effect on our results of operations and could strain our human resources. We may not be able to successfully implement effective costs controls or increase revenues as a result of any acquisition. In addition, future acquisitions may result in our assumption of unexpected liabilities and may result in the diversion of management s attention from the operation of our core business.

Certain acquisitions, such as television stations, are subject to the approval of the FCC and potentially, other regulatory authorities. The need for FCC and other regulatory approvals could restrict our ability to consummate future transactions and potentially require us to divest some television stations if the FCC believes that a proposed acquisition would result in

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excessive concentration in a market, even if the proposed combinations may otherwise comply with FCC ownership limitations.

Our other operating divisions segment involves risks, including the diversion of resources, that may adversely affect our business or results of operations.

Our other operating divisions segment consists of businesses involved in sign design and fabrication, regional security alarm operations, and real estate ventures and is reported separately from our broadcast segment. Managing the operations of these businesses and the costs incurred by these businesses involve risks, including the diversion of our management s attention from managing the operations of our broadcast businesses and diverting other resources that could be used in our broadcast businesses. Such diversion of resources may adversely affect our business and results of operations. In addition, our investments in real estate ventures carry inherent risks related to owning interests in real property, including, among others, the relative illiquidity of real estate, potential adverse changes in real estate market conditions, and changes in tenant preferences. There can be no assurance that our investments in the businesses comprising our other operating divisions will yield a positive rate of return or otherwise be recoverable.

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

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

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

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

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

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

Our 71 full power television stations that we own and operate, or to which we provide (or for which we are provided) programming services or sales services, are affiliated with networks. The networks produce and distribute programming in exchange for each station s commitment to air the programming at specified times and for commercial announcement time during programming. The amount and quality of programming provided by each network varies.

The non-renewal or termination of any of our network affiliation agreements would prevent us from being able to carry programming of the relevant network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and which may not be as attractive to our target audiences, resulting in reduced revenues. Upon the termination of any of our network affiliation agreements, we would be required to establish a new network affiliation agreement for the affected station with another network or operate as an independent station. At such time, the remaining value of the network affiliation asset could become impaired and we would be required to write down the value of the asset to its estimated fair value.

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

As network affiliation agreements come up for renewal, we may not be able to negotiate terms comparable to or more favorable than our current agreements. On March 25, 2010, we agreed to terms on a renewal of eight of our ABC network affiliation agreements, expiring on August 31, 2015. On December 21, 2010, we agreed to terms of renewal of 20 FOX network affiliation agreements, expiring December 31, 2012. Pursuant to the terms, we are required to pay an annual license fee to ABC and a programming fee to FOX for network programming. All 10 of our affiliation agreements with The CW expire on August 31, 2016. During 2011, we entered into definitive agreements to purchase television stations. With these purchases, assuming consummation of the Freedom transaction, we will acquire three CW affiliation agreements that will also expire on August 31, 2015, two ABC affiliation agreements expiring on December 31, 2015, seven CBS affiliation agreements two of which expire on April 29, 2017, four that expire on January 31, 2016 and one that expires on December 31, 2015. We will also acquire two MyNetworkTV affiliation agreements that will expire in the Fall of 2014 and one Azteca affiliation agreement expiring on February 8, 2013. We cannot predict the outcome of any future negotiations relating to our affiliation agreements or what impact, if any, they may have on our financial condition and results of operations. In addition, the impact of an increase in reverse network compensation payments, under which we compensate the network for programming pursuant to our affiliation agreements, may have a negative effect on our financial condition or results of operations.

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

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

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

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

At least annually, we assess our goodwill and FCC licenses for impairment. To perform this assessment, we estimate the fair values of our reporting units for goodwill, when we conclude that it is more likely than not that goodwill is impaired based on various qualitative factors and FCC licenses using a combination of observed prices paid for similar assets and liabilities, discounted cash flow models and appraisals. We make certain critical estimates about the future revenue growth rates within each of our markets as well as the discount rates and comparable multiples that would be used by market participants in an arms-length transaction. If these growth rates or multiples decline or if the discount rate increases, our

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goodwill and/or FCC licenses carrying amounts could be in excess of the estimated fair value. An impairment of some or all of the value of these assets could result in a material effect on the consolidated statements of operations in the future. As of December 31, 2011, we had approximately $660.1 million and $47.0 million of goodwill and broadcast licenses, respectively. As of December 31, 2011, goodwill and broadcast licenses in aggregate represented 45.0% of our total assets. For additional information regarding impairments to our goodwill and broadcast licenses, see *Note 4. Goodwill, Broadcast Licenses and Other Intangible Assets* in the Notes to our Consolidated Financial Statements.

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

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

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

For additional information regarding our related person transactions, see *Note 10. Related Person Transactions,* in the Notes to our Consolidated Financial Statements.

We depend on key personnel and we may not be able to operate and grow our business effectively if we lose the services of our senior executive officers or are unable to attract and retain qualified personnel in the future.

We depend on the efforts of our management and other key employees. The success of our business depends heavily on our ability to develop and retain management and to attract and retain qualified personnel in the future. Competition for senior management personnel is intense and we may not be able to retain our key personnel. If we are unable to do so, our business, financial condition or results of operations may be adversely affected.

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

David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith hold shares representing approximately 82.1% of the common stock voting rights of us as of February 24, 2012 and, therefore, control the outcome of most matters submitted to a vote of shareholders, including, but not limited to, electing directors, adopting amendments to our certificate of incorporation and approving corporate transactions. The Smiths hold substantially all of the Class B Common Stock, which have ten votes per share. Our Class A Common Stock has only one vote per share. In addition, the Smiths hold half our board of directors seats and, therefore, have the power to exert significant influence over our corporate management and policies. The Smiths have entered into a stockholders agreement pursuant to which they have agreed to vote for each other as candidates for election to our board of directors until June 13, 2015.

Although in the past the Smiths have recused themselves from related person transactions, circumstances may occur in which the interests of the Smiths, as the controlling securityholders, could be in conflict with the interests of other

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securityholders and the Smiths would have the ability to cause us to take actions in their interest. In addition, the Smiths could pursue acquisitions, divestitures or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to our other securityholders. Further, the concentration of ownership in the Smiths may have the effect of discouraging, delaying or preventing a future change of control, which could deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our shares.

(See *Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* and *Item 13. Certain Relationships and Related Transactions,* which will be included as part of our Proxy Statement for our 2012 Annual Meeting.)

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

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

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

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

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

Changes in rules on television ownership

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

In June 2003, the FCC adopted new multiple ownership rules. In September 2003, the Court of Appeals for the Third Circuit stayed the effectiveness of the rules. In June 2004, the court issued a decision which upheld a portion of such rules and remanded the matter, including the local television ownership rule, to the FCC for further justification of the rules. The court left the stay of the 2003 rules in place pending the remand. Several parties, including us, filed petitions with the Supreme Court of the United States seeking review of the Third Circuit decision, but the Supreme Court denied the petitions in June 2005. In July 2006, as part of the FCC s statutorily required quadrennial review of its media ownership rules, the FCC released Further Notice of Proposed Rule Making seeking comment on how to address the issues raised by the Third Circuit s decision, including the local television ownership rules. In February 2008, the FCC released an order containing its current ownership rules, which re-adopted its 1999 local television ownership rule. On February 29, 2008, several parties, including us, separately filed petitions for review in a number of federal appellate courts challenging the FCC s current ownership rules. By lottery, those petitions were consolidated in the U.S. Court of Appeals for the Ninth Circuit. In July 2008, several parties, including us, filed motions to transfer the consolidated proceedings in the U.S. Court of Appeals for the D.C. Circuit and other parties requested transfer to the U.S. Court of Appeals for the Third Circuit. In November 2008, the Ninth Circuit transferred the consolidated proceedings to the Third Circuit. On July 7, 2011, the Third Circuit upheld the FCC s local television ownership rules. On December 5, 2011, we joined with a number of other parties on a Petition for a Writ of Certiorari filed with the Supreme Court requesting that the Court overrule the decision of the Third Circuit. If the Supreme Court does not grant the Petition and the FCC s rules are ultimately upheld, the rules would not allow us to control the Cunningham Stations if we continue to hold television stations in the same markets as the

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Cunningham Stations and could force us to terminate or modify the LMAs with the Cunningham Stations. In addition, if Cunningham were to exercise its put rights under the acquisition and merger agreements and the LMAs, each as amended and/or restated, we may have to find a suitable third party to assume our purchase obligations because we are not permitted to purchase such stations under current FCC rules. We cannot assure you that we would be able to locate such a third party or that any such third party would continue the LMAs (or any alternative arrangements) with us on substantially similar terms that are as favorable to us or at all.

On December 22, 2011, the FCC released a Notice of Proposed Rulemaking in its Quadrennial Review of the Multiple Ownership Rules and is considering changes to the FCC s rules regarding broadcast-newspaper cross ownership restrictions, the possible elimination of rules restricting the ownership of radio and TV in the same market, the potential attribution of TV shared services agreements meaning potentially making a shared services agreement count as an ownership interest in a multiple ownership analysis and other possible revisions to the local radio and TV ownership limitations or exceptions that would allow for waivers of the limits in defined circumstances. The proceeding remains pending.

Changes in rules on local marketing agreements

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

In 1999, the FCC established a new local television ownership rule and decided to attribute LMAs for ownership purposes. It grandfathered our LMAs that were entered into prior to November 5, 1996, permitting the applicable stations to continue operations pursuant to the LMAs until the conclusion of the FCC s 2004 biennial review. The FCC stated it would conduct a case-by-case review of grandfathered LMAs and assess the appropriateness of extending the grandfathering periods. Subsequently, the FCC invited comments as to whether, instead of beginning the review of the grandfathered LMAs in 2004, it should do so in 2006. The FCC did not initiate any review of grandfathered LMAs in 2004 or as part of its 2006 quadrennial review. We do not know when, or if, the FCC will conduct any such review of grandfathered LMAs. With respect to LMAs executed on or after November 5, 1996, the FCC required that parties come into compliance with the 1999 local television ownership rule by August 6, 2001. We challenged the 1999 local television ownership rule in the U.S. Court of Appeals for the D.C. Circuit, and that court stayed the enforcement of the divestiture of the post-November 5, 1996 LMAs. In 2002, the D.C. Circuit ruled that the 1999 local television ownership rule was arbitrary and capricious and remanded the rule to the FCC. Currently, three of our LMAs are grandfathered under the local television ownership rule because they were entered into prior to November 5, 1996 and the remainder are subject to the stay imposed by the D.C. Circuit. If the FCC were to eliminate the grandfathering of these three LMAs, or the D.C. Circuit were to lift its stay, we would have to terminate or modify these LMAs.

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

On November 15, 1999, we entered into a plan and agreement of merger to acquire through merger WMYA-TV in Anderson, South Carolina from Cunningham, but that transaction was denied by the FCC. In light of the change in the 2003 ownership rules, we filed a petition for reconsideration with the FCC and amended our application to acquire the license of WMYA-TV. We also filed applications in November 2003 to acquire the license assets of, at the time, the remaining five Cunningham stations: WRGT-TV, Dayton, Ohio; WTAT-TV, Charleston, South Carolina; WVAH-TV, Charleston, West Virginia; WNUV-TV, Baltimore, Maryland; and WTTE-TV, Columbus, Ohio. The Rainbow/PUSH Coalition (Rainbow/PUSH) filed a petition to deny these five applications and to revoke all of our licenses on the grounds that such acquisition would violate the local television ownership rules. The FCC dismissed our applications in light of the stay of the 2003 ownership rules and also denied the Rainbow/PUSH petition. Rainbow/PUSH filed a petition for reconsideration of that denial and we filed an application for review of the dismissal. In 2005, we filed a petition with the U. S. Court of Appeals for the D. C. Circuit requesting that the

Court direct the FCC to take final action on our applications, but that petition was dismissed. On January 6, 2006, we submitted a motion to the FCC requesting that it take final action on our applications. Both the applications and the associated petition to deny are still pending. We believe the Rainbow/PUSH petition is without merit. On February 8, 2008, we filed a petition with the U.S. Court of Appeals for the D.C. Circuit requesting that the Court direct the FCC to take final action on these applications and cease its use of the 1999 local television ownership rule that it re-adopted as the permanent rule in 2008. In July 2008, the D.C. Circuit transferred the case to the U.S. Court of Appeals for the Ninth Circuit, and we filed a petition with the D.C. Circuit challenging that decision, which was denied. We also filed with the Ninth Circuit a motion to transfer that case back to the D.C. Circuit. In November 2008, the Ninth Circuit consolidated our petition seeking final FCC action on our applications with the petitions challenging the FCC s current ownership rules and transferred the proceedings to the Third Circuit. In December 2008, we agreed voluntarily with the parties to the proceeding to dismiss the petition seeking final FCC action on the applications. In addition, if Cunningham were to exercise its put rights under the acquisition and merger agreements and the LMAs, each as amended and/or restated, we may have to find a suitable third party to assume our purchase obligations because we are not permitted to purchase such stations under current FCC rules. In the event of any such assignments, new applications will have to be filed to reflect the third party as the applicant. In that event, upon the closing of the assignment to such third party, our appeals relating to the 1999 local television ownership rules with respect to our three non-grandfathered LMAs may be moot and the three non-grandfathered LMAs may be terminated.

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

- Loss of revenues. If the FCC requires us to modify or terminate existing LMAs, we would lose some or all of the revenues generated from those LMAs. We would lose revenue because we will have less demographic options, a smaller audience distribution and lower revenue share to offer to advertisers. During the year ended December 31, 2011, we generated $124.7 million of net revenue from our 12 LMAs, which includes $10.8 million of net revenue from the two LMAs with the Four Points and Freedom stations.

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

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

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

- Alternative arrangements. If the FCC requires us to terminate the existing LMAs, we may enter into one or more alternative arrangements, such as outsourcing agreements, described below, relating to the affected stations. Any such arrangements may be on terms that are less beneficial to us than the existing LMAs.

Use of outsourcing agreements

In addition to our LMAs, we have entered into four (and may seek opportunities for additional) outsourcing agreements in which our stations provide or are provided various non-programming related services such as sales, operational and managerial services to or by other stations. Pursuant to these agreements, one of our stations in Nashville, Tennessee and one of our stations in Cedar Rapids, Iowa currently provide services to another station in each s respective market and another party provides services to our stations in Peoria/Bloomington, Illinois and Rochester, New York. We believe this structure allows stations to achieve operational efficiencies and economies of scale, which should otherwise improve broadcast cash flow and competitive positions. While television JSAs are not currently attributable under the FCC rules, on

August 2, 2004, the FCC released a notice of proposed rulemaking seeking comments on its tentative conclusion that JSAs should be attributable. We cannot predict the outcome of this proceeding, nor can we predict how any changes, together with possible changes to the ownership rules, would apply to our existing outsourcing agreements. If the FCC were to determine that our outsourcing arrangements were attributable, we would have to terminate or restructure such arrangements on terms that may not be as advantageous to us as the current arrangements.

Failure of owner/licensee to exercise control

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

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

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

New technology and the subdivision of markets

Cable providers, direct broadcast satellite companies and telecommunication companies are developing new technology that allows them to transmit more channels on their existing equipment to highly targeted audiences, reducing the cost of creating channels and potentially leading to the division of the television industry into ever more specialized niche markets. Competitors who target programming to such sharply defined markets may gain an advantage over us for television advertising revenues. The decreased cost of creating channels may also encourage new competitors to enter our markets and compete with us for advertising revenue. In addition, technologies that allow viewers to digitally record, store and play back television programming may decrease viewership of commercials as recorded by media measurement services such as Nielsen Media Research and, as a result, lower our advertising revenues. The current ratings provided by Nielsen for use by broadcast stations are limited to live viewing plus same day Digital Video Recording playback and give broadcasters no credit whatsoever for viewing that occurs on a delayed basis after the original air date. However, the effects of new ratings system technologies, including people meters and set-top boxes, and the ability of such technologies to be a reliable standard that can be used by advertisers is currently unknown. In 2010, the Media Rating Council, an independent organization set-up to monitor rating services, revoked Nielsen s accreditation in the 154 markets it measures ratings exclusively by its diary methodology. Approximately 20 of our stations are currently diary only markets.

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

Types of competitors

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

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

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Deregulation

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

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

The cost of producing and distributing entertainment programming has increased substantially in recent years due to, among other things, the increasing demands of creative talent and industry-wide collective bargaining agreements. Although we generally purchase programming content from others rather than produce such content ourselves, our program suppliers engage the services of writers, directors, actors and on-air and other talent, trade employees and others, some of whom are subject to these collective bargaining agreements. Also, as of February 24, 2012, approximately 160 of our employees, including certain new employees at the stations we acquired from Four Points, are represented by labor unions under collective bargaining agreements. If we or our program suppliers are unable to renew expiring collective bargaining agreements, it is possible that the affected unions could take action in the form of strikes or work stoppages. Failure to renew these agreements, higher costs in connection with these agreements or a significant labor dispute could adversely affect our business by causing, among other things, delays in production that lead to declining viewers, a significant disruption of operations and reductions in the profit margins of our programming and the amounts we can charge advertisers for time. Our stations also broadcast certain professional sporting events, including NBA basketball games, MLB baseball games, NFL football games, and other sporting events, and our viewership may be adversely affected by player strikes or lockouts, such as the recent NBA player lockout that threatened to cancel the NBA season, which could adversely affect our advertising revenues and results of operations. Further, any changes in the existing labor laws, including the possible enactment of the Employee Free Choice Act, may further the realization of the foregoing risks.

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

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

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

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

In addition, action on many license renewal applications, including those we have filed, has been delayed because of, among other reasons, the pendency of complaints that programming aired by the various networks contained indecent material and complaints regarding alleged violations of sponsorship identification, children s programming and captioning rules. As of February 24, 2012, 16 of our renewal applications were subject to such complaints. We cannot predict when

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the FCC will address these complaints and act on the renewal applications. We continue to have operating authority until final action is taken on our renewal applications.

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

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

Congress recently passed legislation providing the FCC with authority to conduct so-called incentive auctions . Incentive auction authority allows the FCC to share the proceeds of spectrum auctions with incumbent television station licensees who give up their licenses (or in some cases, move to a different channel) to facilitate spectrum auctions. The legislation includes specific provisions governing incentive auctions of spectrum that is used by television broadcasters today. The upper UHF bands allocated to television broadcasting will likely be used to provide service to mobile devices and are widely expected to draw bids from wireless operators at auction. The legislation contemplates that the FCC will encourage broadcasters to tender their licenses for auction. Using models it has been developing for the last two years (and will continue to develop) the FCC would then repack non-tendering broadcasters into the lower portion of the UHF band auction new flexible use wireless licenses in the upper portion of the UHF band. As a result of these changes, new companies will likely be able to enter our markets to compete with us. The proposals for television stations to participate in the incentive auctions are voluntary and at this time we have not decided whether the company will participate on behalf of any of its stations. It is anticipated that the FCC will conduct a number of rulemaking proceedings in the near future to resolve these issues and at this time we cannot predict the final outcome of these proceedings.

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

We cannot predict what other governmental laws or regulations will be enacted in the future, how future laws or regulations will be administered or interpreted or how future laws or regulations will affect us. Compliance with new laws or regulations, including proposed legislation to address climate change, or stricter interpretation of existing laws, may require us to incur significant expenditures or impose significant restrictions on us and could cause a material adverse effect on our results of operations.

Changes in accounting standards can affect reported earnings and results of operations.

Generally accepted accounting principles and accompanying pronouncements and implementation guidelines for many aspects of our business, including those related to intangible assets, pensions, income taxes, share-based compensation and broadcast rights, are complex and involving significant judgments. Changes in rule or their interpretation could significantly change our reported earnings and results of operations.

Terrorism or armed conflict domestically or abroad may negatively impact our advertising revenues and results of operations. Future conflicts, terrorist attacks or other acts of violence may have a similar effect.

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

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Cybersecurity risks and cyber incidents could adversely affect our business and disrupt operations.

Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corruption data, or causing operational disruption. The result of these incidents could include, but are not limited to, disrupted operations, misstated financial data, liability for stolen assets or information, increased cybersecurity protection costs, litigation and reputational damage adversely affecting customer or investor confidence.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

Broadcast Segment	**Owned**	**Leased**
Office and studio buildings	494,030 square feet	302,262 square feet
Office and studio land	138 acres	
Transmitter building sites	79,910 square feet	66,951 square feet
Transmitter and tower land	1,101 acres	229 acres

Other Operating Divisions Segment	**Owned**	**Leased**
Office and warehouse buildings		112,040 square feet
Recreational land	722 acres	
Real estate rental property	369,214 square feet	9,300 square feet
Land held for development and sale	1,721 acres	

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

None.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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

2011	**High**	**Low**
First Quarter	$ 13.00	$ 7.82
Second Quarter	$ 12.70	$ 9.24
Third Quarter	$ 11.16	$ 6.90
Fourth Quarter	$ 11.50	$ 6.95

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

As of February 24, 2012, there were approximately 79 shareholders of record of our common stock. This number does not include beneficial owners holding shares through nominee names.

Dividend Policy

In November 2010, amid improvements in general economic conditions and in our performance, our Board of Directors declared a one-time $0.43 per share dividend on common stock, payable on December 15, 2010 to holders of record on December 1, 2010. During 2011, our Board of Directors declared quarterly dividends on common stock, of $0.12 per share. Dividends of $0.12 per share were paid in March 2011, June 2011, September 2011 and December 2011. In February 2012, our Board of Directors declared a quarterly dividend of $0.12 per share. Future dividends on our common shares, if any, will be at the discretion of our Board of Directors and will depend on several factors including our results of operations, cash requirements and surplus, financial condition, covenant restrictions and other factors that the Board of Directors may deem relevant. The Class A Common Stock and Class B Common Stock holders have the same rights related to dividends. Our Bank Credit Agreement and some of our debt instruments contain restrictions on our ability to pay dividends. Under our Bank Credit Agreement, in certain circumstances we may make up to $100.0 million in unrestricted annual cash payments including but not limited to dividends, of which $50.0 million may carry over to the next year. Under the indentures governing our 9.25% Second Lien Notes, due 2017 (the 9.25% Notes) and our 8.375% Senior Notes, due 2018 (the 8.375% Notes), we are restricted from paying dividends on our common stock unless certain specified conditions are satisfied, including that:

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

indebtedness; and

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

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

Issuer Purchases of Equity Securities

We did not repurchase any shares of Class A Common Stock or other equity securities of Sinclair during the fourth quarter of 2011.

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ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 have been derived from our audited consolidated financial statements. The consolidated financial statements for the years ended December 31, 2011, 2010 and 2009 are included elsewhere in this report.

The information below should be read in conjunction with *Management s Discussion and Analysis of Financial Condition and Results of Operations* and the consolidated financial statements included elsewhere in this annual report on Form 10-K.

STATEMENTS OF OPERATIONS DATA

(In thousands, except per share data)

	Years Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Statements of Operations Data:					
Net broadcast revenues (a)	$ 648,002	$ 655,836	$ 555,110	$ 639,624	$ 623,143
Revenues realized from station barter arrangements	72,773	75,210	58,182	59,877	61,790
Other operating divisions revenues	44,513	36,598	43,698	55,434	33,667
Total revenues	765,288	767,644	656,990	754,935	718,600
Station production expenses	178,612	154,133	142,415	158,965	148,707
Station selling, general and administrative expenses	123,938	127,091	122,833	136,142	140,026
Expenses recognized from station barter arrangements	65,742	67,083	48,119	53,327	55,662
Depreciation and amortization (b)	103,182	116,003	138,334	147,527	157,178
Other operating divisions expenses	39,486	30,916	45,520	59,987	33,023
Corporate general and administrative expenses	28,310	26,800	25,632	26,285	24,334
Gain on asset exchange			(4,945)	(3,187)	
Impairment of goodwill, intangible and other assets	398	4,803	249,799	463,887	
Operating income (loss)	225,620	240,815	(110,717)	(287,998)	159,670
Interest expense and amortization of debt discount and deferred financing cost	(106,128)	(116,046)	(80,021)	(87,634)	(102,228)
(Loss) gain from extinguishment of debt	(4,847)	(6,266)	18,465	5,451	(30,716)
Income (loss) from equity and cost investees	3,269	(4,861)	354	(2,703)	601
Gain on insurance settlement	1,742	344	11		
Other income, net	1,717	1,865	1,448	3,000	5,805
Income (loss) from continuing operations before income taxes	121,373	115,851	(170,460)	(369,884)	33,132

Income tax (provision) benefit		(44,785)		(40,226)		32,512		121,362		(16,163)
Income (loss) from continuing operations		76,588		75,625		(137,948)		(248,522)		16,969
Discontinued operations:										
(Loss) income from discontinued operations, net of related income taxes		(411)		(577)		(81)		(141)		1,219
Gain on sale of discontinued operations, net of related income taxes										1,065
Net income (loss)	$	76,177	$	75,048	$	(138,029)	$	(248,663)	$	19,253
Net (income) loss attributable to noncontrolling interest		(379)		1,100		2,335		2,133		(279)
Net income (loss) attributable to Sinclair Broadcast Group	$	75,798	$	76,148	$	(135,694)	$	(246,530)	$	18,974
Earnings (Loss) Per Common Share Attributable to Sinclair Broadcast Group:										
Basic earnings (loss) per share from continuing operations	$	0.95	$	0.96	$	(1.70)	$	(2.87)	$	0.19
Basic (loss) earnings per share from discontinued operations	$	(0.01)	$	(0.01)	$		$		$	0.03
Basic earnings (loss) per share	$	0.94	$	0.95	$	(1.70)	$	(2.87)	$	0.22
Diluted earnings (loss) per share from continuing operations	$	0.95	$	0.95	$	(1.70)	$	(2.87)	$	0.19
Diluted (loss) earnings per share from discontinued operations	$	(0.01)	$	(0.01)	$		$		$	0.03
Diluted earnings (loss) per share	$	0.94	$	0.94	$	(1.70)	$	(2.87)	$	0.22
Dividends declared per share	$	0.48	$	0.43	$		$	0.80	$	0.63
Balance Sheet Data:										
Cash and cash equivalents	$	12,967	$	21,974	$	23,224	$	16,470	$	20,980
Total assets	$	1,571,417	$	1,485,924	$	1,590,029	$	1,816,407	$	2,224,187
Total debt (c)	$	1,206,025	$	1,212,065	$	1,366,308	$	1,362,278	$	1,320,417
Total (deficit) equity	$	(111,362)	$	(157,082)	$	(202,222)	$	(58,700)	$	269,581

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(a) Net broadcast revenues is defined as broadcast revenues, net of agency commissions.

(b) Depreciation and amortization includes amortization of program contract costs and net realizable value adjustments, depreciation and amortization of property and equipment and amortization of definite-lived intangible assets and other assets.

(c) Total debt is defined as notes payable, capital leases and commercial bank financing, including the current and long-term portions.

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

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

Executive Overview a description of our business, financial highlights from 2011, information about industry trends and sources of revenues and operating costs;

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

Results of Operations a summary of the components of our revenues by category and by network affiliation or program service arrangement, a summary of other operating data and an analysis of our revenues and expenses for 2011, 2010 and 2009, including comparisons between years and certain expectations for 2012; and

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

We have two reportable operating segments, broadcast and other operating divisions that are disclosed separately from our corporate activities. Our broadcast segment includes our stations. Our other operating divisions segment primarily earned revenues in 2011 from sign design and fabrication; regional security alarm operating and bulk acquisitions; and real estate ventures. In 2009, our other operating divisions segment also earned revenues from information technology staffing, consulting and software development; and transmitter manufacturing. Corporate and unallocated expenses primarily include our costs to operate as a public company and to operate our corporate headquarters location. Corporate is not a reportable segment.

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

EXECUTIVE OVERVIEW

2011 Events

- In January, the put right period for the 4.875% Notes expired and no holders of the remaining $5.7 million outstanding exercised put rights. There are no further put rights through final maturity on July 15, 2018;

- In January, we extended our program service arrangement with MyNetworkTV until Fall 2014;

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- In January, we entered into a multi-year retransmission consent agreement with Bright House Networks, LLC for the carriage of six of the stations owned and/or operated by us in four markets;

- In February, our Board of Directors reinstated our quarterly dividend, declaring a quarterly dividend of $0.12 per share;

- In February, we entered into a multi-year retransmission consent agreement with Time Warner Cable for continued carriage of the 28 stations owned and/or operated by us in 17 markets;

- In February, revenue related to the Super Bowl, which aired on our 20 FOX affiliates was $6.2 million, a 26.5% increase from revenue generated in 2008, the last time FOX aired the Super Bowl;

- In March, we entered into an amendment of our Bank Credit Agreement. Under the amendment, we paid down $45.0 million of the outstanding $270.0 million balance of our Term Loan B. The Term Loan B maturity was extended one year to October 29, 2016 and we established a $115.0 million Term Loan A that matures March 15, 2016;

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

- 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 dividend of $0.12 per share;

- In May, we purchased the Ring of Honor wrestling franchise;

- In August, our Board of Directors declared a quarterly dividend of $0.12 per share;

- 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;

- In September, we entered into a definitive agreement to purchase the assets of Four Points for $200.0 million. Four Points owned and operated seven stations in four markets. Effective October 1, 2011, we were providing sales, programming and management services for the stations in consideration of both service fees and performance incentives pursuant to a LMA until the closing of the acquisition. On January 3, 2012, we closed the asset acquisition of Four Points, with an effective date of January 1, 2012;

- In September, we repurchased, in the open market, $3.9 million aggregate principal amount of our 8.375% Notes;

- In September, we extended our LMA for WTTA-TV in Tampa, Florida with Bay Television Inc. until December 31, 2018;

- In October, we repurchased, in the open market, $8.6 million aggregate principal amount of our 8.375% Notes;

- In October, we extended our LMA for WNYS-TV in Syracuse, New York until December 31, 2015;

- In November, our Board of Directors declared a quarterly dividend of $0.12 per share;

- In November, we entered into a definitive agreement to purchase the broadcast assets of Freedom for $385.0 million. Freedom owns and operates eight stations in seven markets. We expect the transaction to close late in the first quarter or early in the second quarter of 2012 subject to approval by the FCC. Effective December 1, 2011, we began providing sales, programming and management services for the stations in consideration of service fees pursuant to a LMA;

- In December, we further amended certain terms of, and raised additional commitments under our Bank Credit Agreement in order to fund the acquisition of the Four Points and Freedom stations. We raised $530.0 million of incremental term loan commitments, which consisted of an additional $372.5 million Term Loan B commitment and an additional $157.5 million Term Loan A commitment. We increased our revolving line of credit (Revolving Credit Facility) from $75.4 million to $97.5 million and extended the maturity from 2013 to be coterminous with the Term Loan A maturity of March 2016 and reduced the revolver pricing from 4.00% with a 2.00% LIBOR floor to 2.25% and no LIBOR floor. We will begin to incur fees on the undrawn commitments beginning January 17, 2012. The fees are calculated based on an annual rate of 0.5% for the Term Loan A, which will increase to 1.0% after March 30, 2012, and 1.5% for the Term Loan B which will increase to 3.0% after March 30, 2012. If we do not complete the Freedom acquisition and draw on the remaining commitments by July 1, 2012, the commitments will expire; and

- Excluding political, local revenues have increased 7.5% during 2011, primarily due to higher advertising spending by the domestic auto manufacturers, grocery, retail and medical, as well as, service fees earned related to the Four Points and Freedom LMAs in the fourth quarter. National revenues have decreased 5.9% during 2011, primarily due to declines in spending by the telecommunications, fast food, direct response, insurance companies, and reduced media spending by other forms of media. Production, selling and general and administrative expenses combined have increased 7.6% over the same period primarily due to higher reverse network compensation and license fees, and Freedom and Four Points LMA payroll related costs in the fourth quarter.

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2012 Events

- In January, we closed the asset acquisition of Four Points for $200.0 million, and financed the acquisition with a $180.0 million draw under a recently raised incremental Term B Loan commitment under our amended Bank Credit Agreement plus a $20.0 million cash escrow previously paid; and

- In February, our Board of Directors declared a quarterly dividend of $0.12 per share.

Industry Trends

- Political advertising increases in even-numbered years, such as 2010, due to the advertising expenditures from candidates running in local and national elections and issue-related advertiser spending. In addition, political revenue has consistently risen between presidential election or mid-term election years such as from 2004 to 2008 or from 2006 to 2010, respectively. In every fourth year, such as 2008, political advertising is usually elevated further due to presidential elections. However, due to the contentious mid-term elections our political revenues in 2010 not only exceeded 2006 results, but exceeded 2008 presidential election year revenues as well;

- The FCC has permitted broadcast television stations to use their digital spectrum for a wide variety of services including multi-channel broadcasts. The FCC must-carry rules only apply to a station s primary digital stream;

- We, as well as a number of other broadcasters, have joined together in organizations such as the OMVC, M500 and the MCV to focus on efforts to accelerate the nationwide availability of mobile DTV service and work through programming, distribution and aggregation opportunities. There is potential for broadcasters to create an additional revenue stream by providing their signals to mobile devices as well as through other multi-channel initiatives;

- Retransmission consent rules provide a mechanism for broadcasters to seek payment from MVPDs who carry broadcasters signals. Recognition of the value of the programming content provided by broadcasters, including local news and other programming and network programming all in HD has generated increased local revenues;

- Automotive-related advertising is a significant portion of our total net revenues in all periods presented and these revenues trended downward in most of 2009 due to the economic turmoil. However, this sector has dramatically trended upward in 2010 and 2011 due to improved economic conditions;

- Many other broadcasters are enhancing/upgrading their websites to use the internet to deliver rich media content, such as newscasts and weather updates, to attract advertisers;

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

- Broadcasters have found ways to increase returns on their news programming initiatives while continuing to maintain locally produced content through the use of news sharing arrangements;

- Station outsourcing arrangements are becoming more common as broadcasters seek out ways to improve revenues and margins;

• Advertising revenue related to the Olympics occurs in even numbered years and the Super Bowl is aired on a different network each year. Both of these popularly viewed events can have an impact on our advertising revenues; and

• Compensation from networks to their affiliates in exchange for broadcasting of network programming has halted. Networks now require compensation from broadcasters for the use of network programming.

Sources of Revenues and Costs

Our operating revenues are derived from local and national advertisers and, to a much lesser extent, from political advertisers. Since 2006, we have been generating local revenues from our retransmission consent agreements with MVPDs. Our revenues from local advertisers had seen a continued upward trend until 2008 and 2009 when non-political revenues fell from 2007 due to the economic recession. We saw an increase in local revenues in 2010 and 2011. Revenues from national advertisers have continued to trend downward when measured as a percentage of total broadcast revenues. We believe this trend is the result of our focus on increasing local advertising revenues as a percentage of total advertising revenues, combined with a decrease in overall spending by national advertisers and an increase in the number of competitive media outlets providing national advertisers multiple alternatives in which to advertise their goods or services. Our efforts to mitigate the effect of these increasingly competitive media outlets for national advertisers include continuing our efforts to increase local revenues and developing innovative sales and marketing strategies to sell traditional and non-traditional services to our advertisers including the success of multi-channel digital initiatives together with mobile DTV. In addition, our revenue success is dependent on the success and advertising spending levels of the automotive industry.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates including those related to bad debts, program contract costs, intangible assets, income taxes, property and equipment, investments and derivative contracts. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These estimates have been consistently applied for all years presented in this report and in the past we have not experienced material differences between these estimates and actual results. However, because future events and their effects cannot be determined with certainty, actual results could differ from our estimates and such differences could be material.

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

Valuation of Goodwill, Long-Lived Assets, Intangible Assets and Equity and Cost Method Investments.

We periodically evaluate our goodwill, broadcast licenses, long-lived assets, intangible assets and equity and cost method investments for potential impairment indicators. Our judgments regarding the existence of impairment indicators are based on estimated future cash flows, market conditions, operating performance of our stations, legal factors and other various qualitative factors.

We have determined our broadcast licenses to be indefinite-lived intangible assets in accordance with the accounting guidance for goodwill and other intangible assets, which requires such assets along with our goodwill to be tested for impairment on an annual basis or more often when certain triggering events occur. As of December 31, 2011, we had $660.1 million of goodwill, $47.0 million in broadcast licenses, and $175.3 million in definite-lived intangibles. We perform our annual impairment tests for goodwill and broadcast licenses at the beginning of the fourth quarter each year.

We early adopted the recent accounting guidance related to the annual goodwill impairment, which allowed us, beginning with our 2011 goodwill impairment test, to first qualitatively assess whether it is more likely than not that goodwill has been impaired. As part of our qualitative assessment, we consider the following factors related to the reporting units, where applicable:

- Significant changes in the macroeconomic conditions;
- Significant changes in the regulatory environment;
- Significant changes in the operating model, management, products and services, customer base, cost structure and/or margin trends;

- Comparison of current and prior year operating performance and forecast trends for future operating performance; and
- The excess of the fair value over carrying value of the reporting units determined in prior quantitative assessments.

If we conclude that it is more likely than not that a reporting unit is impaired, we will apply the quantitative two-step method. Prior to 2011, the annual impairment test for goodwill was performed using the quantitative two-step method, for all reporting units. For the annual impairment test for our indefinite-lived intangibles, broadcast licenses, we also apply a quantitative assessment. Our quantitative assessments for our broadcast licenses and goodwill consist of estimating the fair market value of the broadcast licenses, or the fair value of our reporting units in the case of goodwill, using a combination of quoted market prices, observed earnings/cash flow multiples paid for comparable television stations, discounted cash flow models and appraisals. We then compare the estimated fair market value to the book value of these assets to determine if an impairment exists. For the broadcast licenses, if the fair value is less than book value, we would record the resulting impairment. For goodwill, if we determine that the fair value of the reporting unit is less than the carrying value, we then perform the second step which requires allocation of the reporting unit s fair value to all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill to determine the implied fair value. An impairment charge will be recognized only when the implied fair value of a reporting unit s goodwill is less than its carrying amount. We aggregate our stations by market for purposes of our goodwill and license impairment testing and we believe that our markets are most representative of our broadcast reporting units because segment management views, manages and evaluates our stations on a market basis. Furthermore, in our markets operated as duopolies, certain costs of operating the stations are shared including the use of buildings and equipment, the sales force and administrative personnel. Our discounted cash flow model is based on our judgment of future market conditions within each designated marketing area, as well as discount rates that would be used by market participants in an arms-length transaction.

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For all other long-lived assets, including fixed assets and definite-lived intangibles, we assess recoverability of the assets whenever events or changes in circumstances indicate that the net book value of the assets may not be recoverable. If we conclude that such trigger event has occurred, we perform a two-step quantitative test to first assess whether the asset is recoverable by comparing the sum of undiscounted cash flows of the asset group to the carrying value of the asset group, including goodwill. If the sum of undiscounted cash flows is less than the carrying value of the asset group, we then measure and allocate the amount of impairment to record for each of the assets in the asset group by comparing the respective fair value of the assets to their carrying values.

Based on the qualitative assessment performed for the annual goodwill impairment test performed in 2011, we concluded that it was more likely than not that the fair values of all reporting units would sufficiently exceed their carrying value and thus it was not necessary to perform the quantitative two-step method. The qualitative factors for our reporting units indicated stable or improving margins and favorable or stable forecasted economic conditions. Additionally, the results of prior quantitative assessments supported significant excess fair value over carrying value of our reporting units. Based on quantitative assessments performed during the years ended December 31, 2011 and 2010, we recorded impairment on our broadcast licenses and other long-lived assets of $0.4 million and $4.8 million, respectively. The $0.4 million interim impairment charge recorded in the first quarter of 2011 was due to anticipated increase in construction costs for one of our stations as a result of converting to full power. As a result of our annual impairment test for broadcast licenses in 2011, we concluded that impairment did not exist. The $4.8 million impairment charge recorded in 2010 was primarily the result of additional cash outflows for increased signal strength necessary to maintain competitive market positions. During the year ended December 31, 2009, we recorded $249.8 million in impairment losses on our goodwill, broadcast licenses and other long-lived assets. Of the $249.8 million in impairment recorded in 2009, we recorded $130.1 million in the first quarter of 2009. We performed an interim impairment test in the first quarter of 2009 due to the severe economic downturn and continued decrease in our market capitalization. Accordingly, we made further revisions to our forecasted cash flows, cash flow multiples, and discount rates. The impairment charge taken during the fourth quarter of 2009 was primarily due to the continued deterioration of the economy which resulted in further decreases in our forecasted cash flows and increases in our discount rates.

The fair value of our reporting units is calculated using a combination of the market approach using comparable market multiples and the income approach using a discounted cash flow model for four years and estimating the terminal value of the reporting units using a multiple of cash flows. The fair value of our broadcast licenses is calculated using a discounted cash flow model for eight years and estimating the terminal value based on the constant growth model and a compound annual growth rate. The key assumptions used to determine the fair value of our reporting units to test our goodwill for impairment and to determine the fair value of our broadcast licenses consist of discount rates, revenue and expense growth rates, constant growth rates and comparable business multiples. The revenue, expense and constant growth rates used in determining the fair value of our broadcast licenses have increased slightly from 2010 to 2011. The growth rates are based on market studies, industry knowledge and historical performance. The discount rates used determine the fair value of our broadcast licenses did not significantly change from 2010 to 2011. The discount rate is based on a number of factors including market interest rates, a weighted average cost of capital analysis based on the target capital structure for a television station, and includes adjustments for market risk and company specific risk.

When factors indicate that there may be a decrease in value of an equity or cost method investment, we assess that investment and determine whether a loss in value has occurred. If that loss is deemed to be other than temporary, an impairment loss is recorded. For any investments that indicate a potential impairment, we estimate the fair value of those investments using discounted cash flow models, unrelated third party valuations or industry comparables, based on the various facts available to us. During 2010, we recorded $6.7 million of impairment on equity method investments. No impairment of our equity or cost method investments was recorded in 2011 and 2009.

We believe we have made reasonable estimates and utilized appropriate assumptions to evaluate whether it was more likely than not that the fair value of our reporting units was less than their carrying values, as well as with performing the quantitative impairment assessments discussed previously. If future results are not consistent with our assumptions and estimates, including future events such as a deterioration of market conditions or significant increases in discount rates, we could be exposed to impairment charges in the future. Any resulting impairment loss could have a material adverse impact on our consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows.

Revenue Recognition. Advertising revenues, net of agency commissions, are recognized in the period during which commercials are aired. All other revenues are recognized as services are provided. The revenues realized from station barter arrangements are recorded as the programs are aired at the estimated fair value of the advertising airtime given in exchange for the program rights. Some of our retransmission consent agreements contain both advertising and retransmission consent elements that are paid in cash. We have determined that these agreements are revenue arrangements with multiple deliverables. Advertising and retransmission consent deliverables sold under our agreements are separated into different units of accounting based on fair value. Revenue applicable to the advertising element of the arrangement is recognized consistent with the advertising revenue policy noted above. Revenue applicable to the retransmission consent element of the arrangement is recognized over the life of the agreement.

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Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from extending credit to our customers that are unable to make required payments. If the economy and/or the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. For example, a 10% increase in the balance of our allowance for doubtful accounts as of December 31, 2011, would increase bad debt expense by approximately $0.3 million. The allowance for doubtful accounts was $3.0 million and $3.2 million as of December 31, 2011 and 2010, respectively.

Program Contract Costs. We have agreements with distributors for the rights to televise programming over contract periods, which generally run from one to seven years. Contract payments are made in installments over terms that are generally equal to or shorter than the contract period. Each contract is recorded as an asset and a liability at an amount equal to its gross cash contractual commitment when the license period begins and the program is available for its first showing. The portion of program contracts which become payable within one year is reflected as a current liability in the consolidated balance sheets. As of December 31, 2011 and 2010, we recorded $54.5 million and $45.7 million, respectively, in program contract assets and $91.5 million and $97.9 million, respectively, in program contract liabilities.

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

Income Tax. We recognize deferred tax assets and liabilities based on the differences between the financial statements carrying amounts and the tax basis of assets and liabilities. As of December 31, 2011 and 2010, we recorded $4.9 million and $9.7 million, respectively, in deferred tax assets and $247.6 million and $210.3 million, respectively, in deferred tax liabilities. We provide a valuation allowance for deferred tax assets if we determine, based on the weight of all available evidence, that it is more likely than not that some or all of the deferred tax assets will not be realized. As of December 31, 2011, valuation allowances have been provided for a substantial amount of our available state net operating losses. Management periodically performs a comprehensive review of our tax positions and accrues amounts for tax contingencies. Based on these reviews, the status of ongoing audits and the expiration of applicable statute of limitations, accruals are adjusted as necessary in accordance with income tax accounting guidance.

Recent Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board (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 periods within those years beginning after December 15, 2010. This guidance did not 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 adopted this guidance during the year ended December 31, 2011, which did not have a material impact on our consolidated financial statements.

In September 2011, the FASB issued the final Accounting Standards Update for goodwill impairment testing. The standard 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

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value of a reporting unit is less than its carrying amount. The changes are effective prospectively for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We adopted this new guidance in the fourth quarter of 2011 in completing our annual impairment analysis. This guidance impacted how we performed our annual goodwill impairment testing; however, it did not have a material impact on our consolidated financial statements as it did not result in any impairments for the fourth quarter of 2011. See *Note 4. Goodwill, Broadcast Licenses and Other Intangible Assets* for further discussion of the results of our goodwill impairment analysis.

RESULTS OF OPERATIONS

In general, this discussion is related to the results of our continuing operations, except for discussions regarding our cash flows, which also include the results of our discontinued operations. Unless otherwise indicated, references in this discussion to 2011, 2010 and 2009 are to our fiscal years ended December 31, 2011, 2010 and 2009, respectively. Additionally, any references to the first, second, third or fourth quarters are to the three months ended March 31, June 30, September 30 and December 31, respectively, for the year being discussed. We have two reportable segments,   broadcast   and   other operating divisions   that are disclosed separately from our corporate activities.

Seasonality/Cyclicality

Our operating results are usually subject to seasonal fluctuations. Usually, the second and fourth quarter operating results are higher than the first and third quarters because advertising expenditures are increased in anticipation of certain seasonal and holiday spending by consumers.

Our operating results are usually subject to fluctuations from political advertising. In even numbered years, political spending is usually significantly higher than in odd numbered years due to advertising expenditures preceding local and national elections. Additionally, every four years, political spending is elevated further due to advertising expenditures preceding the presidential election.

Operating Data

The following table sets forth certain of our operating data from continuing operations for the years ended December 31, 2011, 2010 and 2009 (in millions). For definitions of terms, see the footnotes to the table in *Item 6. Selected Financial Data*.

	Years Ended December 31,		
	2011	**2010**	**2009**
Net broadcast revenues	$ 648.0	$ 655.8	$ 555.1
Revenues realized from station barter arrangements	72.8	75.2	58.2
Other operating divisions revenues	44.5	36.6	43.7
Total revenues	765.3	767.6	657.0
Station production expenses	178.6	154.1	142.4
Station selling, general and administrative expenses	123.9	127.1	122.8
Expenses recognized from station barter arrangements	65.7	67.1	48.1

Depreciation and amortization		103.3		116.0		138.4
Gain on asset exchange						(4.9)
Other operating divisions expenses		39.5		30.9		45.5
Corporate general and administrative expenses		28.3		26.8		25.6
Impairment of goodwill, intangible and other assets		0.4		4.8		249.8
Operating income (loss)	$	225.6	$	240.8	$	(110.7)
Net income (loss) attributable to Sinclair Broadcast Group	$	75.8	$	76.1	$	(135.7)

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BROADCAST SEGMENT

Broadcast Revenues

The following table presents our revenues from continuing operations, net of agency commissions, for the three years ended December 31, 2011, 2010 and 2009 (in millions):

	2011	2010	2009	Percent Change 11 vs. 10	Percent Change 10 vs. 09
Local revenues:					
Non-political	$ 498.7	$ 464.0	$ 410.7	7.5%	13.0%
Political	2.5	12.8	2.3	(a)	(a)
Total local	501.2	476.8	413.0	5.1%	15.4%
National revenues:					
Non-political	141.0	149.8	137.5	(5.9)%	8.9%
Political	5.8	29.2	4.6	(a)	(a)
Total national	146.8	179.0	142.1	(18.0)%	26.0%
Total net broadcast revenues	$ 648.0	$ 655.8	$ 555.1	(1.2)%	18.1%

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

Our largest categories of advertising and their approximate percentages of 2011 net time sales, which includes the advertising portion of our local and national revenues, were automotive (20.9%), professional services (16.1%), schools (8.6%), fast food (6.7%), retail/department stores (5.5%) and paid programming (5.1%). No other advertising category accounted for more than 5.0% of our net time sales in 2011. No advertiser accounted for more than 1.2% of our consolidated revenue in 2011. We conduct business with thousands of advertisers.

Our primary types of programming and their approximate percentages of 2011 net time sales were syndicated programming (39.5%), network programming (25.6%), local news (19.6%), sports programming (8.5%) and direct advertising programming (6.8%).

From a network affiliation or program service arrangement perspective, the following table sets forth our affiliate percentages of net time sales for the years ended December 31, 2011 and 2010:

	# of Stations(a)	Percent of Net Time Sales for the Twelve Months Ended December 31, 2011	2010	Net Time Sales Percent Change 11 vs. 10	10 vs. 09
FOX	20	47.4%	45.5%	(2.1)%	17.7%
ABC	9	20.5%	21.9%	(11.8)%	27.4%

MyNetworkTV	16	15.8%	15.8%	(5.8)%	7.4%
The CW	10	12.4%	13.0%	(10.9)%	6.3%
CBS	2	3.0%	3.0%	(7.4)%	23.4%
NBC	1	0.5%	0.7%	(23.2)%	8.3%
Digital	(b)	0.4%	0.1%	215.2%	12.5%
Total	58				

(a) During the fourth quarter of 2011, we entered into definitive agreements to purchase the assets of Four Points and Freedom. As of December 31, 2011, we were operating the Four Points and Freedom stations pursuant to LMAs. On January 3, 2012, we closed the asset acquisition of Four Points, with an effective date of January 1, 2012. We expect to close on the Freedom stations late in the first quarter or early in the second quarter of 2012. The Four Points and Freedom stations include the following network affiliations, which are not reflected in the station totals above: CBS (7 stations), ABC (2 stations), The CW (3 stations), MyNetworkTV (2 stations) and Azteca (1 station). The net time sales of the Four Points and Freedom stations are not included in our revenues for the year ended December 31, 2011. We have recognized $10.8 million in net broadcast revenues and $7.7 million of station production expenses related to the services performed pursuant to the LMAs. The stations net time sales will be included in our revenues after we complete the acquisitions.

(b) We broadcast programming from network affiliations or program service arrangements with TheCoolTV, The Country Network, CBS (rebroadcasted content from other primary channels within the same market), The CW, MyNetworkTV, This TV, LATV, Azteca, Telemundo and Estrella on additional channels through our stations second and third digital signals.

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Net Broadcast Revenues. From a revenue category standpoint, 2011 when compared to 2010 was impacted by increases in most of the advertising sectors as the country s economic conditions in general continued to strengthen. Automotive, our largest category in 2011, was up 9.7% compared to 2010 as automotive dealers and manufacturers increased spending in response to an increase in auto sales.

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

Political Revenues. Political revenues, which include time sales from political advertising, decreased by $33.7 million to $8.3 million for 2011 when compared to 2010. Political revenues increased by $35.1 million to $42.0 million for 2010 when compared to 2009. Political revenues are typically higher in election years such as 2010. Accordingly, we expect political revenues to increase in 2012 from 2011 levels.

Local Revenues. Excluding political revenues, our local broadcast revenues, which include local times sales, retransmission revenues and other local revenues, were up $34.6 million for 2011, compared to 2010. The increase is due to an increase in advertising spending particularly in the automotive sector, an increase in retransmission revenues from MVPDs and amounts earned for services performed pursuant to the Four Points and Freedom LMAs. Excluding political revenues, our local broadcast revenues, which include local times sales, retransmission revenues and other local revenues, were up $53.4 million for 2010, compared to 2009. The increase is due to an increase in advertising spending particularly in the automotive sector and an increase in retransmission revenues from MVPDs.

National Revenues. Our national broadcast revenues, excluding political revenues, which include national time sales and other national revenues, were down $8.8 million for 2011 when compared to 2010. This was primarily due to a decrease in advertising spending by the media spending, telecommunications, home products, professional services and movies sectors. Excluding political revenues, our national broadcast revenues, were up $12.3 million for 2010 when compared to 2009. This was primarily due to the amplified decline in 2009 from the effects of the recent recession and a rebound in advertising spending in 2010 along with the assistance from an improved automotive sector.

Broadcast Expenses

The following table presents our significant operating expense categories for the years ended December 31, 2011, 2010 and 2009 (in millions):

							Percent Change (Increase/(Decrease))	
		2011		**2010**		**2009**	**11 vs. 10**	**10 vs. 09**
Station production expenses	$	178.6	$	154.1	$	142.4	15.9%	8.2%
Station selling, general and administrative expenses	$	123.9	$	127.1	$	122.8	(2.5)%	3.5%
Amortization of program contract costs and net realizable value adjustments	$	52.1	$	60.9	$	73.1	(14.4)%	(16.7)%
Corporate general and administrative expenses	$	24.8	$	23.7	$	8.6	4.6%	175.6%

Gain on insurance settlement	$ 1.7	$ 0.3	$	466.7%	100.0%
Gain on asset exchange	$	$	$ 4.9	%	(100.0)%
Impairment of goodwill, intangible and other assets	$ 0.4	$ 4.8	$ 249.6	(91.7)%	(98.1)%

Station production expenses. Station production expenses for 2011 increased compared to 2010. This increase was primarily due to an increase in fees pursuant to network affiliation agreements, increased compensation expense (including amounts related to the Four Points and Freedom stations), 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 production expenses for 2010 increased compared to 2009. This increase was primarily due to an increase in fees pursuant to network affiliation agreements, increased promotional advertising expenses, increased compensation expense and increased maintenance costs to remove analog equipment. Additionally, news profit share expenses increased due to increased news performance which resulted in higher payments to our news share partner pursuant to news share arrangements with another broadcaster. These increases were partially offset by a decrease in electric expense due to the digital signal conversion in June 2009 and cessation of analog transmission.

Station selling, general and administrative expenses. Station selling, general and administrative expenses decreased for 2011 compared to 2010. This decrease was primarily due to lower non-income based tax expense, a decrease in stock-based compensation and decreased national sales agency and local commission costs. These decreases were partially offset by an increase in expenses related to rollout of expanded digital product offerings.

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

We expect 2012 station production and station selling, general and administrative expenses, excluding barter, to trend higher than our 2011 results.

Amortization of program contract costs and net realizable value adjustments. The amortization of program contract costs decreased during 2011 compared to 2010 and 2010 compared to 2009. Over the past few years, we have purchased more barter and short-term program contracts which are less expensive and result in lower contract cost amortization. We expect program contract amortization to increase in 2012 compared to 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.

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

Impairment of goodwill, intangible and other assets. We completed our annual test of goodwill and broadcast licenses for impairment in fourth quarter 2011, 2010 and 2009. Due to the severity of the economic downturn and the decrease of our market capitalization, we also tested our goodwill and broadcast licenses for impairment during the first quarter 2009. See *Note 4. Goodwill, Broadcast Licenses and Other Intangible Assets*, in the Notes to our Consolidated Financial Statements. During 2011, we recorded impairments of $0.4 million related to our broadcast licenses. During 2010, we recorded impairments of $4.8 million related to our broadcast licenses and other assets. During 2009, we recorded impairments of $164.2 million and $80.4 million related to our goodwill and broadcast licenses and other assets, respectively.

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OTHER OPERATING DIVISIONS SEGMENT REVENUE AND EXPENSE

The following table presents our other operating divisions segment revenue and expenses which is comprised of the following for the years ended December 31, 2011, 2010 and 2009 (in millions): Triangle Signs & Services, LLC (Triangle), a sign designer and fabricator; Alarm Funding Associates, LLC. (Alarm Funding), a regional security alarm operating and bulk acquisition company; real estate ventures and other nominal businesses. Also included in the year ended December 31, 2009 is G1440 Holdings, Inc. (G1440), an information technology staffing, consulting and software development company and Acrodyne Communications, Inc. (Acrodyne Communications), a manufacturer of television transmissions systems. We divested of G1440 and Acrodyne Communications during the year ended 2009.

	2011	2010	2009	Percent Change 11 vs. 10	Percent Change 10 vs. 09
Revenues:					
Triangle	$ 23.1	$ 19.1	$ 20.4	20.9%	(6.4)%
Alarm Funding	$ 12.8	$ 10.0	$ 6.7	28.0%	49.3%
Real Estate Ventures and other	$ 8.6	$ 7.5	$ 5.7	14.7%	31.6%
G1440	$	$	$ 6.7	%	(100.0)%
Acrodyne Communications	$	$	$ 4.2	%	(100.0)%
Expenses: (a)					
Triangle	$ 21.8	$ 19.8	$ 20.6	10.1%	(3.9)%
Alarm Funding	$ 12.7	$ 8.0	$ 5.8	58.8%	37.9%
Real Estate Ventures and other	$ 12.3	$ 9.8	$ 8.5	25.5%	15.3%
G1440	$	$	$ 8.5	%	(100.0)%
Acrodyne Communications	$	$	$ 6.8	%	(100.0)%

(a) Comprises total expenses of the entity including other operating divisions expenses, depreciation and amortization and applicable other income (expense) items such as interest expense and non-cash stock-based compensation expense related to issuances of subsidiary stock awards.

The increase in Triangle s revenue and expenses for the year ended December 31, 2011 is primarily due to an increase in sales volume. The increase in Alarm Funding s revenue is primarily due to the acquisition of new alarm monitoring contracts and the expansion of sales efforts. The increase in Alarm Funding s expense is primarily due to higher sales and non-cash stock-based compensation expense related to the issuance of subsidiary stock awards. Revenues have increased for our consolidated real estate ventures due to an increase in leasing activity for operating real estate properties. The increase in expenses for our other investments is primarily related to the start-up costs associated with our new investment in the Ring of Honor wrestling franchise and the issuance of subsidiary stock awards. As of December 31, 2011, we held $53.2 million of real estate for development and sale.

Income (loss) from Equity and Cost Method Investments. As of December 31, 2011, the carrying value of our investments in private equity funds and real estate ventures was $26.3 million and $52.6 million, respectively. Results from these investments are included in income (loss) from equity and cost method investments in our consolidated statements of operations. During 2011, we recorded income of $2.3 million related to certain private equity funds and income of $1.0 million related to our real estate ventures, including a $1.1 million gain on the sale of one of our real estate ventures. During 2010, we determined three of our investments were impaired, primarily due to decreases in the underlying values of our real estate investments, and we recorded impairments totaling $6.7 million. Additionally, during 2010, we recorded losses of $1.7 million related to other real estate ventures and income of $3.6 million related to certain private equity funds. During 2009, we recorded income of $0.4 million primarily related to certain private equity funds.

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CORPORATE AND UNALLOCATED EXPENSES

	2011	2010	2009	Percent Change (Increase/(Decrease)) 11 vs. 10	10 vs. 09
Corporate general and administrative expenses	$ 2.4	$ 2.2	$ 16.0	9.1%	(86.3)%
Interest expense	$ 102.4	$ 114.1	$ 78.5	(10.3)%	45.4%
(Loss) gain from extinguishment of debt	$ (4.8)	$ (6.3)	$ 18.5	(23.8)%	(134.1)%
Income tax (provision) benefit	$ (44.8)	$ (40.2)	$ 32.5	11.4%	(223.7)%

Corporate general and administrative expenses. We allocate most of our corporate general and administrative expenses to the broadcast segment. The explanation that follows combines 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.

Combined corporate general and administrative expenses increased to $27.2 million in 2011 from $25.9 million in 2010. This is primarily due to an increase in employee bonuses, stock-based compensation from the issuance of stock-settled appreciation rights and the issuance of restricted and unrestricted common stock at higher stock prices when compared to 2010. The increases were partially offset by lower health and other insurance costs.

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

We expect corporate general and administrative expenses to increase in 2012 compared to 2011.

Interest expense. Interest expense decreased in 2011 compared to 2010 primarily due to our amending and restating the Bank Credit Agreement in third quarter 2010 and the first quarter 2011, resulting in lower interest rates. In addition, interest expense decreased due to the redemption of our 8.0% Notes in fourth quarter 2010, our 6.0% Notes in 2010 and second quarter 2011. These decreases were partially offset by certain financing costs recorded as interest expense during 2011 and 2010 of $6.1 million and $3.6 million, respectively, related to the amendments to the Bank Credit Agreement, mentioned previously, as well as the amendment in the fourth quarter 2011. (See *Liquidity and Capital Resources* below for more information).

The increase in interest expense in 2010 compared to 2009 was primarily due to the debt refinancings in fourth quarter 2009 and during 2010. As part of these comprehensive debt refinancings, we issued new 9.25% Notes in fourth quarter 2009, amended and restated our Bank Credit Agreement in fourth quarter 2009 and issued new 8.375% Notes in fourth quarter 2010, all of which accrued interest at higher rates than the debt replaced. Additionally, in the third quarter 2010, we further amended our Bank Credit Agreement. Our interest rate was reduced, however, certain costs amounting to $3.7 million associated with the amendment were expensed as interest. These increases were partially offset by the redemption or partial redemption of our 8.0% Notes, 6.0% Notes and our 3.0% Notes and 4.875% Notes.

We expect interest expense to increase in 2012 compared to 2011 due to the acquisition financing.

(Loss) gain from extinguishment of debt. During the year ended December 31, 2011, we amended our Bank Credit Agreement and paid down a portion of our Term Loan B, completed the redemption of all $70.0 million of the remaining 6.0% Notes and repurchased certain of our 8.375% Notes, resulting in a loss of $4.8 million from extinguishment of debt.

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

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

Income tax (provision) benefit. The 2011 income tax provision for our pre-tax income from continuing operations (including the effects of the noncontrolling interest) of $121.0 million resulted in an effective tax rate of 37.0%. The 2010 income tax provision for our pre-tax income from continuing operations (including the effects of the noncontrolling interest) of $117.0 million resulted in an effective tax rate of 34.4%. The increase in the effective tax rate from 2011 to 2010 is primarily due to a $2.3 million 2010 tax benefit predominantly resulting from a change in estimate related to an increased deduction for the recovery of historical losses attributable to a disposition that took place in 2009.

As of December 31, 2011, we had a net deferred tax liability of $242.6 million as compared to a net deferred tax liability of $200.7 million as of December 31, 2010. The increase primarily relates to an increase in net deferred tax liabilities associated with book and tax differences attributable to the amortization of intangible and broadcast license assets.

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

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

As of December 31, 2011 and 2010, we had $26.1 million of gross unrecognized tax benefits. Of this total, $15.1 million (net of federal effect on state tax issues) and $6.8 million (net of federal effect on state tax issues) represent the amounts of unrecognized tax benefits that, if recognized, would favorably affect our effective tax rates from continuing operations and discontinued operations, respectively. We recognized $1.3 million and $1.0 million of income tax expense for interest related to uncertain tax positions for the years ended December 31, 2011 and 2010, respectively. See *Note 8. Income Taxes* in the Notes to our Consolidated Financial Statements for further information.

We expect that $7.7 million of valuation allowance related to certain deferred tax assets of Cunningham, one of our consolidated VIEs, may be released in the first quarter of 2012 when the weight of all available evidence will support full realization of the deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2011, we had $13.0 million in cash and cash equivalent balances and net working capital of approximately $14.1 million. Cash generated by our operations and borrowing capacity under the Bank Credit Agreement are used as our primary source of liquidity. As of December 31, 2011, we had $85.5 million of borrowing capacity available on our Revolving Credit Facility and incremental term loan capacity of $500.0 million, in addition to the $530.0 million of incremental term loan commitments raised to fund the asset acquisitions from Four Points and Freedom. We anticipate that existing cash and cash equivalents, cash flow from our operations and borrowing capacity under the Bank Credit Agreement will be sufficient to satisfy our debt service obligations, capital expenditure requirements and working capital needs for the next twelve months. For our long-term liquidity needs, in addition to the sources described above, we may rely upon the issuance of long-term debt, the issuance of equity or other instruments convertible into or exchangeable for equity, or the sale of non-core assets. However, there can be no assurance that additional financing or capital or buyers of our non-core assets will be available, or that the terms of any transactions will be acceptable or advantageous to us.

On January 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 2.00% through maturity with the difference of 2.875% being accrued and then paid at maturity. As of December 31, 2011, the face amount of the outstanding 4.875% Notes was $5.7 million.

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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 1.00% 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 share repurchases.

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. Additionally, we repurchased $12.5 million aggregate principal amount of our 8.375% Notes in the open market using cash on hand.

On December 16, 2011, we further amended certain terms, and raised additional commitments under our Bank Credit Agreement. The final terms of this new amendment are as follows:

- We raised $530.0 million of incremental term loan commitments, which consisted of an additional $372.5 million Term Loan B commitment maturing in October 2016 and priced at LIBOR plus 3.00% with a 1.00% LIBOR floor.

- An additional $157.5 million Term Loan A commitment maturing March 2016 and priced at LIBOR plus 2.25% with no LIBOR floor.

- In addition, we increased our Revolving Credit Facility from $75.4 million to $97.5 million and extended the maturity from 2013 to be coterminous with the Term Loan A maturity of March 2016. Pricing on the Revolving Credit Facility was reduced from LIBOR plus 4.00% with a 2.00% floor to LIBOR plus 2.25% with no LIBOR floor.

- We also amended certain terms of our Bank Credit Agreement, including increased incremental loans capacity, increased television station acquisition capacity and more flexibility under the restrictive covenants.

- We will begin to incur fees on the undrawn commitments beginning January 17, 2012. The fees are calculated based on an annual rate of 0.5% for the Term Loan A, which will increase to 1.0% after March 30, 2012, and 1.5% for the Term Loan B which will increase to 3.0% after March 30, 2012. If we do not complete the Freedom acquisition and draw on the remaining commitments by July 1, 2012, the commitments will expire.

We drew $180.0 million of the additional term loans to fund the previously announced acquisition of assets of Four Points, which closed in January 2012, and intend to draw the remaining $350.0 million of the additional term loans to fund the previously announced acquisition of assets of Freedom, which is expected to close late in the first quarter or early in the second quarter of 2012. As of December 31, 2011, we had $12.0 million drawn on our revolver.

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Sources and Uses of Cash

The following table sets forth our cash flows for the years ended December 31, 2011, 2010 and 2009 (in millions):

	2011	2010	2009
Net cash flows from operating activities	$ 148.5	$ 155.0	$ 105.4
Cash flows from (used in) investing activities:			
Acquisition of property and equipment	$ (35.8)	$ (11.7)	$ (7.7)
(Increase) decrease in restricted cash	(53.4)	59.6	(64.9)
Purchase of alarm monitoring contracts	(8.9)	(10.1)	(12.3)
Investments in equity and cost method investees	(11.6)	(7.2)	(10.6)
Other	(2.5)	1.3	1.7
Net cash flows (used in) from investing activities	$ (112.2)	$ 31.9	$ (93.8)
Cash flows from (used in) financing activities:			
Proceeds from notes payable, commercial bank financing and capital leases	$ 151.7	$ 283.9	$ 980.9
Repayments of notes payable, commercial bank financing and capital leases	(150.4)	(427.4)	(931.6)
Repurchase of Class A Common Stock			(1.5)
Payments for deferred financing costs	(5.5)	(7.0)	(28.8)
Dividends paid on Class A and Class B Common Stock	(38.4)	(34.2)	(16.0)
Purchase of subsidiary shares from noncontrolling interests	(2.5)		(5.0)
Other	(0.2)	(3.4)	(2.8)
Net cash flows used in financing activities	$ (45.3)	$ (188.1)	$ (4.8)

Operating Activities

Net cash flows from operating activities decreased during the year ended December 31, 2011 compared to the same period in 2010. During 2011, we received less cash receipts from customers, net of cash payments to vendors, in addition to other negative working capital changes, which was partially offset by lower interest and program payments. Additionally, we received net tax refunds in 2010 compared to net cash taxes paid in 2011.

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

We expect both interest expense and program payments to increase in 2012 compared to 2011.

Investing Activities

With the exception of changes in restricted cash, net cash flows used in investing activities increased during the year ended December 31, 2011 compared to the same period in 2010. During 2011, we had higher 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 December 31, 2011, 7 out of 13 markets with news were broadcasting in HD and 20 out of 34 markets had HD master control operations. We are planning to add HD news broadcasts in 5 additional markets and HD master control operations in 14 markets over the next 12 months. Additionally, we made more investments in our other operating divisions. Restricted cash increased due to amounts required to be deposited in escrow accounts pursuant to the asset purchase agreements with Four Points and Freedom.

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

In 2012, we anticipate incurring more capital expenditures than incurred in 2011.

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Financing Activities

Net cash flows used in financing activities decreased during the year ended December 31, 2011 compared to the same period in 2010. During 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. Additionally, we completed the redemption of the remaining $70.0 million of 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.

Net cash flows used in financing activities increased during the year ended December 31, 2010 compared to the same period in 2009. During 2010, we purchased $117.7 million principal amount of our 3.0% Notes, 4.875% Notes and 6.0% Notes pursuant to a combination of tender offers, put rights and open market purchases. We reduced our Term Loan B by $60.0 million through a combination of an early repayment and the amendment of our Bank Credit Agreement in 2010. In addition, we fully extinguished the outstanding $224.7 million principal amount of 8.0% Notes in 2010. During 2010, we issued $250.0 million in principal amount of our 8.375% Notes.

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

In November 2010, our Board of Directors declared a one-time $0.43 per share dividend on common stock, which was paid in December 2010. During 2011, our Board of Directors declared quarterly dividends on common stock, of $0.12 per share. Dividends of $0.12 per share were paid in March 2011, June 2011, September 2011 and December 2011, for total dividend payments of $0.48 per share for the year ended December 31, 2011. In February 2012, our Board of Directors declared a quarterly dividend of $0.12 per share. Future dividends on our common shares, if any, will be at the discretion of our Board of Directors and will depend on several factors including our results of operations, cash requirements and surplus, financial condition, covenant restrictions and other factors that the Board of Directors may deem relevant. The Class A Common Stock and Class B Common Stock holders have the same rights related to dividends. Under our Bank Credit Agreement, in certain circumstances we may make up to $100.0 million in unrestricted annual cash payments including but not limited to dividends, of which $50.0 million may carry over to the next year.

Contractual Obligations

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

The following table reflects a summary of our contractual cash obligations as of December 31, 2011 and the future periods in which such obligations are expected to be settled in cash (in millions):

CONTRACTUAL OBLIGATIONS RELATED TO CONTINUING OPERATIONS (a)

	Total	2012	2013-2014	2015-2016	2017 and thereafter (b)
Notes payable, capital leases and commercial bank financing (c), (d)	$ 1,654.3	$ 109.3	$ 221.5	$ 442.6	$ 880.9
Notes and capital leases payable to affiliates (c)	29.6	4.9	8.5	6.4	9.8
Operating leases	20.1	3.7	6.5	4.8	5.1
Employment contracts	16.2	9.3	6.3	0.6	
Program content (e)	316.0	131.5	120.3	43.7	20.5
Programming services (f)	82.2	38.0	20.2	16.7	7.3
Maintenance and support	9.3	2.3	3.8	3.2	
Other operating contracts	4.3	0.6	0.8	0.8	2.1
LMA and outsourcing agreements (g), (h)	61.1	57.7	1.1	1.1	1.2
Investments and loan commitments (i)	10.9	10.9			
Total contractual cash obligations	$ 2,204.0	$ 368.2	$ 389.0	$ 519.9	$ 926.9

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

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(b) Includes a one-year estimate of $7.3 million in payments related to contracts that automatically renew. We have not calculated potential payments for years after 2017.

(c) Includes interest on fixed rate debt and capital leases. Estimated interest on our recourse variable rate debt has been excluded. Recourse variable rate debt represents $348.7 million of our $1.2 billion total face value of debt as of December 31, 2011.

(d) During 2011, we borrowed $115.0 million under the Term Loan A and used $45.0 million to pay down the Term Loan B. 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. Additionally, we repurchased, in the open market, $12.5 million face value of the 8.375% Notes. As of December 31, 2011, we drew $12.0 million on our revolver.

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

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

(g) Certain LMAs require us to reimburse the licensee owner their operating costs. Certain outsourcing agreements require us to pay a fee to another station for providing non-programming services. The amount will vary each month and, accordingly, these amounts were estimated through the date of the agreements expiration, based on historical cost experience. Excluded from the table are estimated amounts due pursuant to LMAs and outsourcing agreements where we consolidate the counterparty, as well as, prepayments towards purchase options to acquire the counterparty. These amounts totaled $18.1 million, $14.1 million, $10.6 million and $0.2 million for the periods 2012, 2013-2014, 2015-2016 and 2017 and thereafter, respectively.

(h) Pursuant to the LMA with Freedom, we have made certain guarantees with respect to the financial performance of the Freedom stations, whereby the owners of stations will earn a minimum amount of broadcast cash flow, as defined in the respective agreements. If actual broadcast cash flow is below the stated monthly minimums, the monthly fees we earn for our services under the LMA would be reduced and if the difference between actual broadcast cash flow and the stated minimums is greater than the revenue that we would otherwise earn, we could be required to pay additional amounts related to these guarantees. Since inception of the LMA, December 1, 2011, the broadcast cash flows of the stations exceeded the monthly minimums. Included in the table is the total of the monthly guaranteed amounts for the year ended December 31, 2012 of $56.9 million. We expect to close on the acquisition of the Freedom stations late in the first quarter or early second quarter of 2012. The total of the monthly guaranteed amounts for the first quarter of 2012 is $12.1 million.

(i) Commitments to contribute capital or provide loans to Allegiance Capital, LP, Sterling Ventures Partners, LP and Patriot Capital II, LP.

Off Balance Sheet Arrangements

Off balance sheet arrangements as defined by the SEC means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the registrant is a party, under which the registrant has: obligations under certain guarantees or contracts; retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangements; obligations under certain derivative arrangements; and obligations arising out of a material variable interest in an unconsolidated entity. As of December 31, 2011, we do not have any material off balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates. At times we enter into derivative instruments primarily for the purpose of reducing the impact of changing interest rates on our floating rate debt and to reduce the impact of changing fair market values on our fixed rate debt. See *Note 5. Notes Payable and Commercial Bank Financing,* in the Notes to our Consolidated Financial Statements. As of December 31, 2011, we did not have any outstanding derivative instruments.

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 A and Term Loan B bear interest at LIBOR plus 2.25% and LIBOR plus 3.00% (with a 1.00% LIBOR floor on the Term Loan B), respectively. Any outstanding amounts accrue interest with a variable rate and therefore increase 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.

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On December 16, 2011, we raised additional commitments under, and amended certain terms of our existing Bank Credit Agreement. We added $372.5 million Term Loan B commitment and $157.5 million Term Loan A commitment. In addition, we increased our existing revolving line of credit from $75.4 million to $97.5 million and extended its maturity from 2013 to be coterminous with the Term Loan A maturity of March 2016. Pricing on the revolving line of credit was reduced from LIBOR plus 4.00% with a 2.00% LIBOR floor to LIBOR plus 2.25% with no LIBOR floor.

We are exposed to risk from a change in interest rates to the extent we are required to refinance existing fixed rate indebtedness at rates higher than those prevailing at the time the existing indebtedness was incurred. The fair value of the 4.875% Notes, 3.0% Notes, 8.375% Notes and 9.25% Notes combined was $807.7 million as of December 31, 2011. We estimate that adding 1.0% to prevailing interest rates would result in a decrease in fair value of these notes by $36.6 million as of December 31, 2011. Generally, the fair market value of these notes will decrease as interest rates rise and increase as interest rates fall. We are also exposed to risk from the changing interest rates of our variable rate debt, primarily related to our Bank Credit Agreement. For the year ended December 31, 2011, cash interest expense on our term loans and revolver related to our Bank Credit Agreement was $12.6 million. We estimate that adding 1.0% to respective interest rates would result in an increase in our interest expense of $3.5 million for the year ended December 31, 2011. We also have variable rate debt associated with our other operating divisions. We estimate that adding 1.0% to respective interest rates would result in a negligible amount of additional interest expense for the year ended December 31, 2011.

Under certain circumstances, we have contingent cash interest features related to the 3.0% Notes and the 4.875% Notes. The contingent cash interest feature for both issuances were embedded derivatives which have negligible fair values.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this item are filed as exhibits to this report, are listed under Item 15(a)(1) and (2) and are incorporated by reference in this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in and/or disagreements with accountants on accounting and financial disclosure during the year ended December 31, 2011.

ITEM 9A. 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 December 31, 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 our 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.

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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 dispositions 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 December 31, 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.

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2011 based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, management has concluded that, as of December 31, 2011, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

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 December 31, 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.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item will be included in our Proxy Statement for the 2012 Annual Meeting of shareholders under the captions, Directors, Executive Officers and Key Employees, Section 16(A) Beneficial Ownership Reporting Compliance, Code of business Conduct and Ethics and Corporate Governance, which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2011 and is incorporated by reference in this report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be included in our Proxy Statement for the 2012 Annual Meeting of shareholders under the captions, Compensation Discussion and Analysis , Director Compensation for 2011, Compensation Committee Interlocks and Insider Participation and Compensation Committee Report, which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2011 and is incorporated by reference in this report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be included in our Proxy Statement for the 2012 Annual Meeting of shareholders under the caption, Security Ownership Of Certain Beneficial Owners and Management, which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2011 and is incorporated by reference in this report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be included in our Proxy Statement for the 2012 Annual Meeting of shareholders under the captions, Related Person Transactions and Director Independence, which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2011 and is incorporated by reference in this report.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item will be included in our Proxy Statement for the 2012 Annual Meeting of shareholders under the caption, Disclosure of Fees Charged by Independent Registered Public Accounting Firm, which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2011 and is incorporated by reference in this report.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The following financial statements required by this item are submitted in a separate section beginning on page F-1 of this report.

(a) (2) Financial Statements Schedules

All schedules are omitted because they are not applicable or the required information is shown in the Financial Statements or the accompanying notes.

(a) (3) Exhibits

The following exhibits are filed with this report:

EXHIBIT NO.	**EXHIBIT DESCRIPTION**
3.1	Amended and Restated Certificate of Incorporation. (Incorporated by reference from Registrant s Report on Form 10-Q for the quarter ended June 30, 1998).
3.2	Amended By-Laws of Sinclair Broadcast Group, Inc. as further amended by the Second Amendment to the Amended By-Laws of Sinclair Broadcast Group, Inc., dated March 3, 2009. (Incorporated by reference from Registrant s Report on Form 8-K filed March 6, 2009).
4.1	Indenture, dated as of May 20, 2003, between Sinclair Broadcast Group, Inc. and Wachovia Bank, National Association. (Incorporated by reference from Registrant s Registration Statement on Form S-4 (333-107522) filed on July 31, 2003).
4.2	

	Senior Indenture, dated as of May 10, 2007, between Sinclair Broadcast Group, Inc. and U.S. Bank National Association, as trustee. (Incorporated by reference from Registrant s Report on Form 8-K filed on May 11, 2007).
4.3	First Supplemental Indenture, dated as of May 10, 2007, between Sinclair Broadcast Group, Inc. and U.S. Bank National Association, as trustee. (Incorporated by reference from Registrant s Report on Form 8-K filed on May 11, 2007).
4.4	Indenture, dated as of October 29, 2009, among Sinclair Television Group, Inc., the guarantors named therein and U.S. Bank National Association, as trustee and collateral agent. (Incorporated by reference from Registrant s Report on Form 8-K filed on October 29, 2009).
4.5	Indenture, dated as of October 4, 2010, by and among Sinclair Television Group, Inc., the guarantors identified therein and U.S. Bank National Association, as trustee. (Incorporated by reference from Registrant s Report on Form 8-K filed on October 6, 2010).
10.1	Common Non-Voting Capital Stock Option between Sinclair Broadcast Group, Inc. and William Richard Schmidt, as trustee. (Incorporated by reference from Registrant s Registration Statement on Form S-1 No. 33-90682).
10.2	Common Non-Voting Capital Stock Option between Sinclair Broadcast Group, Inc. and C. Victoria Woodward, as trustee. (Incorporated by reference from Registrant s Registration Statement on Form S-1 No. 33-90682).
10.3	Common Non-Voting Capital Stock Option between Sinclair Broadcast Group, Inc. and Dyson Ehrhardt, as trustee. (Incorporated by reference from Registrant s Registration Statement on Form S-1 No. 33-90682).
10.4	Common Non-Voting Capital Stock Option between Sinclair Broadcast Group, Inc. and Mark Knobloch, as trustee. (Incorporated by reference from Registrant s Registration Statement on Form S-1 No. 33-90682).

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10.5*	First Amendment to Incentive Stock Option Plan for Sinclair Broadcast Group, Inc., adopted April 10, 1996. (Incorporated by reference from Registrant s Report on Form 10-K/A for the year ended December 31, 1996).
10.6*	Second Amendment to Incentive Stock Option Plan for Sinclair Broadcast Group, Inc., adopted May 31, 1996. (Incorporated by reference from Registrant s Report on Form 10-K/A for the year ended December 31, 1996).
10.7*	1996 Long-Term Incentive Plan for Sinclair Broadcast Group, Inc. (Incorporated by reference from Registrant s Report on Form 10-K/A for the year ended December 31, 1996).
10.8*	First Amendment to 1996 Long-Term Incentive Plan for Sinclair Broadcast Group, Inc. (Incorporated by reference from Registrant s Proxy Statement on Schedule 14A for the year ended December 31, 1998).
10.9*	Employment Agreement by and between Sinclair Broadcast Group, Inc. and Frederick G. Smith, dated June 12, 1998. (Incorporated by reference from Registrant s Report on Form 10-Q for the quarter ended September 30, 1998).
10.10*	Employment Agreement by and between Sinclair Broadcast Group, Inc. and J. Duncan Smith, dated June 12, 1998. (Incorporated by reference from Registrant s Report on Form 10-Q for the quarter ended September 30, 1998).
10.11*	Director Compensation. (Incorporated by reference from Registrant s Report on Form 10-K for the year ended December 31, 2005).
10.12*	Executive Officer Compensation. (Incorporated by reference from Registrant s Report on Form 8-K filed on March 5, 2005).
10.13*	Employment Agreement by and between Sinclair Broadcast Group, Inc. and Lucy Rutishauser dated March 19, 2001. (Incorporated by reference from Registrant s Report on Form 10-K/A filed on April 29, 2005).
10.14	Amendment No. 2, dated as of July 1, 2005 and effective July 1, 2005, by and between Cunningham Communications, Inc. (Lessor) and Sinclair Communications, LLC, as successor by merger of Chesapeake Television, Inc. (Lessee) to the Lease Agreement (the Agreement) between Lessor and Lessee, effective as of July 1, 1987, as amended July 1, 1997. (Incorporated by reference from Registrant s Report on Form 8-K filed on July 1, 2005).
10.15*	Form of Restricted Stock Award Agreement. (Incorporated by reference from Registrant s Report on Form 10-Q for the quarter ended June 30, 2006).
10.16*	Stock Appreciation Right Agreement between Sinclair Broadcast Group, Inc. and David D. Smith dated April 2, 2007. (Incorporated by reference from Registrant s Report on Form 10-Q for the quarter ended March 31, 2007).
10.17	Agreement of Lease dated as of March 28, 2008 by and between Beaver Dam Limited Liability Company and Sinclair Broadcast Group, Inc. (Incorporated by reference from Registrant s Report on Form 8-K filed on April 3, 2008).
10.18	Fourth Amended and Restated Credit Agreement, dated as of October 29, 2009, by and among Sinclair Television Group, Inc., JP Morgan Chase Bank, N.A and the lenders party thereto. (Incorporated by reference from Registrant s Report on Form 10-Q for the quarter ended September 30, 2009).
10.19	Amended and restated lease dated as of February 8, 2010 between Gerstell Development Limited Partnership and Sinclair Media I, Inc. (Incorporated by reference from Registrant s Report on Form 10-K for the year ended December 31, 2009).
10.20	Amended and restated lease dated as of February 8, 2010 between Cunningham Communications, Inc. and Sinclair Communications, LLC. (Incorporated by reference from Registrant s Report on Form 10-K for the year ended December 31, 2009).
10.21	Amended and restated lease dated as of February 8, 2010 between Keyser Investment Group, Inc. and Sinclair Communications, LLC. (Incorporated by reference from Registrant s Report on Form 10-K for the year ended December 31, 2009).
10.22	Amended and restated lease dated as of February 8, 2010 between Keyser Investment Group, Inc. and Sinclair Communications, LLC. (Incorporated by reference from Registrant s Report on Form 10-K for the year ended December 31, 2009).
10.23	Amendment No. 1 to the Fourth Amended and Restated Credit Agreement, dated August 19, 2010, by and among Sinclair Television Group, Inc., the guarantors party thereto, JP Morgan Chase Bank, N.A as administrative agent, and the lenders party thereto. (Incorporated by reference from Registrant s Report on Form 10-Q for the quarter ended September 30, 2010).
10.24	Second Amendment to the Fourth Amended and Restated Credit Agreement, dated as of March 15, 2011, by and among Sinclair Television Group, Inc., JP Morgan Chase Bank, N.A and the lenders party thereto. (Incorporated by reference from Registrant s Report on Form 8-K filed on March 16, 2011).
10.25*	Stock Appreciation Right Agreement, between Sinclair Broadcast Group, Inc. and David D. Smith dated March 22, 2011. (Incorporated by reference from Registrant s Report on Form 10-K for the year ended December 31, 2010).

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10.26	Asset Purchase Agreement dated September 8, 2011 between Four Points Media Group LLC and Sinclair Television Group, Inc. (Incorporated by reference from Registrant s Report on Form 10-Q for the quarter ended September 30, 2011).
10.27	Asset Purchase Agreement dated November 1, 2011, between Freedom Communications Holdings, Inc. and Sinclair Television Group, Inc.
10.28*	Amended and Restated Employment Agreement by and between Sinclair Broadcast Group, Inc. and David B. Amy, dated November 11, 2011.
10.29*	Amended and Restated Employment Agreement by and between Sinclair Broadcast Group, Inc. and Barry M. Faber, dated November 11, 2011.
10.30*	Amended and Restated Employment Agreement by and between Sinclair Broadcast Group, Inc. and Steven M. Marks, dated November 14, 2011.
10.31	Third Amendment to the Fourth Amended and Restated Credit Agreement, dated as of December 16, 2011, by and among Sinclair Television Group, Inc., JP Morgan Chase Bank, N.A. and the lenders party thereto. (Incorporated by reference from Registrant s Report on Form 8-K filed on December 19, 2011).
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Registrant.
23	Consent of PricewaterhouseCoopers LLP Independent Registered Public Accounting Firm.
24	Power of Attorney; included above registrants signatures of this Form 10-K.
31.1	Certification by David D. Smith, as Chief Executive Officer of Sinclair Broadcast Group, Inc., pursuant to § 302 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. § 7241).
31.2	Certification by David B. Amy, as Chief Financial Officer of Sinclair Broadcast Group, Inc., pursuant to § 302 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. § 7241).
32.1	Certification by David D. Smith, as Chief Executive Officer of Sinclair Broadcast Group, Inc., pursuant to § 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 § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350).
99	Stockholders Agreement dated April 19, 2005 by and among the Smith Brothers. (Incorporated by reference from Registrant s Report on Form 8-K filed on April 26, 2005).
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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* Management contracts and compensatory plans or arrangements to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.

** 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.

(b) Exhibits

The exhibits required by this Item are listed under Item 15 (a) (3).

(c) Financial Statements Schedules

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 2nd day of March 2012.

SINCLAIR BROADCAST GROUP, INC.

By: /s/ David D. Smith
David D. Smith
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below under the heading Signature constitutes and appoints David B. Amy as his true and lawful attorney-in-fact each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities to sign any or all amendments to this 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact, or their substitutes, each acting alone, may lawfully do or cause to be done in virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ David D. Smith David D. Smith	Chairman of the Board, President and Chief Executive Officer	March 2, 2012
/s/ David B. Amy David B. Amy	Executive Vice President and Chief Financial Officer	March 2, 2012
/s/ David R. Bochenek David R. Bochenek	Vice President and Chief Accounting Officer	March 2, 2012
/s/ Frederick G. Smith Frederick G. Smith	Director	March 2, 2012
/s/ J. Duncan Smith J. Duncan Smith	Director	March 2, 2012
/s/ Robert E. Smith Robert E. Smith	Director	March 2, 2012

/s/ Basil A. Thomas Basil A. Thomas	Director	March 2, 2012
/s/ Lawrence E. McCanna Lawrence E. McCanna	Director	March 2, 2012
/s/ Daniel C. Keith Daniel C. Keith	Director	March 2, 2012
/s/ Martin R. Leader Martin R. Leader	Director	March 2, 2012

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SINCLAIR BROADCAST GROUP, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Sinclair Broadcast Group, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of equity (deficit), of comprehensive income (loss), and of cash flows present fairly, in all material respects, the financial position of Sinclair Broadcast Group, Inc. and its subsidiaries (the Company) at December 31, 2011 and 2010 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for variable interest entities in 2010.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
March 2, 2012

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	As of December 31, 2011		As of December 31, 2010	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	12,967	$	21,974
Current portion of restricted cash				5,058
Accounts receivable, net of allowance for doubtful accounts of $3,008 and $3,242, respectively		132,915		121,283
Affiliate receivable		252		88
Income taxes receivable		225		
Current portion of program contract costs		38,906		37,000
Prepaid expenses and other current assets		17,274		6,064
Deferred barter costs		2,238		3,156
Deferred tax assets		4,940		9,658
Total current assets		209,717		204,281
PROGRAM CONTRACT COSTS, less current portion		15,584		8,729
PROPERTY AND EQUIPMENT, net		281,521		272,231
RESTRICTED CASH, less current portion		58,726		223
GOODWILL		660,117		660,017
BROADCAST LICENSES		47,002		47,375
DEFINITE-LIVED INTANGIBLE ASSETS, net		175,341		184,652
OTHER ASSETS		123,409		108,416
Total assets (a)	$	1,571,417	$	1,485,924
LIABILITIES AND EQUITY (DEFICIT)				
CURRENT LIABILITIES:				
Accounts payable	$	8,872	$	5,952
Accrued liabilities		79,698		68,071
Income taxes payable				298
Current portion of notes payable, capital leases and commercial bank financing		38,195		19,556
Current portion of notes payable and capital leases payable to affiliates		3,014		3,196
Current portion of program contracts payable		63,825		68,301
Deferred barter revenues		1,978		2,522
Total current liabilities		195,582		167,896
LONG-TERM LIABILITIES:				
Notes payable, capital leases and commercial bank financing, less current portion		1,148,271		1,169,740
Notes payable and capital leases to affiliates, less current portion		16,545		19,573
Program contracts payable, less current portion		27,625		29,593
Deferred tax liabilities		247,552		210,335
Other long-term liabilities		47,204		45,869
Total liabilities (a)		1,682,779		1,643,006
COMMITMENTS AND CONTINGENCIES (See Note 9)				
EQUITY (DEFICIT):				
SINCLAIR BROADCAST GROUP SHAREHOLDERS EQUITY (DEFICIT):				
Class A Common Stock, $.01 par value, 500,000,000 shares authorized, 52,022,086 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		617,375		609,640
Accumulated deficit		(734,511)		(771,953)
Accumulated other comprehensive loss		(4,848)		(3,914)
Total Sinclair Broadcast Group shareholders deficit		(121,175)		(165,423)
Noncontrolling interest		9,813		8,341
Total deficit		(111,362)		(157,082)
Total liabilities and equity (deficit)	$	1,571,417	$	1,485,924

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

(a) Our consolidated total assets as of December 31, 2011 and 2010 include total assets of variable interest entities (VIEs) of $33.5 million and $32.3 million, respectively, which can only be used to settle the obligations of the VIEs. Our consolidated total liabilities as of December 31, 2011 and 2010 include total liabilities of the VIEs of $14.4 million and $26.2 million, respectively, for which the creditors of the VIEs have no recourse to us. See *Note 1: Nature of Operations and Summary of Significant Accounting Policies*.

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(In thousands, except per share data)

	2011	2010	2009
REVENUES:			
Station broadcast revenues, net of agency commissions	$ 648,002	$ 655,836	$ 555,110
Revenues realized from station barter arrangements	72,773	75,210	58,182
Other operating divisions revenues	44,513	36,598	43,698
Total revenues	765,288	767,644	656,990
OPERATING EXPENSES:			
Station production expenses	178,612	154,133	142,415
Station selling, general and administrative expenses	123,938	127,091	122,833
Expenses recognized from station barter arrangements	65,742	67,083	48,119
Amortization of program contract costs and net realizable value adjustments	52,079	60,862	73,087
Other operating divisions expenses	39,486	30,916	45,520
Depreciation of property and equipment	32,874	36,307	42,892
Corporate general and administrative expenses	28,310	26,800	25,632
Amortization of definite-lived intangible assets	18,229	18,834	22,355
Gain on asset exchange			(4,945)
Impairment of goodwill, intangible and other assets	398	4,803	249,799
Total operating expenses	539,668	526,829	767,707
Operating income (loss)	225,620	240,815	(110,717)
OTHER INCOME (EXPENSE):			
Interest expense and amortization of debt discount and deferred financing costs	(106,128)	(116,046)	(80,021)
(Loss) gain from extinguishment of debt	(4,847)	(6,266)	18,465
Income (loss) from equity and cost method investments	3,269	(4,861)	354
Gain on insurance settlement	1,742	344	11
Other income, net	1,717	1,865	1,448
Total other expense	(104,247)	(124,964)	(59,743)
Income (loss) from continuing operations before income taxes	121,373	115,851	(170,460)
INCOME TAX (PROVISION) BENEFIT	(44,785)	(40,226)	32,512
Income (loss) from continuing operations	76,588	75,625	(137,948)
DISCONTINUED OPERATIONS:			
Loss from discontinued operations, net of related income tax provision of ($477), ($77) and ($350), respectively	(411)	(577)	(81)
NET INCOME (LOSS)	76,177	75,048	(138,029)
Net (income) loss attributable to the noncontrolling interest	(379)	1,100	2,335
NET INCOME (LOSS) ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP	$ 75,798	$ 76,148	$ (135,694)
Dividends declared per share	$ 0.48	$ 0.43	$
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP:			
Basic earnings (loss) per share from continuing operations	$ 0.95	$ 0.96	$ (1.70)
Basic loss per share from discontinued operations	$ (0.01)	$ (0.01)	$

Basic earnings (loss) per share	$	0.94	$	0.95	$	(1.70)
Diluted earnings (loss) per share from continuing operations	$	0.95	$	0.95	$	(1.70)
Diluted loss per share from discontinued operations	$	(0.01)	$	(0.01)	$	
Diluted earnings (loss) per share	$	0.94	$	0.94	$	(1.70)
Weighted average common shares outstanding		80,217		80,245		79,981
Weighted average common and common equivalent shares outstanding		80,532		83,606		79,981
AMOUNTS ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP COMMON SHAREHOLDERS:						
Income (loss) from continuing operations, net of tax	$	76,209	$	76,725	$	(135,613)
Loss from discontinued operations, net of tax		(411)		(577)		(81)
Net income (loss)	$	75,798	$	76,148	$	(135,694)

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(In thousands)

	2011	2010	2009
Net income (loss)	$ 76,177	$ 75,048	$ (138,029)
Amortization of net periodic pension benefit costs, net of taxes	(934)	299	(718)
Comprehensive income (loss)	75,243	75,347	(138,747)
Comprehensive (income) loss attributable to the noncontrolling interests	(379)	1,100	2,335
Comprehensive income (loss) attributable to Sinclair Broadcast Group	$ 74,864	$ 76,447	$ (136,412)

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(In thousands)

	Sinclair Broadcast Group Shareholders								
	Class A Common Stock Shares	Class A Common Stock Value	Class B Common Stock Shares	Class B Common Stock Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity (Deficit)
BALANCE, December 31, 2008	46,510,647	$ 465	34,453,859	$ 345	$ 605,865	$ (678,182)	$ (3,495)	$ 16,302	$ (58,700)
Class A Common Stock issued pursuant to employee benefit plans	401,423	4			1,378				1,382
Class B Common Stock converted into Class A Common Stock	2,000,000	20	(2,000,000)	(20)					
Contribution from noncontrolling interests, net of distributions								26	26
Purchase of subsidiary shares from noncontrolling interest					(220)			(4,807)	(5,027)
Repurchase of 1,536,633 shares of Class A Common Stock	(1,536,633)	(15)			(1,439)				(1,454)
Removal of noncontrolling interest deficit related to disposition of other operating divisions companies								542	542
Tax provision on employee stock awards					(244)				(244)
Change in pension funded status and amortization of net periodic pension benefit costs, net of taxes							(718)		(718)
Net loss						(135,694)		(2,335)	(138,029)
BALANCE, December 31, 2009	47,375,437	$ 474	32,453,859	$ 325	$ 605,340	$ (813,876)	$ (4,213)	$ 9,728	$ (202,222)

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(In thousands)

	Sinclair Broadcast Group Shareholders								
	Class A Common Stock Shares	Class A Common Stock Values	Class B Common Stock Shares	Class B Common Stock Values	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity (Deficit)
BALANCE, December 31, 2009	47,375,437	$ 474	32,453,859	$ 325	$ 605,340	$ (813,876)	$ (4,213)	$ 9,728	$ (202,222)
Dividends declared on Class A and Class B Common Stock						(34,225)			(34,225)
Class A Common Stock issued pursuant to employee benefit plans	538,575	5			4,423				4,428
Class B Common Stock converted into Class A Common Stock	2,370,040	24	(2,370,040)	(24)					
Distributions to noncontrolling interest								(287)	(287)
Tax provision on employee stock awards					(123)				(123)
Change in pension funded status and amortization of net periodic pension benefit costs, net of taxes							299		299
Net income (loss)						76,148		(1,100)	75,048
BALANCE, December 31, 2010	50,284,052	$ 503	30,083,819	$ 301	$ 609,640	$ (771,953)	$ (3,914)	$ 8,341	$ (157,082)

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(In thousands)

	Sinclair Broadcast Group Shareholders								
	Class A Common Stock Shares	Class A Common Stock Values	Class B Common Stock Shares	Class B Common Stock Values	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity (Deficit)
BALANCE, December 31, 2010	50,284,052	$ 503	30,083,819	$ 301	$ 609,640	$ (771,953)	$ (3,914)	$ 8,341	$ (157,082)
Dividends declared on Class A and Class B Common Stock						(38,356)			(38,356)
Class A Common Stock issued pursuant to employee benefit plans	586,759	5			5,826				5,831
Class B Common Stock converted into Class A Common Stock	1,149,960	12	(1,149,960)	(12)					
Class A Common Stock sold by variable interest entity					1,808				1,808
6% Notes converted into Class A Common Stock	1,315				30				30
Tax benefit on share based awards					734				734
Distributions to noncontrolling interests								(270)	(270)
Issuance of subsidiary share awards								3,201	3,201
Purchase of subsidiary shares from noncontrolling interests					(663)			(1,838)	(2,501)
Amortization of net periodic pension benefit costs, net of taxes							(934)		(934)
Net income						75,798		379	76,177
BALANCE, December 31, 2011	52,022,086	$ 520	28,933,859	$ 289	$ 617,375	$ (734,511)	$ (4,848)	$ 9,813	$ (111,362)

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(In thousands)

	2011	2010	2009
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:			
Net income (loss)	$ 76,177	$ 75,048	$ (138,029)
Adjustments to reconcile net (loss) income to net cash flows from operating activities:			
Amortization of debt discount, net of debt premium	3,347	4,963	10,286
Depreciation of property and equipment	33,153	36,563	43,217
Recognition of deferred revenue	(17,472)	(25,967)	(25,512)
Impairment of goodwill, intangible and other assets	398	4,803	249,799
Amortization of definite-lived intangible assets	18,229	18,834	22,355
Amortization of program contract costs and net realizable value adjustments	52,079	60,862	73,087
Loss (gain) on extinguishment of debt, non-cash portion	4,985	5,525	(18,465)
Original debt issuance discount paid	(13,785)	(14,393)	(18,176)
Deferred tax provision (benefit)	43,972	38,636	(24,949)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
(Increase) decrease in accounts receivable, net	(11,616)	(14,491)	823
Decrease (increase) in income taxes receivable	74	8,073	(5,739)
(Increase) decrease in prepaid expenses and other current assets	(10,449)	196	
(Increase) decrease in other assets	(1,247)	393	6,778
Increase in accounts payable and accrued liabilities	25,064	33,312	12,654
(Decrease) increase in income taxes payable	(780)	298	
Increase (decrease) in other long-term liabilities	2,199	(881)	
Payments on program contracts payable	(67,319)	(88,992)	(82,184)
Other, net	11,504	12,179	(509)
Net cash flows from operating activities	148,513	154,961	105,436
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:			
Acquisition of property and equipment	(35,835)	(11,694)	(7,693)
Purchase of alarm monitoring contracts	(8,850)	(10,106)	(12,291)
(Increase) decrease in restricted cash	(53,445)	59,602	(64,883)
Distributions from equity and cost method investees	2,632	894	1,501
Investments in equity and cost method investees	(11,577)	(7,224)	(10,601)
Investment in debt securities	(4,911)		
Payments for acquisitions of assets of other operating divisions	(3,072)		
Proceeds from the sale of assets	69	110	126
Proceeds from insurance settlements	1,739	372	
Proceeds from the sale of equity method investment	1,166		
Loans to affiliates	(406)	(136)	(162)
Proceeds from loans to affiliates	242	117	157
Net cash flows (used in) from investing activities	(112,248)	31,935	(93,846)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:			
Proceeds from notes payable, commercial bank financing and capital leases	151,733	283,930	980,875
	(150,447)	(427,421)	(931,566)

Repayments of notes payable, commercial bank financing and capital leases			
Proceeds from share based awards, including excess tax benefits of $0.7 million, $0 million and $0 million, respectively	1,794		
Purchase of subsidiary shares from noncontrolling interests	(2,501)		(5,000)
Repurchase of Class A Common Stock			(1,454)
Dividends paid on Class A and Class B Common Stock	(38,356)	(34,225)	(16,038)
Payments for deferred financing costs	(5,483)	(7,020)	(28,815)
Proceeds from Class A Common Stock sold by variable interest entity	1,808		
Noncontrolling interests (distributions) contributions	(610)	(287)	26
Repayments of notes and capital leases to affiliates	(3,210)	(3,123)	(2,864)
Net cash flows used in financing activities	(45,272)	(188,146)	(4,836)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,007)	(1,250)	6,754
CASH AND CASH EQUIVALENTS, beginning of year	21,974	23,224	16,470
CASH AND CASH EQUIVALENTS, end of year	$ 12,967	$ 21,974	$ 23,224

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

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SINCLAIR BROADCAST GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations

Sinclair Broadcast Group, Inc. is a diversified television broadcasting company that owns or provides certain programming, operating or sales services to television stations pursuant to broadcasting licenses that are granted by the Federal Communications Commission (the FCC or Commission). We currently own, provide programming and operating services pursuant to local marketing agreements (LMAs) or provide, or are provided, sales services pursuant to outsourcing agreements to 73 television stations in 45 markets, as of December 31, 2011. For the purpose of this report, these 73 stations are referred to as our stations. Our broadcast group is a single reportable segment for accounting purposes and includes the following network affiliations: FOX (20 stations); MyNetworkTV (18 stations; not a network affiliation, however is branded as such); ABC (11 stations); The CW (13 stations); CBS (9 stations); NBC (1 station) and Azteca (1 station). In addition, certain stations broadcast programming on second and third digital signals through network affiliation or program service arrangements with TheCoolTV, The Country Network, CBS (rebroadcasted content from other primary channels within the same market), The CW, MyNetworkTV, This TV, LATV, Azteca, Telemundo and Estrella TV.

In September 2011, we entered into a definitive agreement to purchase the broadcast assets of Four Points Media (Four Points) for $200 million. Four Points owns and operates seven stations in four markets, reaching 2.65% of the U.S. TV households. Effective October 1, 2011, we were providing sales, programming and management services for the stations in consideration of both service fees and performance incentives pursuant to a LMA until the closing of the acquisition. On January 3, 2012, we closed the asset acquisition of Four Points for $200 million, with an effective date of January 1, 2012. We financed the acquisition with a $180 million draw under a recently raised incremental Term B Loan commitment under our amended Bank Credit Agreement plus a $20 million cash escrow previously paid. See *Note 5. Notes Payable and Commercial Bank Financing* for more information. Four Points has the following network affiliations: CBS (2 stations); The CW (2 stations) MyNetworkTV (2 stations) and Azteca (1 station). The affiliation totals for Four Points are included in the consolidated network affiliation totals above.

In November 2011, we entered into a definitive agreement to purchase the broadcast assets of Freedom Communications (Freedom) for $385.0 million. Freedom owns and operates eight stations in seven markets, reaching 2.63% of the U.S. TV households. The transaction is subject to approval by the FCC. Effective December 1, 2011, we began providing sales, programming and management services for the stations in consideration of service fees pursuant to a LMA and expect to fund and close the acquisition late in the first quarter or early in the second quarter of 2012. Upon closing, we expect to finance the $385.0 million purchase price, less a $38.5 million deposit, with remaining commitments available under our amended Bank Credit Agreement. See *Note 5. Notes Payable and Commercial Bank Financing* for more information. Freedom has the following network affiliations: CBS (5 stations); ABC (2 stations) and The CW (1 station). The affiliation totals for Freedom are included in the consolidated network affiliation totals above.

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.

Variable Interest Entities

In June 2009, the Financial Accounting Standards Board (FASB) issued amended guidance on the consolidation of VIEs. The intent of this guidance is to improve financial reporting by enterprises involved with VIEs and to provide more relevant and reliable information to users of financial statements. The new guidance requires a number of new disclosures and we are required to perform ongoing reassessments of whether we are the primary beneficiary of a VIE for financial reporting purposes. For us, this guidance was effective as of January 1, 2010.

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 10. Related Person Transactions* for more information.

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We have entered into LMAs to provide programming, sales and managerial services for television stations of Cunningham, the license owner of seven television stations as of December 31, 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 FCC license and certain other assets used to operate the station (License Assets). Our applications to acquire the FCC licenses are pending approval. We own the majority of the non-license assets of the Cunningham stations and our Bank Credit Agreement contain certain cross-default provisions with Cunningham whereby a default by Cunningham caused by insolvency would cause an event of default under our Bank Credit Agreement. We have determined that the Cunningham stations are VIEs and that based on the terms of the agreements, the significance of our investment in the stations and the cross-default provisions with our Bank Credit Agreement, 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 10. Related Person Transactions* for more information on our arrangements with Cunningham. Included in the accompanying consolidated statements of operations for the years ended December 31, 2011, 2010 and 2009 are net revenues of $90.3 million, $94.3 million and $80.4 million, respectively, that relate to LMAs with Cunningham.

We have outsourcing agreements with certain other license owners, under which we provide certain non-programming related sales, operational and administrative services. We pay a fee to the license owners 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 the LMAs with Cunningham, we have determined that the outsourced license station assets are VIEs and we are the primary beneficiary. Included in the accompanying consolidated statements of operations for the years ended December 31, 2011, 2010 and 2009 are net revenues of $11.9 million, $13.2 million and $10.0 million, respectively, that relate to these arrangements.

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 as of December 31, 2011 and 2010 were as follows (in thousands):

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,739	$ 5,319
Income taxes receivable	142	
Current portion of program contract costs	413	480
Prepaid expenses and other current assets	99	105
Total current asset	3,393	5,904
PROGRAM CONTRACT COSTS, less current portion	271	491
PROPERTY AND EQUIPMENT, net	6,658	7,461
GOODWILL	6,357	6,357
BROADCAST LICENSES	4,208	4,183
DEFINITE-LIVED INTANGIBLE ASSETS, net	6,601	6,959
OTHER ASSETS	5,980	914
Total assets	$ 33,468	$ 32,269
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 37	$ 37
Accrued liabilities	315	773
Income taxes payable		44
Current portion of notes payable, capital leases and commercial bank financing	11,074	11,056
Current portion of program contracts payable	373	649
Total current liabilities	11,799	12,559

LONG-TERM LIABILITIES:				
Notes payable, capital leases and commercial bank financing, less current portion		2,411		13,484
Program contracts payable, less current portion		173		190
Total liabilities	$	14,383	$	26,233

The amounts above represent the consolidated assets and liabilities of the VIEs related to our LMAs with Cunningham and outsourcing agreements, for which we are the primary beneficiary, and have been aggregated as they all relate to our broadcast business. Excluded from the amounts above are yearly payments made to Cunningham under the LMA which are treated as a prepayment of the purchase price of the stations and capital leases between us and Cunningham which are eliminated in consolidation. The total payment made under these LMAs as of December 31, 2011 and 2010, which are excluded from liabilities above, were $22.7 million and $11.7 million, respectively. The total capital lease assets excluded from above were $11.8 million

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for each of the years ended December 31, 2011 and 2010, respectively. The risk and reward characteristics of the VIEs are similar.

Under the previously applicable accounting guidance for consolidation, we had determined that we had a variable interest in four real estate ventures and that we were the primary beneficiary of those VIEs and should consolidate the assets and liabilities of those entities. However, under the new accounting guidance for consolidation which was effective January 1, 2010, we no longer consider one of these investments to be a VIE since the investment does not meet the VIE criteria under the new accounting guidance. We still consolidate the assets and liabilities of this entity pursuant to other accounting guidance based on voting-interests. Under the new accounting guidance for consolidation, we no longer consider ourselves the primary beneficiary of the other three real estate ventures since, as the manager of the venture, the other partner holds the power to direct activities that significantly impact the economic performance of the VIE and can participate in returns that would be considered significant to the VIE. The effect of this change was not material to our consolidated financial statements.

In the fourth quarter of 2011, we began providing sales, programming and management services to the Four Points and Freedom stations pursuant to LMAs. We have determined that the Four Points and Freedom stations are VIEs based on the terms of the agreements. We are not the primary beneficiary because the station owners have the power to direct the activities of the VIEs that most significantly impact the economic performance of the VIEs. In the consolidated statements of operations for the year ended December 31, 2011 are net revenues of $10.8 million and station production expenses of $7.7 million related to the Four Points and Freedom LMAs.

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

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

	2011		2010	
	Carrying amount	**Maximum exposure**	**Carrying amount**	**Maximum exposure**
Investments in real estate ventures	$ 8,009	$ 8,009	$ 7,769	$ 7,769
Investments in investment companies	26,276	26,276	24,872	24,872
Total	$ 34,285	$ 34,285	$ 32,641	$ 32,641

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, $2.8 million, $2.1 million and a loss of $0.6 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Or maximum exposure is equal to the carrying value of our investments. As of December 31, 2011 and December 31, 2010, our unfunded commitments related to private equity investment funds totaled $10.9 million and $14.9 million, respectively.

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.

Nonmonetary Asset Exchanges

In 2004, Sprint Nextel Corporation (Nextel) agreed to relocate its airwaves to end interference between its cellular signals and the wireless signals used by the country s public safety agencies. As part of this agreement, the FCC granted Nextel the right to a certain spectrum within the 1.9 GHz band that was used by television broadcasters for electronic news gathering. Accordingly, Nextel entered into agreements with several of our stations to exchange our existing analog equipment for comparable digital equipment. As equipment was exchanged and placed in service, we recorded a gain to the extent that the fair market value of the equipment received exceeds the carrying amount of the equipment relinquished. The equipment is recorded at the estimated fair market value and is depreciated over a useful life of eight years. For the year ended December 31, 2009 we recorded a gain of $4.9 million for the equipment received. We received all applicable equipment pursuant to the agreement in 2009.

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Recent Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board (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 periods within those years beginning after December 15, 2010. This guidance did not 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 adopted this guidance during the year ended December 31, 2011, which did not have a material impact on our consolidated financial statements.

In September 2011, the FASB issued the final Accounting Standards Update for goodwill impairment testing. The standard 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 changes are effective prospectively for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We adopted this new guidance in the fourth quarter of 2011 in completing our annual impairment analysis. See *Note 4. Goodwill, Broadcast Licenses and Other Intangible Assets* for further discussion of the results of our goodwill impairment analysis. This guidance impacts how we perform the annual goodwill impairment test; however, it will not impact our consolidated financial statements as the guidance will not impact the timing or amount of any resulting impairment charges.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

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. See *Note 5. Notes Payable and Commercial Bank Financing* for more information. 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.

Upon entering into definitive agreements to purchase assets of Four Points and Freedom in September 2011 and November 2011, respectively, we were required to deposit 10% of the purchase price for each acquisition into an escrow account. As of December 31, 2011, $58.5 million in restricted cash classified as noncurrent relates to the amount held in escrow for these pending acquisitions.

Additionally, under the terms of certain lease agreements, as of December 31, 2011 and 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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Accounts Receivable

Management regularly reviews accounts receivable and determines an appropriate estimate for the allowance for doubtful accounts based upon the impact of economic conditions on the merchant s ability to pay, past collection experience and such other factors which, in management s judgment, deserve current recognition. In turn, a provision is charged against earnings in order to maintain the appropriate allowance level.

A rollforward of the allowance for doubtful accounts for the years ended December 31, 2011, 2010 and 2009 is as follows (in thousands):

	2011	2010	2009
Balance at beginning of period	$ 3,242	$ 2,932	$ 3,327
Charged to expense	751	703	1,381
Net write-offs	(985)	(393)	(1,776)
Balance at end of period	$ 3,008	$ 3,242	$ 2,932

Programming

We have agreements with distributors for the rights to television programming over contract periods, which generally run from one to seven years. Contract payments are made in installments over terms that are generally equal to or shorter than the contract period. Pursuant to accounting guidance for the broadcasting industry, an asset and a liability for the rights acquired and obligations incurred under a license agreement are reported on the balance sheet where the cost of each program is known or reasonably determinable, the program material has been accepted by the licensee in accordance with the conditions of the license agreement and the program is available for its first showing or telecast. The portion of program contracts which becomes payable within one year is reflected as a current liability in the accompanying consolidated balance sheets.

The rights to this programming are reflected in the accompanying consolidated balance sheets at the lower of unamortized cost or estimated net realizable value. With the exception of one-year contracts amortization of program contract costs is computed using either a four-year accelerated method or based on usage, whichever method results in the earliest recognition of amortization for each program. Program contract cost are amortized on a straight-line basis for one-year contracts. Program contract costs estimated by management to be amortized in the succeeding year are classified as current assets. Payments of program contract liabilities are typically made on a scheduled basis and are not affected by adjustments for amortization or estimated net realizable value.

Estimated net realizable values are based on management s expectation of future advertising revenues, net of sales commissions, to be generated by the program material. We perform a net realizable value calculation quarterly for each of our program contract costs in accordance with FASB guidance on Financial Reporting for Broadcasters. We utilize sales information to estimate the future revenue of each commitment and measure that amount against the commitment. If the estimated future revenue is less than the amount of the commitment, a loss is recorded in amortization of program contract costs and net realizable value adjustments in the consolidated statements of operations.

Barter Arrangements

Certain program contracts provide for the exchange of advertising airtime in lieu of cash payments for the rights to such programming. The revenues realized from station barter arrangements are recorded as the programs are aired at the estimated fair value of the advertising airtime given in exchange for the program rights. Program service arrangements are accounted for as station barter arrangements, however, network affiliation programming is excluded from these calculations. Revenues are recorded as revenues realized from station barter arrangements and the corresponding expenses are recorded as expenses recognized from station barter arrangements. In conjunction with the 2009 termination of our MyNetworkTV affiliation agreements described in *Note 9. Commitments and Contingencies*, in September 2009 our relationship with MyNetworkTV changed to a program service arrangement and is accounted for as a station barter arrangement.

We broadcast certain customers advertising in exchange for equipment, merchandise and services. The estimated fair value of the equipment, merchandise or services received is recorded as deferred barter costs and the corresponding obligation to broadcast advertising is recorded as deferred barter revenues. The deferred barter costs are expensed or capitalized as they are used, consumed or received and are included in station production expenses and station selling, general and administrative expenses, as applicable. Deferred barter revenues are recognized as the related advertising is aired and are recorded in revenues realized from station barter arrangements.

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Other Assets

Other assets as of December 31, 2011 and 2010 consisted of the following (in thousands):

		2011		2010
Equity and cost method investments	$	80,539	$	76,275
Unamortized costs related to debt issuances		34,590		30,017
Other		8,280		2,124
Total other assets	$	123,409	$	108,416

We have equity and cost method investments primarily in private investment funds and real estate ventures. These investments are included in our other operating divisions segment. In the event that one or more of our investments are significant, we are required to disclose summarized financial information. For the years ended December 31, 2011, 2010, and 2009, none of our investments were significant individually or in the aggregate.

When factors indicate that there may be a decrease in value of an equity or cost method investment, we assess whether a loss in value has occurred related to the investment. If that loss is deemed to be other than temporary, an impairment loss is recorded accordingly. For any investments that indicate a potential impairment, we estimate the fair values of those investments using discounted cash flow models, unrelated third party valuations or industry comparables, based on the various facts available to us. For the year ended December 31, 2010, we recorded impairments of $6.7 million related to three of our investments. The impairments are recorded in the gain (loss) from equity and cost method investees in our consolidated statement of operations. No impairment was recorded for the years ended December 31, 2011 or 2009.

Impairment of Intangible and Long-Lived Assets

The accounting guidance for goodwill and other intangible assets requires that goodwill and indefinite-lived intangible assets be tested for impairment at least annually, or when events or changes in circumstances indicate that impairment potentially exists. Beginning with the annual goodwill impairment test in 2011, which we perform each year in the fourth quarter, we applied a qualitative assessment to assess whether it is more likely than not a reporting unit has been impaired. Our qualitative assessment includes, but is not limited to, assessing the changes in macroeconomics conditions, regulatory environment, industry and market conditions, and the specific financial performance of the reporting units, as well as any other events or circumstances specific to the reporting units. If we conclude that it is more likely than not that a reporting unit is impaired, we will apply the quantitative two-step method. In the first step, the Company determines the fair value of the reporting unit and compares that fair value to the net book value of the reporting unit. The fair value of the reporting unit is determined using various valuation techniques, including quoted market prices, observed earnings/cash flow multiples paid for comparable television stations and discounted cash flow models. If the net book value of the reporting unit were to exceed the fair value, we would then perform the second step of the impairment test, which requires allocation of the reporting unit s fair value to all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill to determine the implied fair value. An impairment charge will be recognized only when the implied fair value of a reporting unit s goodwill is less than its carrying amount. Prior to 2011, the annual impairment test for goodwill was performed using the quantitative two-step method described above, for all reporting units. For our annual impairment test for indefinite-lived intangibles, broadcast licenses, we compare the fair value of the broadcast licenses, at a market level, to the carrying amount of those same broadcast licenses. If the carrying amount of the broadcast licenses exceeds the fair value, then an impairment loss is recorded to the extent that the carrying value of the broadcast licenses exceeds the fair value.

We aggregate our stations by market for purposes of our goodwill impairment testing. We believe that our markets are most representative of our broadcast reporting units because segment management views, manages and evaluates our stations on a market basis. Furthermore, in our markets operated as duopolies, certain costs of operating the stations are shared including the use of buildings and equipment, the sales force and administrative personnel. When performing the quantitative two-step method, we estimate the fair market value of our reporting units using a combination of quoted market prices, observed earnings/cash flow multiples paid for comparable television stations, and discounted cash flow models. Our discounted cash flow model is based on our judgment of future market conditions within each designated market area, as well as discount rates that would be used by market participants in an arms-length transaction.

When evaluating our broadcast licenses for impairment, the testing is done at the unit of accounting level using the income approach method. The income approach method involves an eight-year model that incorporates several variables, including, but not limited to, discounted cash flows of a typical market participant, market revenue and long term growth projections, estimated market share for the typical participant and estimated profit margins based on market size and station type. The model also assumes outlays for capital expenditures, future terminal values, an effective tax rate assumption and a discount rate based on the weighted-average cost of capital of the television broadcast industry.

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We periodically evaluate our long-lived assets for impairment and continue to evaluate them as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. We evaluate the recoverability of long-lived assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time that such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are tested for impairment by comparing their estimated fair value to the carrying value. We typically estimate fair value using discounted cash flow models and appraisals. See *Note 4. Goodwill and Other Intangible Assets*, for more information.

Accrued Liabilities

Accrued liabilities consisted of the following as of December 31, 2011 and 2010 (in thousands):

	2011	2010
Compensation and employee insurance	$ 16,665	$ 16,637
Interest	12,191	13,528
Other accruals relating to operating expenses	37,498	29,027
Deferred revenue	13,344	8,879
Total accrued liabilities	$ 79,698	$ 68,071

We expense these activities when incurred.

Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. We provide a valuation allowance for deferred tax assets if we determine, based on the weight of all available evidence, that it is more likely than not that some or all of the deferred tax assets will not be realized. As of December 31, 2011, valuation allowances have been provided for a substantial amount of our available state net operating losses.   Management periodically performs a comprehensive review of our tax positions and accrues amounts for tax contingencies. Based on these reviews, the status of ongoing audits and the expiration of applicable statute of limitations, accruals are adjusted as necessary in accordance with income tax accounting guidance.

Supplemental Information   Statements of Cash Flows

During 2011, 2010 and 2009, we had the following cash transactions (in thousands):

	2011	2010	2009
Income taxes paid related to continuing operations	$ 897	$ 1,211	$ 537
Income tax refunds received related to continuing operations	$ 5	$ 8,435	$ 2,975

Interest paid	$ 98,643	$ 110,833	$ 61,266

Non-cash barter and trade expense are presented on the face of the consolidated statements of operations. Non-cash transactions related to capital lease obligations were $2.3 million, $1.4 million and $2.3 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Revenue Recognition

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

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

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

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

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Advertising Expenses

Advertising expenses are recorded in the period when incurred and are included in station production expenses. Total advertising expenses from continuing operations, net of advertising co-op credits, were $8.7 million, $6.2 million and $3.9 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Financial Instruments

Financial instruments, as of December 31, 2011 and 2010, consisted of cash and cash equivalents, trade accounts receivable, notes receivable (which are included in other current assets), accounts payable, accrued liabilities and notes payable. The carrying amounts approximate fair value for each of these financial instruments, except for the notes payable. See *Note 5. Notes Payable and Commercial Bank Financing,* for additional information regarding the fair value of notes payable.

Pension

We are required to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of our pension plan in our consolidated financial statements. As of December 31, 2011 and 2010, we held a liability of $4.6 million and $3.2 million, respectively, representing the under funded status of our defined benefit pension plan.

Reclassifications

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

2. STOCK-BASED COMPENSATION PLANS:

Description of Awards

We have seven types of stock-based compensation awards: compensatory stock options (options), restricted stock awards (RSAs), an employee stock purchase plan (ESPP), employer matching contributions (the Match) for participants in our 401(k) plan, stock-settled appreciation rights (SARs), subsidiary stock awards and stock grants to our non-employee directors. Stock-based compensation expense has no effect on our consolidated cash flows. Below is a summary of the key terms and methods of valuation of our stock-based compensation awards:

Options. In June 1996, our Board of Directors adopted, upon approval of the shareholders by proxy, the 1996 Long-Term Incentive Plan (LTIP). The purpose of the LTIP is to reward key individuals for making major contributions to our success and the success of our subsidiaries and to attract and retain the services of qualified and capable employees. Options granted pursuant to the LTIP must be exercised within 10 years following the grant date. A total of 14,000,000 shares of Class A Common Stock are reserved for awards under this plan. As of December 31, 2011, 9,955,309 shares (including forfeited shares) were available for future grants. We have not issued any options subsequent to accelerating the vesting in 2005.

The following is a summary of changes in outstanding stock options:

Outstanding at December 31, 2010	300,500	$	10.81	300,500	$	10.81
2011 Activity:						
Granted						
Exercised	(113,450)		12.12			
Cancelled	(8,050)		11.09			
Outstanding at December 31, 2011	179,000	$	11.69	179,000	$	11.69

RSAs. RSAs are granted to employees pursuant to the LTIP. RSAs issued in 2011 and 2010 have certain restrictions that lapse over two years at 50% and 50%, respectively. RSAs issued prior to 2010 have certain restrictions that lapse over three years at 25%, 25% and 50%, respectively. As the restrictions lapse, the Class A Common Stock may be freely traded on the open market. Unvested RSAs are entitled to dividends. The fair value assumes the value of the stock on the trading date immediately prior to the grant date.

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The following is a summary of changed in unvested restricted stock:

[redacted]			
Unvested shares at December 31, 2010	220,750	$	6.44
[redacted]			
Granted	91,000		12.07
[redacted]			
Forfeited	(3,000)		9.96
[redacted]			

For the years ended December 31, 2011, 2010 and 2009, we recorded compensation expense of $1.0 million, $0.8 million and $0.6 million, respectively. The majority of the unrecognized compensation expense of $0.7 million, as of December 31, 2011, will be recognized in 2012.

ESPP. In March 1998, the Board of Directors adopted, subject to approval of the shareholders, the ESPP. The ESPP provides our employees with an opportunity to become shareholders through a convenient arrangement for purchasing shares of Class A Common Stock. On the first day of each payroll deduction period, each participating employee receives options to purchase a number of shares of our common stock with money that is withheld from his or her paycheck. The number of shares available to the participating employee is determined at the end of the payroll deduction period by dividing the total amount of money withheld during the payroll deduction period by the exercise price of the options (as described below). Options granted under the ESPP to employees are automatically exercised to purchase shares on the last day of the payroll deduction period unless the participating employee has, at least thirty days earlier, requested that his or her payroll contributions stop. Any cash accumulated in an employee s account for a period in which an employee elects not to participate is distributed to the employee.

The initial exercise price for options under the ESPP is 85% of the lesser of the fair market value of the common stock as of the first day of the quarter and as of the last day of that quarter. No participant can purchase more than $25,000 worth of our common stock over all payroll deduction periods ending during the same calendar year. We value the stock options under the ESPP using the Black-Scholes option pricing model, which incorporates the following assumptions as of December 31, 2011, 2010 and 2009:

	2011	**2010**	**2009**
Risk-free interest rate	0.4%	0.3%	0.3%
Expected life	3 months	3 months	3 months
Expected volatility	38%-67%	64%-88%	94%-137%
Weighted average volatility	51%	77%	106%
Annual dividend yield	3.8%-6.6%		
Weighted average dividend yield	5.4%		

We use the Black-Scholes model as opposed to a lattice pricing model because employee exercise patterns are not relevant to this plan. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with short-term maturities that approximate the expected life of the options. The expected life is based on the approximate number of days in the quarter assuming the option was issued on the first day of the quarter. The expected volatility is based on our historical stock prices over the previous three month period. The annual dividend yield is based on the annual dividend per share divided by the share price on the grant date.

The stock-based compensation expense recorded related to the ESPP for the years ended December 31, 2011, 2010 and 2009 was $0.1 million, $0.2 million and $0.3 million, respectively. Less than 0.1 million shares were issued to employees during the year ended December 31, 2011.

Match. The Sinclair Broadcast Group, Inc. 401(k) Profit Sharing Plan and Trust (the 401(k) Plan) is available as a benefit for our eligible employees. Contributions made to the 401(k) Plan include an employee elected salary reduction amount, company-matching contributions (the Match) and an additional discretionary amount determined each year by the Board of Directors. The Match and any additional discretionary contributions may be made using our Class A Common Stock if the Board of Directors so chooses. Typically, we make the Match using our Class A Common Stock.

The value of the Match is based on the level of elective deferrals into the 401(k) plan. The amount of shares of our Class A Common Stock used to make the Match is determined using the closing price on or about March 1st of each year for the previous calendar year s Match. The Match is discretionary and is equal to a maximum of 50% of elective deferrals by eligible employees, capped at 4% of the employee s total cash compensation. For the years ended December 31, 2011 and 2010, we recorded $1.3

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million and $1.5 million, respectively, of compensation expense related to the Match. We did not make a 401(k) plan Match in 2009.

SARs. On March 22, 2011, 300,000 SARs were granted to David Smith, our President and Chief Executive Officer, pursuant to the LTIP. The base value of each SAR is $12.07 per share, which was the closing price of our Class A Common Stock on the grant date. The SARs had a grant date fair value of $2.2 million. On March 12, 2010, 300,000 SARs were granted to David Smith, pursuant to the LTIP. The base value of each SAR is $5.75 per share, which was the closing price of our Class A Common Stock on the grant date. The SARs had a grant date fair value of $1.6 million. No SARs were granted in 2009. The SARs have a 10-year term and vest immediately. We valued the SARs using the Black-Scholes model and the following assumptions:

	2011	2010
Risk-free interest rate	3.60%	3.85%
Expected life	10 years	10 years
Expected volatility	67.94%	110.38%
Annual dividend yield	2.27%	0.00%

For the years ended December 31, 2011 and 2010, we recorded compensation expense, at the grant date, of $2.2 million and $1.6 million, respectively, related to these grants. In 2011, David Smith exercised 650,000 of his SARs for 237,947 shares. During 2011 and 2010, these SARs increased the weighted average shares outstanding for purposes of determining dilutive earnings per share. During 2009, these SARs had no effect on the shares used in our diluted loss per share, as they were anti-dilutive. As of December 31, 2011, 500,000 SARs were outstanding.

Subsidiary Stock Awards. From time to time, we grant subsidiary stock awards to employees. The subsidiary stock is typically in the form of a membership interest in a consolidated limited liability company, not traded on a public exchange and valued based on the estimated fair value of the subsidiary. Fair value is typically estimated using discounted cash flow models and appraisals. These stock awards vest immediately. For the year ended December 31, 2011, we recorded compensation expense of $2.9 million related to these awards. We did not issue any subsidiary stock awards in 2010 or 2009. During the year ended December 31, 2011, we purchased $2.5 million of subsidiary shares from noncontrolling interests. These awards have no effect on the shares used in our basic and diluted earnings per share.

Stock Grants to Non-Employee Directors. In addition to directors fees paid, on the date of each of our annual meetings of shareholders, each non-employee director receives a grant of shares of Class A Common Stock pursuant to the LTIP. In 2011, 2010 and 2009, each non-employee director received 5,000 shares, respectively. On June 3, 2011, June 3, 2010 and June 4, 2009, we granted 25,000 shares that had a fair value of $9.39 per share, 25,000 shares that had a fair value of $6.61 per share and 25,000 shares that had a fair value of $2.09 per share, respectively. The fair value assumes the closing value of the stock on the date of grant. We recorded an expense of $0.2 million for each of the years ended December 31, 2011 and 2010 and less than $0.1 million on the date of grant for the year ended December 31, 2009, respectively. Additionally, these shares are included in the total shares outstanding, which results in a dilutive effect on our basic and diluted earnings (loss) per share.

3. PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed under the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 30 years
Station equipment	5 - 10 years
Office furniture and equipment	5 - 10 years
Leasehold improvements	Lesser of 10 - 30 years or lease term
Automotive equipment	3 - 5 years
Property and equipment under capital leases	Lease term

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Property and equipment consisted of the following as of December 31, 2011 and 2010 (in thousands):

	2011	2010
Land and improvements	$ 20,303	$ 20,183
Real estate held for development and sale	55,517	54,474
Buildings and improvements	98,283	93,514
Station equipment	306,041	341,022
Office furniture and equipment	37,305	44,735
Leasehold improvements	14,495	15,336
Automotive equipment	12,578	12,040
Capital leased assets	79,259	79,259
Construction in progress	6,647	3,005
	630,428	663,568
Less: accumulated depreciation	(348,907)	(391,337)
	$ 281,521	$ 272,231

Capital leased assets are related to building, tower and equipment leases. Depreciation related to capital leases is included in depreciation expense in the consolidated statements of operations. We recorded capital lease depreciation expense of $3.8 million, $4.0 million and $4.7 million for the years ended December 31, 2011, 2010 and 2009, respectively.

4. GOODWILL, BROADCAST LICENSES AND OTHER INTANGIBLE ASSETS:

Goodwill, which arises from the purchase price exceeding the assigned value of the net assets of an acquired business, represents the value attributable to unidentifiable intangible elements being acquired. Goodwill totaled $660.1 million and $660.0 million at December 31, 2011 and 2010, respectively. The change in the carrying amount of goodwill related to continuing operations was as follows (in thousands):

	Broadcast	Other Operating Divisions	Consolidated
Balance at December 31, 2009			
Goodwill	$ 1,070,202	$ 3,388	$ 1,073,590
Accumulated impairment losses	(413,573)		(413,573)
	656,629	3,388	660,017
Balance at December 31, 2010			
Goodwill	$ 1,070,202	$ 3,388	$ 1,073,590
Accumulated impairment losses	(413,573)		(413,573)
	656,629	3,388	660,017
Acquisition of other operating divisions companies (a)		100	100
Balance at December 31, 2011			
Goodwill (a)	$ 1,070,202	$ 3,488	$ 1,073,690
Accumulated impairment losses	(413,573)		(413,573)
	$ 656,629	$ 3,488	$ 660,117

(a) In May 2011, we acquired the Ring of Honor wrestling franchise.

As of December 31, 2011 and 2010, the carrying amount of our broadcast licenses related to continuing operations was as follows (in thousands):

	2011	2010
Beginning balance	$ 47,375	$ 51,988
Broadcast license impairment charge	(398)	(4,613)
Acquisition of television station (a)	25	
Ending balance (b)	$ 47,002	$ 47,375

(a) In 2011, Cunningham, a VIE for which we consolidate, acquired the license assets of WDBB-TV, in Birmingham, Alabama.

(b) Approximately $4.2 million of broadcast licenses relate to consolidated VIEs as of December 31, 2011 and 2010.

We did not have any indicators of impairment in the first, second or third quarters of 2011 and therefore did not perform interim impairment tests for goodwill during those periods. In the first quarter 2011, we recorded an impairment charge of $0.4

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million for our broadcast licenses due to anticipated increase in costs for one of our stations as a result of converting to full power. We performed our annual impairment tests in the fourth quarter of 2011, and did not recognize any impairment as a result of the assessments.

As a result of our 2010 annual impairment test, we recorded an impairment charge related to our broadcast licenses of $4.6 million. Broadcast licenses were impaired in 7 of 35 markets and were primarily the result of additional cash outflows for increased signal strength necessary to maintain competitive market positions. The fair value of the broadcast licenses was $55.5 million. There was no impairment to goodwill in 2010.

We recorded an impairment charge in the first quarter of 2009 based on an interim impairment test performed as a result of the severe economic downturn and continued decrease in our market capitalization. As a result of this test, we recorded $69.5 million and $60.6 million in impairment charges related to our goodwill and broadcast licenses, respectively, in the first quarter of 2009. Broadcast licenses were impaired in 28 of 35 markets. The fair value of the broadcast licenses was $85.3 million. We recorded goodwill impairment in three markets including Cedar Rapids, Iowa; Charleston, West Virginia; and Madison, Wisconsin.

The impairment charge taken during the fourth quarter of 2009 was primarily due to the continued deterioration of the economy and further revisions to our forecasted cash flows, cash flow multiples and discount rates. As a result of this test, we recorded $94.7 million and $24.3 million in impairment charges related to our goodwill and broadcast licenses, respectively, in the fourth quarter of 2009. Broadcast licenses were impaired in 18 of 35 markets. We recorded goodwill impairment in two markets including Buffalo, New York; and Pensacola, Florida.

The carrying value, fair value and impairment loss of the goodwill and broadcast licenses which were impaired during 2011, 2010 and 2009 were as follows (in thousands):

		Fair Value Measurements Using			
Description	**Carrying Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Impairment Losses**
Year Ended December 31, 2011					
Broadcast licenses (a)	$ 1,265	$	$	$ 1,265	$ 398
Year Ended December 31, 2010					
Broadcast licenses (a)	$ 14,850	$	$	$ 14,850	$ 4,613
Year Ended December 31, 2009					
Goodwill of markets which were impaired during the year (b)	$ 55,762	$	$	$ 55,762	$ 164,171
Broadcast licenses (a)	$ 51,542	$	$	$ 51,542	$ 80,434

(a) The fair value above represents the fair value of the broadcast licenses that were impaired in 2011, 2010 and 2009 and recorded to fair value. It excludes carrying values of $45.7 million, $32.5 million and $0.4 million related to broadcast licenses as of December 31, 2011, 2010 and 2009, respectively, which were not impaired during those years and had fair values in excess of carrying value.

(b) The fair value above represents the implied fair value of the goodwill assigned to the five impaired markets in 2009 for which we were required to calculate this amount. It excludes carrying values related to goodwill of $604.2 million at December 31, 2009 for which we were not required to calculate the fair value.

The key assumptions used to determine the fair value of our reporting units to test our goodwill for impairment and to determine the fair value of our broadcast licenses consist of discount rates, revenue and expense growth rates, constant growth rates and comparable business multiples. The revenue, expense and constant growth rates used in determining the fair value of our broadcast licenses have increased slightly from 2010 to 2011. The growth rates are based on market studies, industry knowledge and historical performance.

The discount rates used to determine the fair value of our broadcast licenses did not significantly change from 2010 to 2011. The discount rate is based on a number of factors including market interest rates, a weighted average cost of capital analysis based on the target capital structure for a television station, and includes adjustments for market risk and company specific risk.

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

	Weighted Average Amortization Period	Gross Carrying Amount	As of December 31, 2011 Accumulated Amortization	Net
Amortized intangible assets:				
Network affiliation	25 years	$ 244,900	$ (141,202)	$ 103,698
Decaying advertiser base	15 years	122,375	(115,897)	6,478
Other	15 years	106,243(a)	(41,078)	65,165
Total		$ 473,518	$ (298,177)	$ 175,341

	Weighted Average Amortization Period	Gross Carrying Amount	As of December 31, 2010 Accumulated Amortization	Net
Amortized intangible assets:				
Network affiliation	25 years	$ 245,025	$ (132,013)	$ 113,012
Decaying advertiser base	15 years	122,375	(111,675)	10,700
Other	15 years	97,200(a)	(36,260)	60,940
Total		$ 464,600	$ (279,948)	$ 184,652

(a) During 2011 and 2010, we purchased $8.9 million and $10.2 million, respectively, in additional alarm monitoring contracts related to a business within our other operating divisions.

Definite-lived intangible assets and other assets subject to amortization are being amortized on a straight-line basis over periods of 5 to 25 years. The amortization expense of the definite-lived intangible assets for the years ended December 31, 2011, 2010 and 2009 was $18.2 million, $18.8 million and $22.4 million, respectively. We analyze specific definite-lived intangibles for impairment when events occur that may impact their value in accordance with the respective accounting guidance for long-lived assets. There were no impairment charges recorded for the years ended December 31, 2011, 2010 and 2009.

The following table shows the estimated amortization expense of the definite-lived intangible assets for the next five years (in thousands):

For the year ended December 31, 2012	$ 17,344
For the year ended December 31, 2013	15,398
For the year ended December 31, 2014	13,072
For the year ended December 31, 2015	12,869

For the year ended December 31, 2016		12,766
Thereafter		103,892
	$	175,341

5. 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 2.00% through maturity with the difference of 2.875% being accrued and then paid at maturity. As of December 31, 2011, the face amount of the outstanding 4.875% Notes was $5.7 million.

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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 1.00% 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 restricted annual cash payments including but not limited to dividends and share repurchases.

On December 16, 2011 we further amended certain terms of, and raised additional commitments under our Bank Credit Agreement in order to fund the acquisition of the Four Points and Freedom stations. The final terms of this new amendment are as follows:

- We raised $530.0 million of incremental term loan commitments, which consisted of an additional $372.5 million Term B Loan commitment and an additional $157.5 million Term A Loan commitment. Interest rates and maturity were not amended.
- We increased our revolving line of credit from $75.4 million to $97.5 million and extended the maturity from 2013 to be coterminous with the Term Loan A maturity of March 2016. Pricing on the revolving line of credit was reduced from LIBOR plus 4.00% with a 2.00% LIBOR floor down to LIBOR plus 2.25%, with no LIBOR floor.
- We also amended certain terms of the Bank Credit Agreement, including increased incremental loan capacity, increased television station acquisition capacity and more flexibility under the restrictive covenants.
- We will begin to incur fees on the undrawn commitments beginning January 17, 2012. The fees are calculated based on an annual rate of 0.5% for the Term Loan A, which will increase to 1.0% after March 30, 2012, and 1.5% for the Term Loan B which will increase to 3.0% after March 30, 2012. If we do not complete the Freedom acquisition and draw on the remaining commitments by July 1, 2012, the commitments will expire.

We drew $180.0 million of the additional term loans to fund the previously announced acquisition of assets of Four Points, which closed in January 2012, and intend to draw the remaining $350.0 million of the additional term loans to fund the previously announced acquisition of assets of Freedom, which is expected to close late in the first quarter or early in the second quarter of 2012. As of December 31, 2011, we had $12.0 million drawn on our revolver.

Interest expense related to the Bank Credit Agreement, including the revolver, on our consolidated statement of operations was $19.6 million, $23.6 million and $8.5 million for the years ended December 31, 2011, 2010 and 2009, respectively. Included in these amounts were debt refinancing costs of $6.1 million and $3.6 million for the years ended December 31, 2011 and 2010, respectively, in accordance with debt modification accounting guidance that applied to the amendments. Additionally, during the year ended December 31, 2011, we capitalized $5.5 million of financing costs related to the amendment.

The weighted average effective interest rate of the Term Loan B for the years ended December 31, 2011 and 2010 was 4.96% and 6.86%, respectively. The weighted average effective interest rate of the Term Loan A for the year ended December 31, 2011 was 2.45%.

8.0% Senior Subordinated Notes, Due 2012

From March 2002 through May 29, 2003, we issued $650.0 million aggregate principal amount of 8.0% Senior Subordinated Notes, due 2012 (the 8.0% Notes). Interest on the 8.0% Notes was paid semiannually on March 15 and September 15 of each year, beginning September 15, 2002. The 8.0% Notes were issued under an indenture among us, certain of our subsidiaries (the guarantors) and the trustee.

On September 20, 2010, we commenced a tender offer to purchase for cash any and all of the outstanding 8.0% Notes. We offered to purchase the 8.0% Notes at a purchase price of $1,002.50 per $1,000 principal amount, if tendered within the first ten business days of the tender offer period or $972.50 per $1,000 principal amount if tendered after such time, plus accrued and unpaid interest. The tender offers expired October 19, 2010 and approximately $175.7 million principal amount of the 8.0% Notes were tendered and purchased. On November 19, 2010, we completed the redemption of the remaining $49.0 million outstanding of 8.0% Notes. These notes were redeemed for cash at a redemption price of 100% of the principal amount of the

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8.0% Notes plus accrued and unpaid interest. The redemption of the notes was effected in accordance with the terms of the indenture governing the notes and was funded from the net proceeds of the 8.375% Senior Unsecured Notes, due 2018 (8.375% Notes) offering described below and available cash on hand. As a result of these redemptions, we recorded a gain from extinguishment of debt of $0.7 million for the year ended December 31, 2010.

Interest expense was $13.9 million and $17.6 million for the years ended December 31, 2010 and 2009, respectively.

The weighted average effective interest rate for the 8.0% Notes including the amortization of its bond premium was 7.88% for the year ended December 31, 2010.

6.0% Convertible Debentures, Due 2012

On June 15, 2005, we completed an exchange of our Series D Convertible Exchangeable Preferred Stock (the Preferred Stock) into 6.0 % Convertible Debentures, due 2012 (the 6.0% Notes). The 6.0% Notes mature September 15, 2012, and bear interest at a rate of 6.0% per annum, payable quarterly on each March 15, June 15, September 15 and December 15, beginning September 15, 2005. The 6.0% Notes are convertible into Class A Common Stock at the option of the holders at a conversion price of $22.813 per share, subject to adjustment. The difference in the carrying amount of the Preferred Stock and the fair value of the 6.0% Notes was recorded as a $31.7 million discount on the 6.0% Notes and is being amortized over the life of the 6.0% Notes using the effective interest method.

During 2009, we redeemed, on the open market, $1.0 million principal amount of the 6.0% Notes. In connection with this redemption, we recorded a gain from extinguishment of debt of $0.4 million for the year ended December 31, 2009.

During 2010, we repurchased, on the open market, $6.1 million in principal amount of the 6.0% Notes. On September 20, 2010, we commenced tender offers to purchase for cash up to $60.0 million in principal amount of the outstanding 6.0% Notes. We offered to purchase the 6.0% Notes at a purchase price of $987.50 per $1,000 principal amount plus accrued and unpaid interest. The tender offer expired October 19, 2010 and approximately $58.0 million of the 6.0% Notes were tendered and purchased. The net proceeds from the offering of the 8.375% Notes described below and cash on hand were used to fund this tender offer.

On April 15, 2011, we completed the redemption of the remaining $70.0 million of outstanding 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 $3.4 million for the year ended December 31, 2011.

Interest expense was $1.9 million, $10.6 million, and $11.6 million for the years ended December 31, 2011, 2010 and 2009, respectively.

The weighted average effective interest rate for the 6.0% Notes including the amortization of its bond discount was 9.18% and 8.96% for the years ended December 31, 2011 and 2010, respectively.

9.25% Senior Secured Second Lien Notes, Due 2017

On October 29, 2009, we issued $500.0 million aggregate principal amount of the 9.25% Notes that mature on November 1, 2017, pursuant to an indenture, dated as of October 29, 2009 (the Indenture). The 9.25% Notes were priced at 97.264% of their par value and accrue interest at a rate of 9.25% beginning on the issue date. Interest on the 9.25% Notes is paid on May 1 and November 1 of each year, beginning May 1, 2010. Prior to November 1, 2013, we may redeem the 9.25% Notes in whole, but not in part, at any time at a price equal to 100% of the principal amount of the 9.25% Notes plus accrued and unpaid interest, plus a make-whole premium as set forth in the Indenture. Beginning on November 1, 2013, we may redeem some or all of the 9.25% Notes at any time or from time to time at the redemption prices set forth in the Indenture. In addition, on or prior to November 1, 2012, we may redeem up to 35.0% of the 9.25% Notes using the proceeds of certain equity offerings. Upon the sale of certain of our assets or certain changes of control, the holders of the 9.25% Notes may require us to repurchase some or all of the 9.25% Notes. The 9.25% Notes are collateralized by $1,005.7 million of our tangible and intangible assets.

Interest expense was $47.6 million and $47.3 million for the years ended December 31, 2011 and 2010, respectively.

The weighted average effective interest rate for the 9.25% Notes including the amortization of its bond discount was 9.74% and 9.71% for the years ended December 31, 2011 and 2010, respectively.

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8.375% Senior Unsecured Notes, due 2018

On October 4, 2010, we issued $250.0 million aggregate principal amount of the 8.375% Notes at 98.567% of their par value pursuant to an indenture, dated as of October 4, 2010 (the Indenture). Interest on the 8.375% Notes will be paid on April 15 and October 15 of each year, beginning April 15, 2011. Prior to October 15, 2014, we may redeem the 8.375% Notes in whole or in part, at any time or from time to time at a price equal to 100% of the principal amount of the 8.375% Notes plus accrued and unpaid interest, plus a make-whole premium as set forth in the Indenture. Beginning on October 15, 2014, we may redeem some or all of the 8.375% Notes at any time or from time to time at the redemption prices set forth in the Indenture. In addition, on or prior to October 15, 2013, we may redeem up to 35% of the 8.375% Notes using the proceeds of certain equity offerings. Upon certain changes of control, we must offer to purchase the 8.375% Notes at a price equal to 101% of the face amount of the notes plus accrued and unpaid interest. The net proceeds from the offering of the 8.375% Notes were used to fund the tender offers for our 6.0% and 8.0% Notes described above. Concurrent to entering into the Indenture we also entered into a registration rights agreement requiring us to complete an offer of an exchange of the 8.375% Notes for registered securities with the SEC by July 1, 2011. The 8.375% Notes registration became effective on November 23, 2010.

In 2011, we repurchased, in the open market, $12.5 million principal amount of the 8.375% Notes. We recognized a loss on these extinguishments of $0.3 million. As of December 31, 2011, the principal amount of the outstanding 8.375% Notes was $237.5 million.

Interest expense was $21.0 million and $5.1 million for the years ended December 31, 2011 and 2010, respectively.

The weighted average effective interest rate of the 8.375% Notes was 8.64% and 8.45% for the years ended December 31, 2011 and 2010, respectively.

4.875% Convertible Senior Notes, Due 2018 and 3.0% Convertible Senior Notes, Due 2027

Any holder of the 4.875% Notes may surrender all or any portion of their notes for a conversion into our Class A Common Stock at any time. As of December 31, 2011, the conversion price of the 4.875% Notes was $22.37 per share and the number of Class A Common Stock that would be delivered upon conversion was 254,128. The 4.875% Notes bore cash interest at an annual rate of 4.875% until January 15, 2011 and now bear cash interest at an annual rate of 2.00% from January 15, 2011 through maturity. The principal amount of the 4.875% Notes will accrete to 125.66% of the original par amount from January 15, 2011 to maturity. As of January 15, 2011, no put rights were exercised for the 4.875% Notes and the put right expired.

Upon certain conditions, the 3.0% Notes are convertible into cash and, in certain circumstances, shares of Class A Common Stock at any time on or before November 15, 2026. Holders of the 3.0% Notes will have the right on May 15, 2017 and May 15, 2022, or any other such date to be determined by us at a repurchase price payable in cash equal to the aggregate principal amount plus accrued and unpaid interest (including contingent cash interest), if any, through the repurchase date. As of December 31, 2011, the conversion price of the 3.0% Notes was $18.99 per share and the number of Class A Common Stock that would be delivered upon conversion was 284,360. We recorded the difference between the initial proceeds received from the debt issuance and the fair value of the liability component of the debt as a discount.

During 2009, we commenced tender offers at 98% of the face value of the notes and purchased $266.6 million and $106.5 million of the 3.0% Notes and 4.875% Notes, respectively. Additionally, during 2009, we redeemed, on the open market, $50.7 million of the 3.0% Notes. We recorded $18.9 million and $0.2 million gain from extinguishment on the 3.0% Notes and 4.875% Notes, respectively during the year ended December 31, 2009.

During the first quarter of 2010, we completed tender offers to purchase for cash any and all of the outstanding 3.0% Notes and 4.875% Notes at 100% of the face value of such notes. We redeemed approximately $12.3 million and $14.3 million of the 3.0% and 4.875% Notes, respectively. During the second quarter of 2010, the put right period for the 3.0% Notes expired and holders representing $10.0 million in principal amount of the 3.0% Notes exercised their put rights. During the third quarter of 2010, we redeemed $17.0 million of the 4.875% Notes in a private transaction.

As of December 31, 2011, we have embedded derivatives related to contingent cash interest features in our 4.875% Notes and 3.0% Notes, which had negligible fair values.

The weighted average effective interest rate for the 4.875% Notes was 4.84% and 5.42% for the years ended December 31, 2011 and 2010, respectively. The weighted average effective interest rate on the liability portion of the 3.0% Notes was 3.0% and 3.44% for the years ended December 31, 2011 and 2010, respectively.

Interest expense for the 4.875% Notes was $0.3 million, $1.0 million and $6.2 million for the years ended December 31, 2011, 2010 and 2009, respectively. Interest expense for the 3.0% Notes was $0.2 million, $0.5 million and $15.5 million, respectively.

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Cunningham Bank Credit Facility

Cunningham, one of our consolidated VIEs, holds a $33.5 million term loan facility originally entered into on March 20, 2002, with an unrelated third party. Primarily all of Cunningham s assets are collateral for its term loan facility, which is non-recourse. On June 5, 2009, the administrative agent under Cunningham s bank credit facility declared an event of default under the facility for failure to timely deliver certain annual financial statements as required. As of such date, a rate of interest of LIBOR plus 5.00%, which rate includes a 2.00% default rate of interest, was instituted on all outstanding borrowings under the Cunningham bank credit facility. On June 30, 2009, the default was waived and the termination date of the Cunningham term loan facility was extended to July 31, 2009, subject to certain conditions, including maintaining the default interest rate. On July 31, 2009, the Cunningham bank credit facility was further extended to October 30, 2009. The extension required that Cunningham make $0.2 million principal payments on its term loan facility as of the first day of each of August, September and October with the balance due on October 30, 2009. To avoid any potential bankruptcy of Cunningham, the lenders under Cunningham s existing credit facility indicated their willingness to replace such credit facility with a new credit facility, which was conditioned upon Cunningham s demonstration that it can repay the outstanding principal balance due under the facility within three years maturing on October 1, 2012. The interest rate of the new credit facility is LIBOR plus 4.50% with a 2.00% floor. As a result, Cunningham asked us to restructure certain of its arrangements with us, including the LMAs. See *Note 10. Related Person Transactions* for more information.

Our Bank Credit Agreement contains certain cross-default provisions with certain material third-party licensees. As of December 31, 2011, Cunningham was the sole material third party licensee as defined in our Bank Credit Agreement. A default by a material third-party licensee including a default caused by insolvency would cause an event of default under our Bank Credit Agreement.

For the years ended December 31, 2011, 2010 and 2009, the interest expense relating to Cunningham s term loan facility was $1.0 million, $1.7 million and $1.8 million, respectively.

Other Operating Divisions Segment Debt

Other operating divisions segment debt includes the debt of our consolidated subsidiaries with non-broadcast related operations. This debt is non-recourse. Interest is paid on this debt at rates typically ranging from LIBOR plus 2.5% to a fixed 6.11% during 2011. During 2011, 2010 and 2009, interest expense on this debt was $3.7 million, $4.3 million and $3.8 million, respectively.

Summary

Notes payable, capital leases and the Bank Credit Agreement consisted of the following as of December 31, 2011 and 2010 (in thousands):

	2011	2010
Bank Credit Agreement, Term Loan A	$ 115,000	$
Bank Credit Agreement, Term Loan B	221,700	270,000
Revolving Credit Facility	12,000	

6.0% Convertible Debentures, due 2012		70,035
9.25% Senior Secured Second Lien Notes, due 2017	500,000	500,000
8.375% Senior Unsecured Notes, due 2018	237,530	250,000
4.875% Convertible Senior Notes, due 2018	5,685	5,685
3.0% Convertible Senior Notes, due 2027	5,400	5,400
Cunningham Term Loan Facility (non-recourse)	10,967	21,933
Other operating divisions segment debt (all non-recourse)	51,614	48,000
Capital leases	45,075	43,689
	1,204,971	1,214,742
Plus: Accretion on 4.875% Convertible Senior Notes, due 2018	158	
Less: Discount on Bank Credit Agreement, Term Loan B	(4,698)	(5,648)
Less: Discount on 6.0% Convertible Debentures, due 2012		(4,015)
Less: Discount on 9.25% Senior Secured Second Lien Notes, due 2017	(10,947)	(12,276)
Less: Discount on 8.375% Senior Unsecured Notes, due 2018	(3,018)	(3,507)
Less: Current portion	(38,195)	(19,556)
	$ 1,148,271	$ 1,169,740

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Indebtedness under the notes payable, capital leases and the Bank Credit Agreement as of December 31, 2011 matures as follows (in thousands):

	Notes and Bank Credit Agreement	Capital Leases	Total
2012	$ 36,269	$ 5,924	$ 42,193
2013	42,800	6,052	48,852
2014	33,313	6,188	39,501
2015	19,475	5,406	24,881
2016	279,425	5,019	284,444
2017 and thereafter	750,074	54,399	804,473
Total minimum payments	1,161,356	82,988	1,244,344
Plus: Accretion on 4.875% Convertible Senior Notes, due 2018	158		158
Less: Discount on Term Loan B	(4,698)		(4,698)
Less: Discount on 9.25% Senior Secured Second Lien Notes, due 2017	(10,947)		(10,947)
Less: Discount on 8.375% Senior Unsecured Notes, due 2018	(3,018)		(3,018)
Less: Amount representing interest	(1,460)	(37,913)	(39,373)
	$ 1,141,391	$ 45,075	$ 1,186,466

Our Bank Credit Agreement and indentures governing our outstanding notes contain a number of covenants that, among other things, restrict our ability and our subsidiaries ability to incur additional indebtedness, pay dividends, incur liens, engage in mergers or consolidations, make acquisitions, investments or disposals and engage in activities with affiliates. In addition, under the Bank Credit Agreement, we are required to satisfy specified financial ratios. As of December 31, 2011, we were in compliance with all financial ratios and covenants.

Substantially all of our stock in our wholly-owned subsidiaries has been pledged as security for the Bank Credit Agreement.

As of December 31, 2011, our broadcast segment had 29 capital leases with non-affiliates, including 26 tower leases, two building leases and one software lease; our other operating divisions segment had four capital equipment leases and corporate has one building lease. All of our tower leases will expire within the next 20 years and the building leases will expire within the next 5 years. Most of our leases have 5-10 year renewal options and it is expected that these leases will be renewed or replaced within the normal course of business. For more information related to our affiliate notes and capital leases, see *Note 10. Related Person Transactions*.

We filed a $500.0 million universal shelf registration statement with the SEC which became effective April 22, 2009 and expires March 8, 2012. We may use the universal shelf registration statement to issue common and preferred equity, debt securities and securities convertible into equity.

6. PROGRAM CONTRACTS:

Future payments required under program contracts as of December 31, 2011 were as follows (in thousands):

2012	$	63,825
2013		18,360
2014		8,182
2015		1,083
Total		91,450
Less: Current portion		(63,825)
Long-term portion of program contracts payable	$	27,625

Each future periods film liability includes contractual amounts owed, however, what is contractually owed does not necessarily reflect what we are expected to pay during that period. While we are contractually bound to make the payments reflected in the table during the indicated periods, industry protocol typically enables us to make film payments on a three-month lag. Included in the current portion amounts are payments due in arrears of $15.6 million. In addition, we have entered into non-cancelable commitments for future program rights aggregating to $125.1 million as of December 31, 2011.

7. COMMON STOCK:

Holders of Class A Common Stock are entitled to one vote per share and holders of Class B Common Stock are entitled to ten votes per share, except for votes relating to going private and certain other transactions. The Class A Common Stock and the Class B Common Stock vote together as a single class, except as otherwise may be required by Maryland law, on all matters presented for a vote. Holders of Class B Common Stock may at any time convert their shares into the same number of shares of Class A Common Stock. During 2011 and 2010, 1,149,960 and 2,370,040, respectively, Class B Common Stock shares were converted into Class A Common Stock shares.

Our Bank Credit Agreement and some of our subordinated debt instruments have restrictions on our ability to pay dividends. Under our Bank Credit Agreement, in certain circumstances, we may make up to $100.0 million in unrestricted annual cash payments including but not limited to dividends, of which $50.0 million may carry over to the next year. Under the indentures governing the 9.25% Notes and 8.375% Notes, we are restricted from paying dividends on our common stock unless certain specified conditions are satisfied, including that:

- no event of default then exists under the indenture or certain other specified agreements relating to our indebtedness; and
- after taking into account the dividends payment, we are within certain restricted payment requirements contained in the indenture.

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

In November 2010, our Board of Directors declared a one-time $0.43 per share dividend on common stock, which was paid in December 2010. During 2011, our Board of Directors declared quarterly dividends on common stock, of $0.12 per share. Dividends of $0.12 per share were paid in March 2011, June 2011, September 2011 and December 2011, for total dividend payments of $0.48 per share for the year ended December 31, 2011. In February 2012, our Board of Directors declared a quarterly dividend of $0.12 per share. Future dividends on our common shares, if any, will be at the discretion of our Board of Directors and will depend on several factors including our results of operations, cash requirements and surplus, financial condition, covenant restrictions and other factors that the Board of Directors may deem relevant. The Class A Common Stock and Class B Common Stock holders have the same rights related to dividends.

In 2008, our Board of Directors authorized the Company to repurchase up to $150.0 million of the Class A Common Stock on the open market or through private transactions, under which we have repurchased $31.3 million, cumulatively. During 2009, we repurchased approximately 1.5 million shares of Class A Common Stock for approximately $1.5 million on the open market, including transaction costs. We did not repurchase any shares of Class A Common Stock during 2011 or 2010.

8. INCOME TAXES:

The provision (benefit) for income taxes consisted of the following for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Provision (benefit) for income taxes - continuing operations	$ 44,785	$ 40,226	$ (32,512)
Provision for income taxes - discontinued operations	477	77	350
	$ 45,262	$ 40,303	$ (32,162)
Current:			
Federal	$ 678	$ 1,263	$ (7,882)
State	1,055	596	669
	1,733	1,859	(7,213)
Deferred:			
Federal	41,361	37,010	(25,598)
State	2,168	1,434	649
	43,529	38,444	(24,949)
	$ 45,262	$ 40,303	$ (32,162)

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The following is a reconciliation of federal income taxes at the applicable statutory rate to the recorded provision from continuing operations:

	2011	2010	2009
Federal income tax provision (benefit) at statutory rate	35.0%	35.0%	(35.0)%
Adjustments-			
State income taxes, net of federal effect	1.7%	1.5%	(0.3)%
Non-deductible expense items		(0.1)%	18.0%
Basis in subsidiaries stock		(2.1)%	(2.3)%
Other	0.3%	0.1%	0.3%
Provision (benefit) for income taxes	37.0%	34.4%	(19.3)%

The non-deductible expense items include the tax effect of $27.9 million of non-deductible goodwill impairment for the year ended December 31, 2009 and $0.1 million and $2.0 million of non-deductible FCC license impairment for the years ended December 31, 2010 and 2009, respectively.

We recorded a deferred tax benefit of $2.5 million and $3.8 million during the years ended December 31, 2010 and 2009, respectively, related to the recovery of historical losses attributable to the basis in stock of certain subsidiaries.

Temporary differences between the financial reporting carrying amounts and the tax bases of assets and liabilities give rise to deferred taxes. Total deferred tax assets and deferred tax liabilities as of December 31, 2011 and 2010 were as follows (in thousands):

	2011	2010
Current and Long-Term Deferred Tax Assets:		
Net operating and capital losses:		
Federal	$ 1,550	$ 4,063
State	87,623	83,229
Broadcast licenses	18,087	24,782
Intangibles	5,390	8,669
Other	19,352	32,235
	132,002	152,978
Valuation allowance for deferred tax assets	(79,136)	(77,559)
Total deferred tax assets	52,866	75,419
Current and Long-Term Deferred Tax Liabilities:		
Broadcast licenses	(10,115)	(9,199)
Intangibles	(204,230)	(191,658)
Property and equipment, net	(24,877)	(19,019)
Contingent interest obligations	(52,298)	(52,212)
Other	(3,958)	(4,008)
Total deferred tax liabilities	(295,478)	(276,096)
Net tax liabilities	$ (242,612)	$ (200,677)

Our remaining federal and state net operating losses will expire during various years from 2012 to 2031.

We establish valuation allowances in accordance with the guidance related to accounting for income taxes. In evaluating our ability to realize net deferred tax assets, we consider all available evidence, both positive and negative, including our past operating results, tax planning strategies and forecasts of future taxable income. In considering these sources of taxable income, we must make certain assumptions and judgments that are based on the plans and estimates used to manage our underlying businesses. A valuation allowance has been provided for deferred tax assets based on past operating results, expected timing of the reversals of existing temporary book/tax basis differences, alternative tax strategies and projected future taxable income. Although realization is not assured for the remaining deferred tax assets, we believe it is more likely than not that they will be realized in the future. During the years ended December 31, 2011 and 2010, we increased our valuation allowance by $1.6 million and $0.7 million, respectively. The change in valuation allowance was primarily due to state net operating losses. During the year ended December 31, 2009, we decreased our valuation allowances by $8.0 million. The change in valuation allowance was primarily due to the removal of the fully valued federal net operating losses related to the closure of a subsidiary. We expect that $7.7 million of valuation allowance related to certain deferred tax assets of one of our consolidated VIEs may be released in the first quarter of 2012 when the weight of all available evidence will support full realization of the deferred tax assets.

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As of December 31, 2011 and 2010, we had $26.1 million of gross unrecognized tax benefits. Of this total, $15.1 million (net of federal effect on state tax issues) and $6.8 million (net of federal effect on state tax issues) represent the amounts of unrecognized tax benefits that, if recognized, would favorably affect our effective tax rates from continuing operations and discontinued operations, respectively.

The following table summarizes the activity related to our accrued unrecognized tax benefits (in thousands):

	2011	2010	2009
Balance at January 1,	$ 26,125	$ 26,148	$ 26,088
(Reductions) increases related to prior years tax position	(127)	(210)	146
Increases related to current year tax positions	90	187	104
Reductions related to settlements with taxing authorities			(76)
Reductions related to expiration of the applicable statute of limitations			(114)
Balance at December 31,	$ 26,088	$ 26,125	$ 26,148

In addition, we recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. We recognized $1.3 million, $1.0 million and $1.1 million of income tax expense for interest related to uncertain tax positions for the years ended December 31, 2011, 2010 and 2009, respectively.

Management periodically performs a comprehensive review of our tax positions and accrues amounts for tax contingencies. Based on these reviews, the status of on-going audits and the expiration of applicable statute of limitations, these accruals are adjusted as necessary. The resolution of audits is unpredictable and could result in tax liabilities that are significantly higher or lower than for what we have provided. Amounts accrued for these tax matters are included in the table above and long-term liabilities in our consolidated balance sheets. We believe that adequate accruals have been provided for all years.

We are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. All of our 2008 and subsequent federal and state tax returns remain subject to examination by various tax authorities. Some of our pre-2008 federal and state tax returns may also be subject to examination. In addition, our 2006 and 2007 federal tax returns are currently under audit, and several of our subsidiaries are currently under state examinations for various years. We do not anticipate the resolution of these matters will result in a material change to our consolidated financial statements. In addition, it is reasonably possible that various statutes of limitations could expire by December 31, 2012. We do not expect such expirations, if any, would significantly change our unrecognized tax benefits over the next twelve months.

9. COMMITMENTS AND CONTINGENCIES:

Litigation

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

Various parties have filed petitions to deny our applications for the following stations license renewals: WXLV-TV, Winston-Salem, North Carolina; WMYV-TV, Greensboro, North Carolina; WLFL-TV, Raleigh/Durham, North Carolina; WRDC-TV, Raleigh/Durham, North Carolina; WLOS-TV, Asheville, North Carolina, WMMP-TV, Charleston, South Carolina; WTAT-TV, Charleston, South Carolina; WMYA-TV, Anderson, South Carolina; WICS-TV and WICD-TV in Springfield/Champaign, Illinois and WCGV-TV and WVTV-TV in Milwaukee, Wisconsin. The FCC is in the process of considering the renewal applications and we believe the petitions have no merit.

Operating Leases

We have entered into operating leases for certain property and equipment under terms ranging from one to 15 years. The rent expense from continuing operations under these leases, as well as certain leases under month-to-month arrangements, for the years ended December 31, 2011, 2010 and 2009 was approximately $3.9 million, $3.7 million and $4.1 million, respectively.

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Future minimum payments under the leases are as follows (in thousands):

2012	$	3,698
2013		3,324
2014		3,194
2015		2,619
2016		2,159
2017 and thereafter		5,105
	$	20,099

We had no material outstanding letters of credit as of December 31, 2011.

Network Affiliation Agreements and Program Service Arrangements

Our 73 television stations that we own and operate, or to which we provide programming services or sales services, as of December 31, 2011, are affiliated as follows: FOX (20 stations); MyNetworkTV (18 stations; not a network affiliation, however is branded as such); ABC (11 stations); The CW (13 stations); CBS (9 stations); NBC (1 station) and Azteca (1 station). The networks produce and distribute programming in exchange for each station s commitment to air the programming at specified times and for commercial announcement time during programming. In addition, certain stations broadcast programming on second and third digital signals through network affiliation or program service arrangements with TheCoolTV, the Country Network, CBS (rebroadcasted content from other primary channels within the same market), The CW, MyNetworkTV, This TV, LATV, Azteca, Telemundo and Estrella TV.

The non-renewal or termination of any of our other network affiliation agreements or program service arrangements would prevent us from being able to carry applicable programming. This loss of programming would require us to obtain replacement programming, which may involve higher costs and which may not be as attractive to our target audiences, resulting in reduced revenues. Upon the termination of any of the above affiliation agreements or program service arrangements, we would be required to establish a new affiliation agreement or program service arrangement with another party or operate as an independent station. At such time and if applicable, the remaining value of a network affiliation asset could become impaired and we would be required to write down the value of the asset to its estimated fair value. As of December 31, 2011, the net book value of network affiliation assets was $103.7 million.

On February 9, 2009, MyNetworkTV announced that it was moving to a new program services model pursuant to which it would obtain for its affiliates popular programming that has previously aired on other networks, rather than continuing to provide first-run programming as is generally the case in a typical network model. MyNetworkTV advised us that in connection with this change to what it refers to as a hybrid model, it believes it had the right to terminate all of its existing affiliate agreements and negotiate new agreements for this programming service with the television stations that have been MyNetworkTV affiliates. On March 3, 2009, we received notice from MyNetworkTV claiming that it had ceased to exist as a network and therefore, was terminating each of our affiliation agreements effective September 26, 2009. On March 25, 2009, each of our subsidiaries that owned or operated stations which were affiliated with MyNetworkTV entered into an agreement, effective September 28, 2009 with a party related to MyNetworkTV to provide such stations with programming during the following year for the time periods previously programmed by MyNetworkTV, excluding programming for Saturday night. This programming agreement is accounted for as a station barter arrangement. The amortization related to our network affiliation intangible assets associated with MyNetworkTV stations was accelerated during 2009, resulting in zero asset balances remaining as of September 30, 2009. On January 24, 2011, our MyNetworkTV program service arrangement was extended until the fall of 2014. The program service arrangement gives us the ability to exercise early cancellation options beginning in 2012.

On March 25, 2010, we agreed to terms on a renewal of the ABC network affiliation agreements, expiring August 31, 2015. Pursuant to the terms we are required to pay fees to ABC for network programming.

On December 21, 2010, we entered into a renewal of our FOX affiliation agreements, expiring December 31, 2012. Pursuant to the terms we are required to pay fees to FOX for network programming.

On June 30, 2011, we extended our affiliation agreement with the CW for KMYS-TV until August 31, 2016. Effective April 26, 2010 KMYS-TV in San Antonio, Texas switched from MyNetworkTV to the CW.

On July 19, 2011, our affiliation agreements of the stations owned, programmed and/or to which we provide services that are affiliated with the CW were extended until August 31, 2016.

Changes in the Rules on Television Ownership and Local Marketing Agreements

Certain of our stations have entered into what have commonly been referred to as local marketing agreements or LMAs. One typical type of LMA is a programming agreement between two separately owned television stations serving the same market,

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whereby the licensee of one station programs substantial portions of the broadcast day and sells advertising time during such programming segments on the other licensee s station subject to the latter licensee s ultimate editorial and other controls. We believe these arrangements allow us to reduce our operating expenses and enhance profitability.

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

Losses on investments. In some cases, we own the non-license assets used by the stations we operate under LMAs. If certain of these LMA arrangements are no longer permitted, we would be forced to sell these assets, restructure our agreements or find another use for them. If this happens, the market for such assets may not be as good as when we purchased them and, therefore, we cannot be certain of a favorable return on our original investments.

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

The following paragraphs discuss various proceedings relevant to our LMAs.

In 1999, the FCC established a new local television ownership rule. LMAs fell under this rule, however the rule grandfathered LMAs that were entered into prior to November 5, 1996, and permitted the applicable stations to continue operations pursuant to the LMAs until the conclusion of the FCC s 2004 biennial review. The FCC stated it would conduct a case-by-case review of grandfathered LMAs and assess the appropriateness of extending the grandfathering periods. The FCC did not initiate any review of grandfathered LMAs in 2004 or as part of its 2006 quadrennial review. We do not know when, or if, the FCC will conduct any such review of grandfathered LMAs. For LMAs executed on or after November 5, 1996, the FCC required compliance with the 1999 local television ownership rule by August 6, 2001. We challenged the 1999 rules in the U.S. Court of Appeals for the D.C. Circuit (D.C. Circuit), resulting in the exclusion of post-November 5, 1996 LMAs from the 1999 rules. In 2002, the D.C. Circuit ruled in *Sinclair Broadcast Group, Inc. v. F.C.C.*, 284 F.3d 114 (D.C. Cir. 2002) that the 1999 local television ownership rule was arbitrary and capricious and sent the rule back to the FCC for further refinement.

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

In July 2006, the FCC released a Further Notice of Proposed Rule Making seeking comment on how to address the issues raised by the Third Circuit s decision. In January 2008, the FCC released an order containing ownership rules that re-adopted the 1999 rules. On February 29, 2008, several parties, including us, separately filed petitions for review in a number of federal appellate courts challenging the 1999 rules. Those petitions were consolidated in the U.S. Court of Appeals for the Ninth Circuit (Ninth Circuit) and in November 2008, transferred by the Ninth Circuit to the Third Circuit. On July 7, 2011, the Third Circuit upheld the FCC s local television ownership rules. On December 5, 2012, we joined with a number of other parties on a Petition for a Writ of Certiorari filed with the Supreme Court requesting that the Court overrule the decision of the Third Circuit. That request remains pending before the Supreme Court.

On November 15, 1999, we entered into an agreement to acquire WMYA-TV (formerly WBSC-TV) in Anderson, South Carolina from Cunningham Broadcasting Corporation (Cunningham), but that transaction was denied by the FCC. Since none of the FCC rule changes ever became effective, we filed a petition for reconsideration with the FCC and amended our application to acquire the license of WMYA-TV. We also filed applications in November 2003 to acquire the license assets of, at that time, the remaining five Cunningham stations: WRGT-TV, Dayton, Ohio; WTAT-TV, Charleston, South Carolina; WVAH-TV, Charleston, West Virginia; WNUV-TV, Baltimore, Maryland; and WTTE-TV, Columbus, Ohio. Rainbow/PUSH filed a petition to deny these five applications and to revoke all of our licenses. The FCC dismissed our applications and denied the Rainbow/PUSH petition due to the abovementioned 2003 Third Circuit decision. Rainbow/PUSH filed a petition for reconsideration of that denial and we filed an application for review of the dismissal. In 2005, we filed a petition with the D. C. Circuit requesting that the Court direct the FCC to take final action on our applications, but that petition was dismissed. On January 6, 2006, we submitted a motion to the FCC requesting that it take final action on our applications. The applications and the associated petition to deny are still pending. We believe the Rainbow/PUSH petition is without merit. On February 8, 2008, we filed a petition with the D.C. Circuit requesting that the Court direct the FCC to act on our applications and cease its use of the 1999 rules. In July 2008, the D.C. Circuit transferred the case to the Ninth Circuit, and we filed a petition with the D.C. Circuit challenging that decision; however, it was denied. We also filed with the Ninth Circuit a motion to transfer that case back to the D.C. Circuit. In November 2008, the Ninth Circuit consolidated and sent our petition seeking final FCC action on our applications to the Third Circuit. In December 2008, we agreed voluntarily with the parties to our proceeding to dismiss our petition seeking final FCC action on our applications.

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Other Commitments

Pursuant to the LMA with Freedom, we have made certain guarantees with respect to the financial performance of the Freedom stations, whereby the owners of stations will earn a minimum amount of broadcast cash flow, as defined in the respective agreements. If actual broadcast cash flow is below the stated monthly minimums, the monthly fees we earn for our services under the LMA would be reduced and if the difference between actual broadcast cash flow and the stated minimums is greater than the revenue that we would otherwise earn, we could be required to pay additional amounts related to these guarantees. Since inception of the LMA, December 1, 2011, the broadcast cash flows of the stations exceeded the monthly minimums. The total of the monthly guaranteed amounts for the year ended December 31, 2012 is $56.9 million. We expect to close on the acquisition of the Freedom stations late in the first quarter or early second quarter of 2012. The total of the monthly guaranteed amounts for the first quarter of 2012 is $12.1 million.

10. 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. 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 $4.4 million, $4.5 million and $4.7 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Bay TV. In January 1999, we entered into a LMA with Bay Television, Inc. (Bay TV), which owns the television station WTTA-TV in the Tampa/St. Petersburg, Florida market. Our controlling shareholders own a substantial portion of the equity of Bay TV. Payments made to Bay TV were $2.2 million, $1.7 million and $3.0 million for the years ended December 31, 2011, 2010 and 2009. We received $0.5 million for each of the years ended December 31, 2010 and 2009 from Bay TV for certain equipment leases which expired on November 1, 2010.

Notes and capital leases payable to affiliates consisted of the following as of December 31, 2011 and 2010 (in thousands):

		2011		2010
Capital lease for building, interest at 7.93%	$		$	520
Capital lease for building, interest at 8.54%		8,402		9,273
Capital leases for broadcasting tower facilities, interest at 9.0%		1,641		1,975
Capital leases for broadcasting tower facilities, interest at 10.5%		5,038		5,065
Liability payable to affiliate for local marketing agreement, interest at 7.69%		3,183		4,600
Capital leases for building and tower, interest at 7.93%		1,295		1,336
		19,559		22,769
Less: Current portion		(3,014)		(3,196)
	$	16,545	$	19,573

Notes and capital leases payable to affiliates as of December 31, 2011 mature as follows (in thousands):

2012	$	4,931
2013		5,028
2014		3,406
2015		3,371
2016		3,056
2017 and thereafter		9,772
Total minimum payments due		29,564
Less: Amount representing interest		(10,005)
	$	19,559

Cunningham Broadcasting Corporation. We have options from trusts established by Carolyn C. Smith, a parent 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 assets of Cunningham s individual subsidiaries. As of December 31, 2011 Cunningham was the owner-operator and FCC licensee of: WNUV-TV, Baltimore, Maryland; WRGT-TV, Dayton, Ohio; WVAH-TV, Charleston, West Virginia; WTAT-TV,

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Charleston, South Carolina; WMYA-TV, Anderson, South Carolina; WTTE-TV, Columbus, Ohio; and WDBB-TV, Birmingham, Alabama, which Cunningham acquired in 2011.

In addition to the option agreement, we entered into five-year LMA agreements (with five-year renewal terms at our option) with Cunningham pursuant to which we provide programming to Cunningham for airing on WNUV-TV, WRGT-TV, WVAH-TV, WTAT-TV, WMYA-TV and WTTE-TV. In February 2011, we entered into a LMA agreement for WDBB-TV.

On October 28, 2009 we entered into amendments and /or restatements of the following agreements between Cunningham and us: (i) the LMAs, (ii) option agreements to acquire Cunningham stock and (iii) certain acquisition or merger agreements relating to television stations owned by Cunningham (Cunningham stations). Such amendments and/or restatements were effective at the expiration of the tender offers for the 3.0% Notes and 4.875% Notes on November 5, 2009.

In consideration of the new terms of the LMAs and other agreements and the extension options, beginning on January 1, 2010 and ending on July 1, 2012, we are obligated to pay Cunningham the sum of approximately $29.1 million in 10 quarterly installments of $2.75 million and one quarterly payment of approximately $1.6 million, which amounts will be used to pay off Cunningham s bank credit facility and which amounts will be credited toward the purchase price for each Cunningham Station. An additional $3.9 million will be paid in two installments on July 1, 2012 and October 1, 2012 as an additional LMA fee. The aggregate purchase price of the television stations, $78.5 million pursuant to certain acquisition or merger agreements, will be decreased by each payment made by us to Cunningham up to $29.1 million in the aggregate, pursuant to the foregoing transactions with Cunningham as such payments are made. Beginning on January 1, 2013, we will be obligated to pay Cunningham an annual LMA fee for the television stations equal to the greater of (i) 3% of each station s annual net broadcast revenue and (ii) $5.0 million.

We continue to reimburse Cunningham for 100% of its operating costs. In addition, we continue to pay Cunningham a monthly payment of $50,000 through December 2012. In accordance with the effective date of the abovementioned agreements, the $50,000 monthly payment no longer reduces the option exercise price.

We made payments to Cunningham under these LMA and other agreements of $16.6 million, $17.3 million and $6.5 million for the years ended December 31, 2011, 2010 and 2009, respectively. For the year ended December 31, 2011, 2010 and 2009, Cunningham s stations provided us with approximately $90.3 million, $94.3 million and $80.4 million, respectively, of total revenue. The financial statements for Cunningham are included in our consolidated financial statements for all periods presented. Our Bank Credit Agreement contains certain cross-default provisions with certain material third-party licenses. As of December 31, 2011, Cunningham was the sole material third-party licensee. The amended or restated LMAs and option agreements have been approved pursuant to our related person transaction policy.

Cunningham accounts for income taxes and deferred taxes using the separate return method and those amounts are consolidated into our income taxes and deferred taxes, which are also calculated using the separate return method. For the years ended December 31, 2011, 2010 and 2009, Cunningham s benefit for income taxes was $0.4 million, $0.9 million and $0.9 million, respectively. As of December 31, 2011 and 2010, Cunningham s net deferred tax liability was $0.9 and $0.5 million, respectively. A full valuation allowance was recorded against all deferred tax assets as of December 31, 2011 and 2010.

Atlantic Automotive. We sold advertising time to and purchased vehicles and related vehicle services from Atlantic Automotive Corporation (Atlantic Automotive), a holding company which owns automobile dealerships and an automobile leasing company. David D. Smith, our President and Chief Executive Officer, has a controlling interest in, and is a member of the Board of Directors of Atlantic Automotive. We received payments for advertising totaling $0.2 million, $0.3 million and $0.3 million during the years ended December 31, 2011, 2010 and 2009, respectively. We paid $1.1 million, $0.8 million and $0.4 million for vehicles and related vehicle services from Atlantic Automotive during the years ended December 31, 2011, 2010 and 2009, respectively.

Towson City Center. In August 2011, Atlantic Automotive entered into an office lease agreement with Towson City Center, LLC (Towson City Center), a subsidiary of one of our real estate ventures. Under the lease terms, Atlantic Automotive will pay approximately $0.7 million in annual rent for the year ending December 31, 2012.

In August 2011, Cunningham Kitchen, LLC (Cunningham Kitchen), a company owned by David Smith, entered into a restaurant lease agreement with Towson City Center. Under the lease terms, Cunningham Kitchen will pay approximately $0.2 million in annual rent for the year ending December 31, 2012.

Allegiance Capital Limited Partnership. In August 1999, we made an investment in Allegiance Capital Limited Partnership (Allegiance), a small business investment company. Our controlling shareholders and our Executive Vice President/Chief Financial Officer are also investors in Allegiance. Allegiance Capital Management Corporation (ACMC) is the general partner. An employee of ours is a non-controlling shareholder of ACMC. ACMC controls all decision making, investing and management of operations of Allegiance in exchange for a monthly management fee based on actual expenses incurred which currently

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averages approximately less than $0.1 million and which is paid by the limited partners. We did not make any contributions into Allegiance during 2011 or 2010. Allegiance distributed $4.0 million to us during 2011. Allegiance did not make any distributions to us during 2010. As of December 31, 2011, our remaining unfunded commitment was $5.3 million.

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 $0.5 million, $0.5 million and $1.7 million to Thomas & Libowitz during 2011, 2010 and 2009, respectively. During 2007, Steven A. Thomas received, in lieu of cash payment for certain legal fees, an ownership percentage in two of our real estate investments and one of our private equity investments. The fair value of the three ownership interests was $0.1 million as of the dates the investments were made.

Charter Aircraft. From time to time, we charter aircraft owned by certain controlling shareholders. We incurred less than $0.1 million during the years ended December 31, 2011, 2010 and 2009 related to these arrangements.

Other Leases. In September 2008, AP Management Company, the management company of Patriot Capital II, L.P., a small business investment company in which we have made investments, entered into a five-year office lease agreement with Skylar Development LLC, a subsidiary of one of our real estate ventures.

In October 2009, Bagby s Bistro, LLC, a company owned by David Smith and one of his sons, entered into a restaurant lease agreement with Skylar Development, LLC (Skylar), a subsidiary of one of our real estate ventures. Also, in April 2011, another restaurant lease was executed between the same parties and a third lease between the same parties is expected to be executed during the year ending December 31, 2012. Under the combined lease terms, Bagby s Bistro will pay approximately $0.3 million in annual rent for the year ending December 31, 2012.

Other. One of our controlling shareholders, Frederick Smith, holds an investment in Patriot Capital II, L.P. Qualified employees, directors and officers have been approved to invest in entities we have an interest in pursuant to the current related person transaction policy.

11. EARNINGS (LOSS) PER SHARE:

The following table reconciles income (loss) (numerator) and shares (denominator) used in our computations of earnings (loss) per share for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Income (loss) (Numerator)			
Income (loss) from continuing operations	$ 76,588	$ 75,625	$ (137,948)
Income impact of assumed conversion of the 4.875% Notes, net of taxes	180	166	
Income impact of assumed conversion of the 6.0% Notes, net of taxes		2,521	
	(379)	1,100	2,335

Net (income) loss attributable to noncontrolling interests included in continuing operations						
Numerator for diluted earnings (loss) per common share from continuing operations available to common shareholders		76,389		79,412		(135,613)
Loss from discontinued operations, net of taxes		(411)		(577)		(81)
Numerator for diluted earnings (loss) available to common shareholders	$	75,978	$	78,835	$	(135,694)
Shares (Denominator)						
Weighted-average common shares outstanding		80,217		80,245		79,981
Dilutive effect of stock options and restricted stock awards		61		37		
Dilutive effect of 4.875% Notes		254		254		
Dilutive effect of 6.0% Notes				3,070		
Weighted-average common and common equivalent shares outstanding		80,532		83,606		79,981

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Potentially dilutive securities representing 1.1 million, 1.4 million and 9.9 million shares of common stock for the years ended December 31, 2011, 2010 and 2009, respectively, were excluded from the computation of diluted earnings (loss) per common share for these periods because their effect would have been antidilutive. The decrease in 2011 compared to 2010 of potentially dilutive securities is primarily related to the exercise of some of our stock-settled appreciation rights in 2011. The decrease in 2010 compared to 2009 of potentially dilutive securities is primarily related to the partial redemption of our 3.0% Notes and the inclusion of the 4.875% Notes and 6.0% Notes in dilutive earnings (loss) per share. The net income (loss) 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.

12. SEGMENT DATA:

We measure segment performance based on operating income (loss). Our broadcast segment includes stations in 45 markets, of which seven markets are operated pursuant to LMAs, 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 2009, our other operating divisions segment also earned revenues from information technology staffing, consulting and software development and transmitter manufacturing. These businesses were divested in 2009. 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 $170.0 million and $167.3 million of intercompany loans between the broadcast segment, operating divisions segment and corporate as of December 31, 2011 and 2010, respectively. We had $19.7 million, $19.3 million and $22.9 million in intercompany interest expense related to intercompany loans between the broadcast segment, other operating divisions segment and corporate for the years ended December 31, 2011, 2010 and 2009, respectively. Intercompany loans and interest expense are excluded from the tables below. All other intercompany transactions are immaterial.

Financial information for our operating segments is included in the following tables for the years ended December 31, 2011, 2010 and 2009 (in thousands):

For the year ended December 31, 2011	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$ 720,775	$ 44,513	$	$ 765,288
Depreciation of property and equipment	29,929	1,323	1,622	32,874
Amortization of definite-lived intangible assets	14,643	3,586		18,229
Amortization of program contract costs and net realizable value adjustments	52,079			52,079
Impairment of goodwill, intangible and other assets	398			398
General and administrative overhead expenses	24,760	1,158	2,392	28,310
Operating income (loss)	230,679	(1,041)	(4,018)	225,620
Interest expense		2,528	103,600	106,128
Income from equity and cost method investments		3,269		3,269
Goodwill	656,629	3,488		660,117
Assets	1,303,604	256,408	11,405	1,571,417
Capital expenditures	34,453	1,382		35,835

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For the year ended December 31, 2010	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$ 731,046	$ 36,598	$	$ 767,644
Depreciation of property and equipment	33,260	1,291	1,756	36,307
Amortization of definite-lived intangible assets	15,974	2,860		18,834
Amortization of program contract costs and net realizable value adjustments	60,862			60,862
Impairment of goodwill, intangible and other assets	4,803			4,803
General and administrative overhead expenses	23,685	918	2,197	26,800
Operating income (loss)	244,297	478	(3,960)	240,815
Interest expense		1,943	114,103	116,046
Loss from equity and cost method investments		(4,861)		(4,861)
Goodwill	656,629	3,388		660,017
Assets	1,232,332	242,033	11,559	1,485,924
Capital expenditures	9,859	1,835		11,694

For the year ended December 31, 2009	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$ 613,271	$ 43,719	$	$ 656,990
Depreciation of property and equipment	39,982	1,035	1,875	42,892
Amortization of definite-lived intangible assets	20,228	2,127		22,355
Amortization of program contract costs and net realizable value adjustments	73,087			73,087
Impairment of goodwill, intangible and other assets	249,556		243	249,799
General and administrative overhead expenses	8,607	1,039	15,986	25,632
Operating loss	(86,372)	(5,969)	(18,376)	(110,717)
Interest expense		1,472	78,549	80,021
Income from equity and cost method investments		354		354

13. 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:

- *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 December 31, 2011 and 2010 were as follows (in thousands):

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
6.0% Notes (a)	$	$	$ 66,019	$ 70,385
4.875% Notes	5,685	5,685	5,685	5,685
3.0% Notes	5,400	5,400	5,400	5,400
8.375% Notes	234,512	246,884	246,493	258,750
9.25% Notes	489,052	549,690	487,724	544,690
Term Loan A	115,000	112,700		
Term Loan B	217,002	221,700	264,352	273,240
Cunningham Bank Credit Facility	10,967	11,100	21,933	22,452
Active program contracts payable	91,450	88,699	97,894	89,145
Future program liabilities (b)	125,075	105,166	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 carrying value reflects the undiscounted future payments.

The fair value of our 8.375% Notes and 9.25% Notes is determined using quoted prices. The carrying value of our 3.0% and 4.875% Notes approximate 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 the fair value 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.

14. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

Sinclair Television Group, Inc. (STG), a wholly-owned subsidiary and the television operating subsidiary of Sinclair Broadcast Group, Inc. (SBG), was 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% 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 December 31, 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 December 31, 2011 our consolidated total debt of $1,206.0 million included $1,119.1 million of debt related to STG and its subsidiaries of which SBG guaranteed $1,067.6 million.

SBG, KDSM, LLC, a wholly-owned subsidiary of SBG, and STG s wholly-owned subsidiaries (guarantor subsidiaries), have fully and unconditionally guaranteed, subject to certain customary automatic release provisions, 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.

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CONDENSED CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2011

(In thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 188	$ 313	$ 12,466	$	$ 12,967
Restricted cash - current						
Accounts and other receivables	60	348	126,590	6,308	(139)	133,167
Other current assets	2,430	2,561	55,855	3,021	(284)	63,583
Total current assets	2,490	3,097	182,758	21,795	(423)	209,717
Property and equipment, net	8,234	7,783	171,749	100,362	(6,607)	281,521
Investment in consolidated subsidiaries		575,848			(575,848)	
Restricted cash long term		58,503	223			58,726
Other long-term assets	86,186	353,929	17,209	99,683	(418,014)	138,993
Total other long-term assets	86,186	988,280	17,432	99,683	(993,862)	197,719
Acquired intangible assets			826,175	70,492	(14,207)	882,460
Total assets	$ 96,910	$ 999,160	$ 1,198,114	$ 292,332	$ (1,015,099)	$ 1,571,417
Accounts payable and accrued liabilities	$ 1,499	$ 30,888	$ 51,119	$ 7,555	$ (2,491)	$ 88,570
Current portion of long-term debt	420	14,450	589	22,736		38,195
Current portion of affiliate long-term debt	998		2,016	210	(210)	3,014
Other current liabilities			65,431	372		65,803
Total current liabilities	2,917	45,338	119,155	30,873	(2,701)	195,582
Long-term debt	12,811	1,055,446	37,502	42,512		1,148,271
Affiliate long-term debt	7,405		9,140	246,552	(246,552)	16,545
Dividends in excess of investment in consolidated subsidiaries	143,857				(143,857)	
Other liabilities	51,095	2,222	457,003	58,222	(246,161)	322,381
Total liabilities	218,085	1,103,006	622,800	378,159	(639,271)	1,682,779
Common stock	809		10		(10)	809
Additional paid-in capital	617,375	7,755	264,413	54,304	(326,472)	617,375
Accumulated (deficit) earnings	(734,511)	(108,558)	313,269	(140,581)	(64,130)	(734,511)
Accumulated other comprehensive (loss) income	(4,848)	(3,043)	(2,378)	450	4,971	(4,848)
Total Sinclair Broadcast Group shareholders (deficit) equity	(121,175)	(103,846)	575,314	(85,827)	(385,641)	(121,175)
					9,813	9,813

Noncontrolling interest in consolidated subsidiaries						
Total liabilities and equity (deficit)	$ 96,910	$ 999,160	$ 1,198,114	$ 292,332	$ (1,015,099)	$ 1,571,417

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CONDENSED CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2010

(In thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 5,071	$ 1,022	$ 15,881	$	$ 21,974
Restricted cash - current		5,058				5,058
Accounts and other receivables	43	99	115,615	5,765	(151)	121,371
Other current assets	1,477	5,492	46,231	2,962	(284)	55,878
Total current assets	1,520	15,720	162,868	24,608	(435)	204,281
Property and equipment, net	9,856	2,669	169,260	97,219	(6,773)	272,231
Investment in consolidated subsidiaries		609,737			(609,737)	
Restricted cash long term			223			223
Other long-term assets	79,184	318,137	10,207	89,956	(380,339)	117,145
Total other long-term assets	79,184	927,874	10,430	89,956	(990,076)	117,368
Acquired intangible assets			829,884	64,694	(2,534)	892,044
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	$ 8,110	$ (1,066)	$ 74,023
Current portion of long-term debt	363	3,300	391	15,502		19,556
Current portion of affiliate long-term debt	870		2,326	113	(113)	3,196
Other current liabilities			70,428	693		71,121
Total current liabilities	1,745	23,033	119,879	24,418	(1,179)	167,896
Long-term debt	79,091	995,269	38,098	57,282		1,169,740
Affiliate long-term debt	8,403		11,170	224,207	(224,207)	19,573
Dividends in excess of investment in consolidated subsidiaries	122,994				(122,994)	
Other liabilities	43,750	1,709	394,192	47,154	(201,008)	285,797
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	(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

Noncontrolling interest in consolidated subsidiaries						
Total liabilities and equity (deficit)	$ 90,560	$ 946,263	$ 1,172,442	$ 276,477	$ (999,818)	$ 1,485,924

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CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

(In thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 721,936	$ 52,295	$ (8,943)	$ 765,288
Program and production		1,298	185,038	338	(8,062)	178,612
Selling, general and administrative	2,396	25,160	121,391	3,765	(464)	152,248
Depreciation, amortization and other operating expenses	1,622	688	160,432	45,903	163	208,808
Total operating expenses	4,018	27,146	466,861	50,006	(8,363)	539,668
Operating (loss) income	(4,018)	(27,146)	255,075	2,289	(580)	225,620
Equity in earnings of consolidated subsidiaries	83,354	134,996			(218,350)	
Interest expense	(3,285)	(94,556)	(4,931)	(23,978)	20,622	(106,128)
Gain on Sales of Securities				391	(391)	
Other income (expense)	1,781	35,255	(36,142)	1,560	(573)	1,881
Total other income (expense)	81,850	75,695	(41,073)	(22,027)	(198,692)	(104,247)
Income tax (provision) benefit	(2,034)	29,783	(75,449)	2,915		(44,785)
Loss from discontinued operations, net of taxes		(411)				(411)
Net income (loss)	75,798	77,921	138,553	(16,823)	(199,272)	76,177
Net loss attributable to the noncontrolling interest					(379)	(379)
Net income (loss) attributable to Sinclair Broadcast Group	$ 75,798	$ 77,921	$ 138,553	$ (16,823)	$ (199,651)	$ 75,798

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CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2010

(In thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 732,214	$ 45,351	$ (9,921)	$ 767,644
Program and production		893	161,746	369	(8,875)	154,133
Selling, general and administrative	2,205	23,530	125,106	3,597	(547)	153,891
Depreciation, amortization and other operating expenses	1,756	518	179,345	37,022	164	218,805
Total operating expenses	3,961	24,941	466,197	40,988	(9,258)	526,829
Operating (loss) income	(3,961)	(24,941)	266,017	4,363	(663)	240,815
Equity in earnings of consolidated subsidiaries	85,974	136,815			(222,789)	
Interest expense	(13,611)	(95,089)	(5,204)	(22,334)	20,192	(116,046)
Other income (expense)	1,666	33,389	(36,506)	(7,026)	(441)	(8,918)
Total other income (expense)	74,029	75,115	(41,710)	(29,360)	(203,038)	(124,964)
Income tax benefit (provision)	6,080	31,654	(84,073)	6,113		(40,226)
Loss from discontinued operations, net of taxes		(577)				(577)
Net income (loss)	76,148	81,251	140,234	(18,884)	(203,701)	75,048
Net loss attributable to the noncontrolling interest					1,100	1,100
Net income (loss) attributable to Sinclair Broadcast Group	$ 76,148	$ 81,251	$ 140,234	$ (18,884)	$ (202,601)	$ 76,148

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CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

(In thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 614,388	$ 52,278	$ (9,676)	$ 656,990
Program and production		721	149,528	480	(8,314)	142,415
Selling, general and administrative	16,249	8,701	119,779	4,334	(598)	148,465
Depreciation, amortization and other operating expenses	17,893	541	427,559	38,250	(7,416)	476,827
Total operating expenses	34,142	9,963	696,866	43,064	(16,328)	767,707
Operating (loss) income	(34,142)	(9,963)	(82,478)	9,214	6,652	(110,717)
Equity in losses of consolidated subsidiaries	(101,049)	(115,681)			216,730	
Interest income	844	21,853		1,805	(24,443)	59
Interest expense	(36,454)	(35,828)	(5,871)	(27,346)	25,478	(80,021)
Other income (expense)	32,611	23,523	(35,746)	(699)	530	20,219
Total other (expense) income	(104,048)	(106,133)	(41,617)	(26,240)	218,295	(59,743)
Income tax benefit	2,577	7,749	10,421	11,765		32,512
Loss from discontinued operations, net of taxes	(81)					(81)
Net (loss) income	(135,694)	(108,347)	(113,674)	(5,261)	224,947	(138,029)
Net loss attributable to the noncontrolling interest					2,335	2,335
Net (loss) income attributable to Sinclair Broadcast Group	$ (135,694)	$ (108,347)	$ (113,674)	$ (5,261)	$ 227,282	$ (135,694)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

(In thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	$ (10,424)	$ (65,150)	$ 225,516	$ 728	$ (2,157)	$ 148,513
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES:						
Acquisition of property and equipment		(3,503)	(30,950)	(1,382)		(35,835)
Purchase of alarm monitoring contracts				(8,850)		(8,850)
Increase in restricted cash		(53,445)				(53,445)
Distributions from investments				2,632		2,632
Investments in equity and cost method investees	(4,000)			(7,577)		(11,577)
Investment in debt securities				(4,911)		(4,911)
Payments for acquisitions of assets of other operating divisions				(3,072)		(3,072)
Proceeds from sale of assets			59	10		69
Proceeds from sale of securities				1,808	(1,808)	
Proceeds from insurance settlement			1,739			1,739
Proceeds from the sale of equity method investment				1,166		1,166
Loans to affiliates	(194)	(212)				(406)
Proceeds from loans to affiliates	199			43		242
Net cash flows used in investing activities	(3,995)	(57,160)	(29,152)	(20,133)	(1,808)	(112,248)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable, commercial bank financing and capital leases		136,719		15,014		151,733
Repayments of notes payable, commercial bank financing and capital leases	(57,120)	(70,234)	(432)	(22,661)		(150,447)
Proceeds from share based awards	1,794					1,794
Purchase of subsidiary shares from noncontrolling interests				(2,501)		(2,501)
Dividends paid on Class A and Class B Common Stock	(38,820)				464	(38,356)
		(5,417)		(66)		(5,483)

Payments for deferred financing costs						
Proceeds from Class A Common Stock sold by variable interest entity					1,808	1,808
Distributions from noncontrolling interests				(610)		(610)
Repayments of notes and capital leases to affiliates	(869)		(2,341)			(3,210)
Increase (decrease) in intercompany payables	109,434	56,359	(194,300)	26,814	1,693	
Net cash flows from (used in) financing activities	14,419	117,427	(197,073)	15,990	3,965	(45,272)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,883)	(709)	(3,415)		(9,007)
CASH AND CASH EQUIVALENTS, beginning of period		5,071	1,022	15,881		21,974
CASH AND CASH EQUIVALENTS, end of period	$	$ 188	$ 313	$ 12,466	$	$ 12,967

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

(In thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	$ (25,213)	$ (76,450)	$ 265,706	$ (5,729)	$ (3,353)	$ 154,961
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES:						
Acquisition of property and equipment		(3,686)	(6,173)	(1,835)		(11,694)
Purchase of alarm monitoring contracts				(10,106)		(10,106)
Decrease in restricted cash		59,342	260			59,602
Distributions from investments	709			185		894
Investments in equity and cost method investees	(2,000)			(5,224)		(7,224)
Proceeds from sale of assets			110			110
Loans to affiliates	(136)					(136)
Proceeds from loans to affiliates	117					117
Proceeds from insurance settlement			372			372
Net cash flows (used in) from investing activities	(1,310)	55,656	(5,431)	(16,980)		31,935
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable, commercial bank financing and capital leases		264,068		19,862		283,930
Repayments of notes payable, commercial bank financing and capital leases	(103,878)	(302,350)	(317)	(20,876)		(427,421)
Dividends paid on Class A and Class B Common Stock	(34,557)				332	(34,225)
Payments for deferred financing costs		(7,016)		(4)		(7,020)
Distributions from noncontrolling interests				(287)		(287)
Repayments of notes and capital leases to affiliates	(753)		(2,370)			(3,123)
Increase (decrease) in intercompany payables	165,711	60,799	(256,783)	27,252	3,021	
Net cash flows from (used in) financing activities	26,523	15,501	(259,470)	25,947	3,353	(188,146)
		(5,293)	805	3,238		(1,250)

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS						
CASH AND CASH EQUIVALENTS, beginning of period		10,364	217	12,643		23,224
CASH AND CASH EQUIVALENTS, end of period	$	$ 5,071	$ 1,022	$ 15,881	$	$ 21,974

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

(In thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	$ (56,248)	$ (3,833)	$ 171,883	$ (1,364)	$ (5,002)	$ 105,436
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	(43)	(1,215)	(4,508)	(1,927)		(7,693)
Purchase of alarm monitoring contracts				(12,291)		(12,291)
Increase in restricted cash		(64,399)	(484)			(64,883)
Distributions from investments				1,501		1,501
Investments in equity and cost method investees	(3,333)			(7,268)		(10,601)
Proceeds from sale of assets			126			126
Loans to affiliates	(162)					(162)
Proceeds from loans to affiliates	157					157
Net cash flows used in investing activities	(3,381)	(65,614)	(4,866)	(19,985)		(93,846)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable, commercial bank financing and capital leases		946,184		34,691		980,875
Repayments of notes payable, commercial bank financing and capital leases	(378,183)	(536,100)	(447)	(16,836)		(931,566)
Purchase of subsidiary shares from noncontrolling interest				(5,000)		(5,000)
Repurchase of Class A Common Stock	(1,454)					(1,454)
Dividends paid on Class A and Class B Common Stock	(16,193)				155	(16,038)
Payments for deferred financing costs		(28,278)		(537)		(28,815)
Contributions to noncontrolling interests				26		26
Repayments of notes and capital leases to affiliates	(648)		(2,216)			(2,864)
Increase (decrease) in intercompany payables	456,107	(311,643)	(164,366)	15,055	4,847	
Net cash flows from (used in) financing activities	59,629	70,163	(167,029)	27,399	5,002	(4,836)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		716	(12)	6,050		6,754
CASH AND CASH EQUIVALENTS, beginning of period		9,649	227	6,594		16,470
CASH AND CASH EQUIVALENTS, end of period	$	$ 10,365	$ 215	$ 12,644	$	$ 23,224

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15. QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

(in thousands, except per share data)

	For the Quarter Ended 03/31/11	06/30/11	09/30/11	12/31/11
Total revenues, net	$ 182,609	$ 188,861	$ 181,042	$ 212,776
Impairment of goodwill, intangible and other assets	$ (398)	$	$	$
Loss on extinguishment of debt	$ (924)	$ (3,478)	$ (117)	$ (328)
Operating income	$ 51,472	$ 58,238	$ 52,410	$ 63,500
Income from continuing operations	$ 15,235	$ 18,559	$ 19,441	$ 23,353
Loss from discontinued operations	$ (108)	$ (82)	$ (110)	$ (111)
Net income attributable to Sinclair Broadcast Group	$ 15,279	$ 18,579	$ 19,238	$ 22,702
Basic earnings per common share from continuing operations attributable to Sinclair Broadcast Group	$ 0.19	$ 0.24	$ 0.24	$ 0.28
Basic earnings per common share attributable to Sinclair Broadcast Group	$ 0.19	$ 0.23	$ 0.24	$ 0.28
Diluted earnings per common share from continuing operations attributable to Sinclair Broadcast Group	$ 0.19	$ 0.24	$ 0.24	$ 0.28
Diluted earnings per common share attributable to Sinclair Broadcast Group	$ 0.19	$ 0.23	$ 0.24	$ 0.28

	For the Quarter Ended 03/31/10	06/30/10	09/30/10	12/31/10
Total revenues, net	$ 169,721	$ 185,679	$ 186,576	$ 225,668
Impairment of goodwill, intangible and other assets	$	$	$	$ 4,803
Loss on extinguishment of debt	$ (289)	$ (149)	$ (3,939)	$ (1,889)
Operating income	$ 46,320	$ 56,819	$ 56,219	$ 81,457
Income from continuing operations	$ 11,060	$ 17,020	$ 14,213	$ 33,332
Loss from discontinued operations	$ (66)	$ (68)	$ (68)	$ (375)
Net income attributable to Sinclair Broadcast Group	$ 11,520	$ 17,273	$ 14,276	$ 33,079
Basic earnings per common share from continuing operations attributable to Sinclair Broadcast Group	$ 0.14	$ 0.22	$ 0.18	$ 0.42
Basic earnings per common share attributable to Sinclair Broadcast Group	$ 0.14	$ 0.22	$ 0.18	$ 0.41
Diluted earnings per common share from continuing operations attributable to Sinclair Broadcast Group	$ 0.14	$ 0.22	$ 0.18	$ 0.41
Diluted earnings per common share attributable to Sinclair Broadcast Group	$ 0.14	$ 0.22	$ 0.18	$ 0.40

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