SINCLAIR BROADCAST GROUP INC
Form 10-K/A
April 29, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

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

10706 Beaver Dam Road
Hunt Valley, MD 21030

(Address of principal executive offices)

(410) 568-1500

(Registrant s telephone number, including area code)

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

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

Class A Common Stock, par value $.01 per share

Series D Preferred Stock, par value $.01 per share

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 126-2 of the Act). Yes ý No o

Based on the closing sales price of $10.27 per share as of June 30, 2004, the aggregate market value of the voting and non-voting common equity of the Registrant held by non-affiliates was approximately $479.0 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 April 27, 2005**
Class A Common Stock	46,306,274
Class B Common Stock	39,072,649

Series D Preferred Stock	3,337,033

Documents Incorporated by Reference Portions of our definitive Proxy Statement relating to our 2005 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, 2004.

SINCLAIR BROADCAST GROUP, INC.

FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2004

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EXPLANATORY NOTE

We are filing this Amendment No. 1 on Form 10-K/A (the Amendment) to our Annual Report on Form 10-K for the year ended December 31, 2004 (which was filed with the Securities and Exchange Commission on March 16, 2005) pursuant to an exemptive order issued by the Securities and Exchange Commission (SEC Release No. 34-50754). In accordance with the exemptive order, we may include management's annual report on internal control over financial reporting and the related report of our independent registered public accounting firm in an amendment to our Annual Report on Form 10-K not later than forty-five days after the prescribed period for filing such Annual Report on Form 10-K. In compliance with the exemptive order, we are filing this Amendment No. 1 to:

Include a Report of Independent Registered Public Accounting Firm relating to management s assessment of internal control over financial reporting and effectiveness of internal control over financial reporting;

Include management's annual report on internal control over financial reporting; and

Revise the Report of Independent Registered Public Accounting Firm to delete references to internal control over financial reporting;

As a result of this Amendment, (1) the certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 filed and furnished, respectively, as exhibits to the original filing have been re-executed and re-filed as of the date of this Amendment; and (2) a Consent of Independent Registered Public Accounting Firm dated April 29, 2005 to cover their report related to our internal control over financial reporting is being filed.

Except for the amendments described above, this Amendment does not modify or our previously reported financial statements and other financial disclosures in, or exhibits to, the original filing. Unaffected items have not been repeated in this Amendment No. 1.

PART II

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures and concluded that they were effective as of December 31, 2004.

Our Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2004. 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 ensure that information required to be disclosed by the 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 ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's 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. Based on the evaluation of our disclosure controls and procedures as of December 31, 2004, our Chief Executive Officer and Chief Financial Officer concluded that, we have reasonable assurance that our disclosure controls and procedures were effective.

In August 2004, we failed to timely file a Form 8-K with the SEC. This Form 8-K was related to a change in the Code of Ethics that was reviewed and authorized by the Board of Directors on August 5, 2004. The Form 8-K was filed on August 25, 2004, which was after the required filing date of August 12, 2004. The changes in the Code of Ethics involved provisions on conflicts of interest, investigations of alleged violations of the Code and requests for waivers under the Code. The failure to timely file was due to a delay in communication of the Board s action to our financial reporting personnel. We have further educated our Board members regarding items for which a Form 8-K is required and have also implemented additional disclosure controls and procedures designed to avoid such inadvertent filing failures.

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f).

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

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, 2004 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 believes that our internal control over financial reporting is effective based on those criteria.

Management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report that is included elsewhere in this report.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors of Sinclair Broadcast Group, Inc.

We have audited management s assessment, included in the accompanying Report of Management on Sinclair Broadcast Group, Inc. s Internal Control Over Financial Reporting, that Sinclair Broadcast Group, Inc. maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Sinclair Broadcast Group, Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, management s assessment that Sinclair Broadcast Group, Inc. maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Sinclair Broadcast Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Sinclair Broadcast Group, Inc. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders equity, and cash flows of Sinclair Broadcast Group, Inc. and our report dated February 8, 2005 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Baltimore, Maryland

April 22, 2005

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.

Sinclair Broadcast Group, Inc. Financial Statements:

(a) (2) Financial Statements Schedules

The following financial statements schedules required by this item are submitted on pages S-1 and S-2 of this Report.

Index to Schedules
Schedule II-Valuation and Qualifying Accounts

All other 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.(7)
3.2	Amended By-Laws of Sinclair Broadcast Group, Inc.(22)
4.1	First Supplemental Indenture, dated as of December 17, 1997, among Sinclair Broadcast Group, Inc., the Guarantors named therein and First Union National Bank, as trustee, including Form of Note.(5)
4.2	Indenture, dated as of December 10, 2001, among Sinclair Broadcast Group, Inc., the Guarantors named therein, and First Union National Bank as trustee. (10)
4.3	First Supplemental Indenture, dated as of April 4, 2002, among Sinclair Broadcast Group, Inc., the Guarantors named therein and First Union National Bank, as trustee.(16)
4.4	Second Supplemental Indenture, dated as of July 26, 2002, among Sinclair Broadcast Group, Inc., the Guarantors named therein and Wachovia Bank, National Association (formerly known as First Union National Bank), as trustee. (16)
4.5	Third Supplemental Indenture, dated as of January 17, 2003, among Sinclair Broadcast Group, Inc., the Guarantors named therein and Wachovia Bank, National Association (formerly known as First Union National Bank), as trustee. (16)
4.6	Fourth Supplemental Indenture, dated as of May 9, 2003, among Sinclair Broadcast Group, Inc., the Guarantors named therein and Wachovia Bank, National Association (formerly known as First Union National Bank), as trustee.(16)
4.7	Fifth Supplemental Indenture, dated as of July 17, 2003, among Sinclair Broadcast Group, Inc., the Guarantors named therein and Wachovia Bank, National Association (formerly known as First Union National Bank), as trustee.(16)
4.8	Indenture, dated as of March 14, 2002, among Sinclair Broadcast Group, Inc., the Guarantors named therein, and First Union National Bank as trustee. (10)
4.9	First Supplemental Indenture, dated as of July 26, 2002, among Sinclair Broadcast Group, Inc., the Guarantors named therein and Wachovia Bank, National Association (formerly known as First Union National Bank) as trustee.(14)
4.10	Second Supplemental Indenture, dated as of November 8, 2002, among Sinclair Broadcast Group, Inc., the Guarantors named therein and Wachovia Bank, National Association (formerly known as First Union National Bank), as trustee.(14)
4.11	Indenture, dated as of May 20, 2003, between Sinclair Broadcast Group, Inc. and Wachovia Bank, National Association. (16)
4.12	Registration Rights Agreement, dated as of May 20, 2003, between Sinclair Broadcast Group, Inc., and Bear, Stearns & Co., Inc., UBS Warburg LLC, J.P. Morgan Securities Inc., Deutsche Bank Securities Inc., and Wachovia Securities, Inc. (16)
4.13	Registration Rights Agreement, dated as of May 29, 2003, by and among Sinclair Broadcast Group, Inc., the Guarantors named therein, and J.P. Morgan Securities Inc., Deutsche Bank Securities Inc., Wachovia Securities, Inc., Bear, Stearns & Co. Inc., and UBS Warburg LLC. (16)
10.1	Lease dated as of September 23, 1993 between Gerstell Development Limited Partnership and WPGH, Inc. (1)
10.2	Amendment No. 1 to the lease dated as of September 23, 1993 between Gerstell Development Limited Partnership and WPGH, Inc.(22)
10.3	Amendment No. 2 to the lease dated as of September 23, 1993 between Gerstell Development Limited Partnership and WPGH, Inc.(22)
10.4	Amendment No. 3 to the lease dated as of September 23, 1993 between Gerstell Development Limited Partnership and WPGH, Inc.(22)
10.5	Lease Agreement dated as of April 2, 1987 between Cunningham Communications, Inc. and Chesapeake Television, Inc. as amended on September 23, 1993.(2)
10.6	Lease Agreement dated as of June 1, 1991 between Cunningham Communications, Inc. and Chesapeake Television, Inc. as amended on September 23, 1993.(2)
10.7	Lease Agreement dated as of April 1, 1992 between Cunningham Communications, Inc. and Chesapeake Television, Inc. as amended on September 23, 1993.(2)
10.8	Lease dated February 1, 1996 by and between Keyser Investment Group, Inc., a Maryland corporation, and Sinclair

	Broadcast Group, Inc., a Maryland corporation.(22)
10.9	Common Non-Voting Capital Stock Option between Sinclair Broadcast Group, Inc. and William Richard Schmidt, as trustee.(1)
10.10	Common Non-Voting Capital Stock Option between Sinclair Broadcast Group, Inc. and C. Victoria Woodward, as trustee.(1)
10.11	Common Non-Voting Capital Stock Option between Sinclair Broadcast Group, Inc. and Dyson Ehrhardt, as trustee.(1)
10.12	Common Non-Voting Capital Stock Option between Sinclair Broadcast Group, Inc. and Mark Knobloch, as trustee.(1)
10.13	Term Note, dated as of September 30, 1990, in the principal amount of $7,515,000 between Sinclair Broadcast Group, Inc. (as borrower) and Julian S Smith (as lender).(3)
10.14	Replacement Term Note, dated as of September 30, 1990 in the principal amount of $6,700,000 between Sinclair Broadcast Group, Inc. (as borrower) and Carolyn C. Smith (as lender).(1)
10.15	Corporate Guaranty Agreement, dated as of September 30, 1990 by Chesapeake Television, Inc., Commercial Radio, Inc., Channel 63, Inc. and WTTE, Channel 28, Inc. (as guarantors) to Julian S. Smith and Carolyn C. Smith (as lenders).(2)
10.16	Security Agreement, dated as of September 30, 1999 among Sinclair Broadcast Group, Inc., Chesapeake Television, Inc., Commercial Radio Institute, Inc., WTTE, Channel 28, Inc. and Channel 63, Inc. (as borrowers and subsidiaries of the borrower) and Julian S. Smith and Carolyn C. Smith (as lenders).(2)
10.17	Incentive Stock Option Plan for Designated Participants.(1)
10.18	Incentive Stock Option Plan of Sinclair Broadcast Group, Inc.(1)
10.19	First Amendment to Incentive Stock Option Plan of Sinclair Broadcast Group, Inc., adopted April 10, 1996.(4)
10.20	Second Amendment to Incentive Stock Option Plan of Sinclair Broadcast Group, Inc., adopted May 31, 1996.(4)
10.21	1996 Long-Term Incentive Plan of Sinclair Broadcast Group, Inc.(4)
10.22	First Amendment to 1996 Long-term Incentive Plan of Sinclair Broadcast Group, Inc.(9)
10.23	Primary Television Affiliation Agreement, dated as of March 24, 1997 by and between American Broadcasting Companies, Inc., River City Broadcasting, L.P. and Chesapeake Television, Inc.(6)
10.24	Primary Television Affiliation Agreement, dated as of March 24, 1997 by and between American Broadcasting Companies, Inc., River City Broadcasting, L.P. and WPGH, Inc.(6)
10.25	Employment Agreement by and between Sinclair Broadcast Group, Inc. and Frederick G. Smith, dated June 12, 1998.(8)
10.26	Employment Agreement by and between Sinclair Broadcast Group, Inc. and J. Duncan Smith, dated June 12, 1998.(8)
10.27	Employment Agreement by and between Sinclair Broadcast Group, Inc. and David B. Amy, dated September 15, 1998.(8)
10.28	Credit Agreement dated as of July 15, 2002, between Sinclair Broadcast Group, Inc., the Subsidiary Guarantors party to the Credit Agreement, the Lenders party to the Credit Agreement, JP Morgan Chase Bank, as Administrative Agent.(11)
10.29	Registration Rights Agreement, dated as of November 8, 2002, by and among Sinclair Broadcast Group, Inc., the Guarantors, and Deutsche Bank Securities Inc., Wachovia Securities, Inc., JP Morgan Securities Inc., BNP Paribas Securities Corp., Lehman Brothers Inc., and UBS Warburg LLC.(12)
10.30	Registration Rights Agreement, dated as of December 31, 2002, by and among Sinclair Broadcast Group, Inc., the Guarantors, and JP Morgan Securities Inc., Deutsche Bank Securities Inc., Wachovia Securities, Inc. and UBS Warburg LLC.(12)
10.31	Subscription Agreement, effective as of January 1, 2003 by and between Acrodyne Communications, Inc., a Delaware corporation, and Sinclair Broadcast Group, Inc., a Maryland corporation.(13)
10.32	Modification Agreement dated as of January 2, 2003, by and among Nashville Broadcasting Limited Partnership, a Tennessee limited partnership, Nashville License Holdings, LLC, a Delaware limited liability company, and Sinclair Television of Nashville, Inc., a Tennessee corporation.(12)
10.33	Series A Preferred Stock Purchase Agreement dated as of December 23, 2002 is entered into by and among Summa Holdings, Ltd., a Maryland corporation, and Sinclair Broadcast Group, Inc., a Maryland corporation.(12)
10.34	Employment Agreement dated as of February 21, 1997, between Sinclair Communications, Inc., a Maryland corporation, and Steven Marks.(12)
10.35	Form of Fox Broadcasting Company Station Affiliation Agreement.(12)

10.36	Amendment No. 1 dated May 28, 2003 to the Credit Agreement between Sinclair Broadcast Group, Inc., the Subsidiary Guarantors party to the Credit Agreement and JP Morgan Chase Bank, as Administrative Agent thereunder. (15)
10.37	Employment Agreement by and between Sinclair Broadcast Group, Inc. and Barry M. Faber dated August 4, 2004.(18)
10.38	First Amended and Restated Credit Agreement dated as of June 25, 2004 between Sinclair Television Group, Inc., the Subsidiary Guarantors party to the Credit Agreement, the Lenders party to the Credit Agreement and JP Morgan Chase Bank, as Administrative Agent.(17)
10.39	Asset Purchase Agreement dated as of December 2, 2004 among CBS Broadcasting Inc., Sinclair Broadcast Group, Inc., Chesapeake Television, Inc., and SCI-Sacramento Licensee, LLC.(19)
10.40	Beaver Dam Limited Liability Company Operating Agreement dated as of May 30, 1996 by and among David D. Smith, Frederick G. Smith, J. Duncan Smith, Robert E. Smith and Sinclair Broadcast Group, Inc.(20)
10.41	First Amendment to the Operating Agreement and Agreement to Retire dated as of April 18, 1997 by and among Beaver Dam Limited Liability Company, David D. Smith, Frederick G. Smith, J. Duncan Smith, Robert E. Smith and Sinclair Broadcast Group, Inc. (20)
10.42	Second Amendment to the Operating Agreement and Agreement to Redeem Membership Rights dated as of May 6, 1998 by and among Beaver Dam Limited Liability Company, David D. Smith, Frederick G. Smith, J. Duncan Smith, Robert E. Smith and Sinclair Broadcast Group, Inc. (20)
10.43	Agreement of Lease dated as of December 18, 1998 by and between Beaver Dam Limited Liability Company and Sinclair Communications, Inc.(20)
10.44	Agreement of Lease dated as of December 18, 1998 by and between Beaver Dam Limited Liability Company and SBG Group.(20)
10.45	Agreement of Lease dated as of May 25, 2000 by and between Beaver Dam Limited Liability Company and Sinclair Broadcast Group, Inc.(20)
10.46	Agreement of Lease dated as of May 25, 2000 by and between Beaver Dam Limited Liability Company and Sinclair Broadcast Group.(20)
10.47	Agreement of Lease dated as of May 14, 2002 by and between Beaver Dam Limited Liability Company and Sinclair Broadcast Group, Inc.(20)
10.48	Asset Purchase Agreement dated November 12, 2004 among KSMO Licensee, Inc. and Meredith Corporation.(22)
10.49	Joint Sales and Shared Services Agreement dated as of November 12, 2004, by and among KSMO Licensee, Inc., a Delaware Corporation, KSMO, Inc., a Maryland Corporation, and Meredith Corporation, an Iowa Corporation.(22)
10.50	Form of WB Television Network Affiliation Agreement.(22)
10.51	Director Compensation.(22)
10.52	Executive Compensation.(21)
10.53	Employment agreement by and between Sinclair Broadcast Group, Inc. and Lucy Rutishauser dated March 19, 2001.(23)
11	Statement re computation of per share earnings.(22)
12	Computation of Ratio of Earnings to Fixed Charges.(22)
21	Subsidiaries of the Registrant.(22)
23	Consent of Independent Public Accountants (Sinclair Broadcast Group, Inc.).(23)
24	Power of Attorney.(22)
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).(23)
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).(23)
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).(23)
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).(23)

(1) Incorporated by reference from Sinclair s Registration Statement on Form S-1, No. 33-90682.

(2) Incorporated by reference from Sinclair s Registration Statement on Form S-1, No. 33-69482.

(3) Incorporated by reference from Sinclair s Report on Form 10-K for the year ended December 31, 1995.

(4) Incorporated by reference from Sinclair s Report on Form 10-K for the year ended December 31, 1996.

(5) Incorporated by reference from Sinclair s Current Report on Form 8-K, dated as of December 16, 1997.

(6) Incorporated by reference from Sinclair s Report on Form 10-K for the year ended December 31, 1997.

(7) Incorporated by reference from Sinclair s Report on Form 10-Q for the quarter ended June 30, 1998.

(8) Incorporated by reference from Sinclair s Report on Form 10-Q for the quarter ended September 30, 1998.

(9) Incorporated by reference from Sinclair s Proxy Statement for the 1998 Annual Meeting filed on Schedule 14A.

(10) Incorporated by reference from Sinclair s Report on Form 10-K for the year ended December 31, 2001.

(11) Incorporated by reference from Sinclair s Report on Form 10-Q for the quarter ended June 30, 2002.

(12) Incorporated by reference from Sinclair s Report on Form 10-K for the year ended December 31, 2002.

(13) Incorporated by reference from Sinclair s report on Schedule 13D, dated January 8, 2003.

(14) Incorporated by reference from Sinclair s Report on Form S-4 filed on March 7, 2003, No. 333-103681.

(15) Incorporated by reference from Sinclair s Report on Form 8-K filed on May 30, 2003.

(16) Incorporated by reference to our Registration Statement on Form S-4 filed on July 31, 2003 (File No. 333-107522).

(17) Incorporated by reference from Sinclair s Report on Form 8-K filed on June 29, 2004.

(18) Incorporated by reference from Sinclair s Report on Form 10-Q for the quarter ended June 30, 2004.

(19) Incorporated by reference from Sinclair s Report on Form 8-K filed on December 3, 2004.

(20) Incorporated by reference from Sinclair s Report on Form 8-K filed on December 20, 2004.

(21) Incorporated by reference from Sinclair's Report on Form 8-K filed on March 15, 2005.

(22) Incorporated by reference from Sinclair s Report on Form 10-K for the year ended December 31, 2004 filed on March 16, 2005.

(23) Filed herewith

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 29th day of April 2005.

SINCLAIR BROADCAST GROUP, INC.

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

SINCLAIR BROADCAST GROUP, INC.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Sinclair Broadcast Group, Inc.

We have audited the accompanying consolidated balance sheets of Sinclair Broadcast Group, Inc (a Maryland corporation) and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sinclair Broadcast Group, Inc. and subsidiaries at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 4 to the notes to the consolidated financial statements, during the year ended December 31, 2002, the Company changed the method in which it accounts for goodwill and other intangible assets upon adoption of Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets on January 1, 2002.

/s/ ERNST & YOUNG LLP

Baltimore, Maryland
February 8, 2005

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	As of December 31, 2004		2003	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	10,491	$	28,730
Accounts receivable, net of allowance for doubtful accounts of $4,518 and $4,909, respectively		132,062		139,761
Current portion of program contract costs		49,062		57,655
Taxes receivable		624		1,952
Prepaid expenses and other current assets		17,525		13,914
Deferred barter costs		2,210		2,705
Assets held for sale		97,822		100,522
Deferred tax assets		20,354		12,443
Total current assets		330,150		357,682
PROGRAM CONTRACT COSTS, less current portion		27,175		32,785
LOANS TO AFFILIATES		13		1,381
PROPERTY AND EQUIPMENT, net		339,779		338,078
GOODWILL, net		1,041,452		1,085,507
BROADCAST LICENSES, net		406,694		392,258
DEFINITE-LIVED INTANGIBLE ASSETS, net		237,972		252,666
OTHER ASSETS		82,428		106,749
Total assets	$	2,465,663	$	2,567,106
LIABILITIES AND SHAREHOLDERS EQUITY				
CURRENT LIABILITIES:				
Accounts payable	$	7,056	$	8,301
Accrued liabilities		77,291		70,586
Current portion notes payable, capital leases and commercial bank financing		43,737		38,986
Current portion of notes and capital leases payable to affiliates		5,209		3,296
Current portion of program contracts payable		113,108		114,725
Deferred barter revenues		2,684		3,077
Deferred gain on sale of broadcast assets		26,129		
Liabilities held for sale		13,447		15,367
Total current liabilities		288,661		254,338
LONG-TERM LIABILITIES:				
Notes payable, capital leases and commercial bank financing, less current portion		1,571,346		1,661,998
Notes and capital leases payable to affiliates, less current portion		19,323		25,641
Program contracts payable, less current portion		60,782		87,357
Deferred tax liabilities		216,937		193,138
Other long-term liabilities		80,796		114,691
Total liabilities		2,237,845		2,337,163
MINORITY INTEREST IN CONSOLIDATED ENTITIES		1,267		938
SHAREHOLDERS EQUITY:				
Series D Preferred Stock, $.01 par value, 3,450,000 shares authorized, 3,337,033 and 3,450,000 issued and outstanding, respectively; liquidation preference of $166,851,650 and $172,500,000, respectively		33		35

Class A Common Stock, $.01 par value, 500,000,000 shares authorized, 46,018,574 and 44,598,278 shares issued and outstanding, respectively		460		446
Class B Common Stock, $.01 par value, 140,000,000 shares authorized, 39,150,828 and 41,213,653 shares issued and outstanding, respectively; convertible into Class A Common Stock.		391		412
Additional paid-in capital		752,135		762,720
Additional paid-in capital-deferred stock compensation		(5)		(132)
Accumulated deficit		(526,463)		(533,916)
Accumulated other comprehensive loss				(560)
Total shareholders equity		226,551		229,005
Total liabilities and shareholders equity	$	2,465,663	$	2,567,106

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

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(in thousands, except per share data)

	2004	2003	2002
REVENUES:			
Station broadcast revenues, net of agency commissions	$ 637,186	$ 614,682	$ 624,375
Revenues realized from station barter arrangements	58,039	59,155	57,628
Other operating divisions revenue	13,054	14,568	4,344
Total revenues	708,279	688,405	686,347
OPERATING EXPENSES:			
Station production expenses	148,408	142,469	132,146
Station selling, general and administrative expenses	154,352	138,284	134,978
Expenses recognized from station barter arrangements	53,494	54,315	51,283
Amortization of program contract costs and net realizable value adjustments	89,938	98,966	117,255
Stock-based compensation expense	1,603	1,397	1,301
Other operating divisions expenses	14,932	16,375	6,051
Depreciation and amortization of property and equipment	48,617	44,004	38,211
Corporate general and administrative expenses	21,160	19,532	17,797
Amortization of definite-lived intangible assets and other assets	18,544	18,797	18,965
Total operating expenses	551,048	534,139	517,987
Operating income	157,231	154,266	168,360
OTHER INCOME (EXPENSE):			
Interest expense and amortization of debt discount and deferred financing costs	(120,400)	(121,165)	(118,114)
Subsidiary trust minority interest expense		(11,246)	(23,890)
Interest income	191	560	1,484
Loss on sale of assets	(52)	(452)	(46)
Unrealized gain (loss) from derivative instruments	29,388	17,354	(30,939)
Loss from extinguishment of securities	(2,453)	(15,187)	(15,362)
Income (loss) from equity and cost investees	1,100	1,193	(1,189)
Gain on insurance settlement	3,341		
Impairment of goodwill	(44,055)		
Other income	895	1,187	1,811
Total other expense	(132,045)	(127,756)	(186,245)
Income (loss) from continuing operations before income taxes	25,186	26,510	(17,885)
INCOME TAX (PROVISION) BENEFIT	(11,182)	(10,676)	7,591
Net income (loss) from continuing operations	14,004	15,834	(10,294)
DISCONTINUED OPERATIONS:			
Income from discontinued operations, net of related income tax provision of $6,255, $3,352 and $3,776, respectively	10,018	8,558	4,685
Gain on disposal of discontinued operations, net of taxes of $8,175			7,519
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, net of tax benefit of $30,383			(566,404)
NET INCOME (LOSS)	24,022	24,392	(564,494)
PREFERRED STOCK DIVIDENDS	10,180	10,350	10,350
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 13,842	$ 14,042	$ (574,844)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:			

Earnings (loss) per share from continuing operations	$	0.04	$	0.06	$	(0.24)
Earnings per share from discontinued operations	$	0.12	$	0.10	$	0.14
Loss per share from cumulative effect of change in accounting principle	$		$		$	(6.64)
Earnings (loss) per common share	$	0.16	$	0.16	$	(6.74)
Weighted average common shares outstanding		85,590		85,651		85,337
Weighted average common and common equivalent shares outstanding		85,741		85,793		85,580
Dividends per common share	$	0.075	$		$	

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

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(in thousands)

	Series D Preferred Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders Equity
BALANCE, December 31, 2001	$ 35	$ 411	$ 432	$ 748,353	$ (1,452)	$ 26,886	$ (2,705)	$ 771,960
Dividends paid on Series D Preferred Stock	—	—	—	—	—	(10,350)	—	(10,350)
Class B Common Stock converted into Class A Common Stock	—	15	(15)	—	—	—	—	—
Stock options exercised	—	3	—	2,803	—	—	—	2,806
Class A Common Stock issued pursuant to employee benefit plans	—	2	—	1,754	—	—	—	1,756
Class A Common Stock issued to acquire broadcast licenses	—	8	—	7,695	—	—	—	7,703
Issuance of Shares under ESPP	—	—	—	338	—	—	—	338
Amortization of deferred compensation	—	—	—	—	730	—	—	730
Deferred compensation adjustment related to forfeited stock option	—	—	—	(842)	171	—	—	(671)
Tax benefit of nonqualifying stock option exercises				377				377
Net loss	—	—	—	—	—	(564,494)	—	(564,494)
Amortization of derivative instruments, net of tax benefit of $716	—	—	—	—	—	—	871	871
Realized loss on investment, net of tax benefit of $101	—	—	—	—	—	—	154	154
BALANCE, December 31, 2002	$ 35	$ 439	$ 417	$ 760,478	$ (551)	$ (547,958)	$ (1,680)	$ 211,180
Other comprehensive loss:								
Net loss	$	$	$	$	$	$ (564,494)	$	$ (564,494)
Amortization of derivative instruments, net of tax benefit of $716	—	—	—	—	—	—	871	871
Realized loss on investment, net of tax benefit of $101	—	—	—	—	—	—	154	154
Comprehensive loss	$	$	$	$	$	$ (564,494)	$ 1,025	$ (563,469)

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

	Series D Preferred Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders Equity
BALANCE, December 31, 2002	$ 35	$ 439	$ 417	$ 760,478	$ (551)	$ (547,958)	$ (1,680)	$ 211,180
Dividends paid on Series D Preferred Stock	—	—	—	—	—	(10,350)	—	(10,350)
Class B converted into Class A Common Stock	—	5	(5)	—	—	—	—	—
Stock options exercised	—	2	—	1,429	—	—	—	1,431
Class A Common Stock issued pursuant to employee benefit plans	—	2	—	2,508	—	—	—	2,510
Repurchase of 194,500 shares of Class A Common Stock	—	(2)	—	(1,542)	—	—	—	(1,544)
Amortization of deferred compensation	—	—	—	—	494	—	—	494
Deferred compensation adjustment related to forfeited stock option	—	—	—	(340)	(75)	—	—	(415)
Tax benefit of nonqualifying stock option exercises				187				187
Net income	—	—	—	—	—	24,392	—	24,392
Amortization of derivative instruments, net of tax provision of $608	—	—	—	—	—	—	1,120	1,120
BALANCE, December 31, 2003	$ 35	$ 446	$ 412	$ 762,720	$ (132)	$ (533,916)	$ (560)	$ 229,005
Other comprehensive income:								
Net income	$	$	$	$	$	$ 24,392	$	$ 24,392
Amortization of derivative instruments, net of tax provision of $608	—	—	—	—	—		1,120	1,120
Comprehensive income	$	$	$	$	$	$ 24,392	$ 1,120	$ 25,512

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

	Series D Preferred Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders Equity
BALANCE, December 31, 2003	$ 35	$ 446	$ 412	$ 762,720	$ (132)	$ (533,916)	$ (560)	$ 229,005
Dividends declared on common stock						(6,403)		(6,403)
Dividends paid on Series D Preferred Stock						(10,166)		(10,166)
Class A Common Stock issued pursuant to employee benefit plans and stock options exercised		3		3,509				3,512
Class B Common Stock converted to Class A Common Stock		21	(21)					
Repurchase of 970,500 shares of Class A Common Stock		(10)		(9,540)				(9,550)
Amortization of deferred compensation					127			127
Repurchase of Series D Preferred Stock	(2)			(4,750)				(4,752)
Tax benefit of nonqualifying stock option exercises				196				196
Net income						24,022		24,022
Amortization of derivative instruments, net of tax provision of $304							560	560
BALANCE, December 31, 2004	$ 33	$ 460	$ 391	$ 752,135	$ (5)	$ (526,463)	$	$ 226,551
Other comprehensive income:								
Net income	$	$	$	$	$	$ 24,022	$	$ 24,022
Amortization of derivative instruments, net of tax provision of $304							560	560
Comprehensive income	$	$	$	$	$	$ 24,022	$ 560	$ 24,582

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

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(in thousands)

	2004	2003	2002
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:			
Net income (loss)	$ 24,022	$ 24,392	$ (564,494)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Amortization of debt (premium) discount	(1,081)	(838)	98
Depreciation and amortization of property and equipment	50,877	47,023	41,513
Recognition of deferred revenue	(4,928)	(4,942)	(4,942)
Accretion of capital leases	706	723	621
(Income) loss from equity and cost investees	(1,100)	(976)	1,519
Gain on sale of broadcast assets related to discontinued operations			(12,413)
Gain on involuntary conversion-non cash portion	(3,212)		
Loss on sale of property	52	517	478
Impairment of goodwill	44,055		
Unrealized (gain) loss from derivative instruments	(29,388)	(17,354)	30,939
Amortization of definite-lived intangible assets and other assets	19,035	19,288	19,581
Amortization of program contract costs and net realizable value adjustments	94,180	105,082	130,832
Amortization of deferred financing costs	2,839	2,990	3,954
Amortization of deferred compensation	1,906	1,686	1,775
Extinguishment of debt, non-cash portion	1,289	3,705	12,307
Cumulative effect of change in accounting principle			596,787
Amortization of derivative instruments	1,098	1,658	1,409
Deferred tax provision related to operations	11,125	17,250	49,490
Deferred tax provision (benefit) related to sale of broadcast assets from discontinued operations	5,828		(11,582)
Deferred tax provision related to extraordinary loss			649
Deferred tax benefit related to change in accounting principle			(30,383)
Net effect of change in deferred barter revenues and deferred barter costs	118	(112)	(571)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
Decrease (increase) in accounts receivable, net	7,477	8,035	(2,871)
Decrease in taxes receivable	1,328	36,954	7,244
(Increase) decrease in prepaid expenses and other current assets	(3,206)	9,319	(2,680)
Decrease in other long-term assets	555	3,659	3,173
Increase (decrease) in accounts payable and accrued liabilities	4,809	(2,898)	(14,266)
(Decrease) increase in other long-term liabilities	(1,380)	(3,298)	58
Dividends and distributions from equity investees	3,327	307	654
Payments on program contracts payable	(110,151)	(105,535)	(106,327)
Increase in minority interest	(67)	(180)	(1,662)
Net cash flows from operating activities	120,113	146,455	150,890
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:			
Acquisition of property and equipment	(44,881)	(69,531)	(62,909)
Consolidation of variable interest entity	239		
Payments for acquisition of television station and related assets		(18,000)	(21,178)
Contributions in equity investments	(5,549)	(5,699)	(25,820)

Proceeds from sale of property	39	138	694
Proceeds from sale of broadcast assets	28,561		124,472
Repayment of note receivable			30,257
Loans to affiliates	(143)	(1,115)	(104)
Proceeds from loans to affiliates	1,511	903	6,756
Proceeds from insurance settlement	2,521	3,328	
Net cash flows (used in) from investing activities	(17,702)	(89,976)	52,168
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:			
Proceeds from commercial bank financing and notes payable	533,000	318,336	1,263,075
Repayments of notes payable, commercial bank financing and capital leases	(620,400)	(129,100)	(1,492,548)
Proceeds from exercise of stock options	1,152	1,431	2,807
Payments for deferred financing costs	(953)	(7,402)	(10,503)
Dividends paid on Series D Convertible Preferred Stock	(10,180)	(10,350)	(10,350)
Dividends paid on common stock	(4,274)		
Repurchase of Series D Preferred Stock	(4,752)		
Repurchase of Class A Common Stock	(9,550)	(1,544)	
Redemption of High Yield Trust Originated Preferred Securities		(200,000)	
Proceeds from termination of derivative instruments			21,849
Repayments of notes and capital leases to affiliates	(4,693)	(4,447)	(4,124)
Net cash flows used in financing activities	(120,650)	(33,076)	(229,794)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(18,239)	23,403	(26,736)
CASH AND CASH EQUIVALENTS, beginning of year	28,730	5,327	32,063
CASH AND CASH EQUIVALENTS, end of year	$ 10,491	$ 28,730	$ 5,327

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

1. 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. 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 62 television stations in 39 markets. For the purpose of this report, these 62 stations are referred to as our stations. We currently have 11 duopoly markets where we own and operate two stations within the same market. We have eight LMA markets where, with one exception, we own and operate one station in the market and provide programming and operating services to (by) another station within that market. In the remaining 16 markets, we own and operate a single television station. Our television station group is diverse in network affiliation with 20 stations affiliated with FOX, 19 with The WB, nine with ABC, six with UPN, three with NBC and three with CBS. Two stations are not affiliated with any network.

Principles of Consolidation

The consolidated financial statements include our accounts and those of our wholly-owned and majority-owned subsidiaries and variable interest entities. Minority interest represents a minority owner s proportionate share of the equity in certain of our consolidated entities. All significant intercompany transactions and account balances have been eliminated in consolidation. The financial statements of Cunningham Broadcasting Corporation, Acrodyne Communications, Inc. and G1440 Holdings, Inc. are consolidated for the years ended December 31, 2004, 2003 and 2002. The financial statements for the unrelated third party owner of WNAB-TV in Nashville, Tennessee, a variable interest entity for which we are primary beneficiary, have been consolidated since March 31, 2004. (See *Variable Interest Entities* below.)

The operating results of WTTV-TV, Bloomington, Indiana, which was sold in 2002, are not included in our consolidated results from continuing operations for the year ended December 31, 2002. The operating results of KSMO-TV, Kansas City, Missouri and KOVR-TV, Sacramento, California are not included in our consolidated results from continuing operations for the years ended December 31, 2004, 2003 and 2002, since the asset purchase agreements for KSMO-TV, Kansas City, Missouri and KOVR-TV, Sacramento, California, met all of the criteria for a qualifying plan of sale. The assets and liabilities being disposed of have been classified as held for sale on the accompanying balance sheets presented and their operations have been treated and disclosed as income from discontinued operations. Their financial position and results of operations have been reclassified accordingly for all years presented. (See *Note 12. Discontinued Operations.)*

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 financial statements and in the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In September 2004, the Emerging Issues Task Force (EITF) finalized EITF No. 04-8, *The Effect of Contingently Convertible Debt on Diluted Earnings per Share* (EITF 04-8). Issue 04-8 requires all issued securities that have embedded market price contingent conversion features be included in the diluted earnings per share (diluted EPS) calculation, if dilutive. We adopted EITF 04-8 for our diluted EPS calculation on December 15, 2004. Our Convertible Senior Subordinated Notes due 2018 were not included in our diluted EPS calculation for December 31, 2004 and 2003 because the effect was antidilutive. The Convertible Senior Subordinated Notes due 2018 were issued during May 2003 and were not available to be included in our December 31, 2002 diluted EPS calculation. *(*See *Note 15. Earnings Per Share.)*

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS 123R) as revision to FASB Statement No. 123, *Accounting for Stock-Based Compensation* (SFAS 123). SFAS 123R supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* (Opinion 25), and amends FASB Statement No. 95, *Statement of Cash Flows.* This standard requires that all share-based payments, including grants of employee stock options and our employee stock purchase plan, be recognized in the income statement as compensation expense based on their fair values. SFAS 123R is effective for interim and annual periods beginning after June 15, 2005. We expect to adopt SFAS 123R on July 1, 2005.

Statement 123R permits public companies to adopt its requirements using one of two methods:

a modified prospective method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123R for all share-based payments granted after the effective date and (b) based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date; and

a modified retrospective method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under Statement 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

As permitted by SFAS 123, we currently account for share-based payments to employees using Opinion 25 s intrinsic value method and, as such, generally recognize no compensation cost for employee stock options. Accordingly, the adoption of SFAS 123R s fair value method will have an impact on our results of operations, although it will have no impact on our overall financial position. The impact of adoption of SFAS 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had we adopted SFAS 123R in prior periods, the impact of that standard would have approximated the impact of SFAS 123 as described in the disclosure of *Pro Forma Information Related to Stock-Based Compensation* below. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption.

Variable Interest Entities

In January 2003, the FASB issued Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin N*o. *51* (FIN 46R). FIN 46R introduces the variable interest consolidation model, which determines control and consolidation based on potential variability in gains and losses of the entity being evaluated for consolidation. We adopted FIN 46R on March 31, 2004.

We have determined that WNAB-TV in Nashville, Tennessee is a variable interest entity (VIE) and that we are the primary beneficiary of the variable interests as a result of the terms of our outsourcing agreement, put options and call options. As a result, we were required to consolidate the assets and liabilities of WNAB-TV at their fair market values as of March 31, 2004. The consolidated assets of WNAB-TV consist of broadcast licenses of $14.4 million, network affiliation of $3.0 million and property and equipment of $1.9 million. The consolidation of WNAB-TVdid not have a material impact on our results of operations. We made payments to the unrelated third-party owner of WNAB-TV of $2.2 million and of $2.3 million related to our outsourcing agreement for the years ended December 31, 2004 and 2003, respectively. On January 2, 2003, we made an $18.0 million non-refundable deposit against the purchase price of the put or call option on the non-license assets. We believe that our maximum exposure to loss as a result of our involvement with WNAB-TV consists of the fees that we pay related to the outsourcing agreement as well as any payments that we would be required to make under the put options held by the current owner related to the license and non-license assets. (See *Note 10. Commitments and Contingencies.)*

We have determined that Cunningham Broadcasting Corporation (Cunningham) is a VIE and that we are the primary beneficiary of the variable interests. We have been consolidating Cunningham s financial statements since February 1, 2002; therefore, the implementation of FIN 46R did not have an effect on our financial statements with respect to our variable interest in Cunningham. We made LMA payments to Cunningham of $5.9 million, $4.7 million and $4.0 million for the years ended December 31, 2004, 2003 and 2002, respectively. We received payments from Cunningham of $2.1 million, $0.8 million and $0.2 million for the years ended December 31, 2004, 2003 and 2002, respectively. The creditors of Cunningham have no recourse with respect to us. We believe that our maximum exposure to loss as a result of our involvement with Cunningham consists of the fees that we pay related to the LMA agreements as well as payments that we would make as a result of exercising our option to acquire Cunningham, which provides for an option exercise price based on a formula that provides a 10% annual return to Cunningham.

We have determined that we have a variable interest in WTXL-TV in Tallahassee, Florida as a result of the terms of the outsourcing agreement with the unrelated third-party owner of WTXL-TV. However, we are not the primary beneficiary of the variable interests and, therefore, we are not required to consolidate WTXL-TV under the provisions of FIN 46R. We believe that we do not have a material exposure to loss as a result of our involvement with WTXL-TV.

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.

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 allowance level.

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. Each contract is recorded as an asset and a liability at an amount equal to its gross contractual cash 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 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. 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. Amortization of program contract costs is generally computed using either a four year accelerated method or based on usage, whichever method results in the most accelerated amortization for each program. 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.

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. Network programming is excluded from these calculations. Revenues are recorded as revenues realized from station barter arrangements and the corresponding expenses are recorded to expenses recognized from station barter arrangements.

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 the station production expenses and the station selling, general and administrative expenses. Deferred barter revenues are recognized as the related advertising is aired and are recorded in revenues realized from station barter arrangements.

Other Assets

Other assets as of December 31, 2004 and 2003 consisted of the following (in thousands):

		2004		2003
Investments	$	44,000	$	40,594
Other costs relating to future acquisitions				20,486
Unamortized costs relating to securities issuances		17,101		20,397
Fair value of derivative instruments		15,831		18,884
Other		5,496		6,388
	$	82,428	$	106,749

Investments

We use the equity method of accounting for investments in which we have a 20% to 50% ownership interest or when we exercise significant influence over the operating and financial policies of the investee. For investments in which we have less than a 20% interest and do not exercise significant influence over the operating and financial policies of the investee, we use the lower of cost or fair market value method of accounting.

Impairment of Long-lived Assets

Under the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), we periodically evaluate our long-lived assets for impairment and will 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 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 adjusted to their fair values. As of December 31, 2004, management believes that the carrying amounts of our tangible and definite-lived intangible assets have not been impaired under SFAS 144.

Accrued Liabilities

Accrued liabilities consisted of the following as of December 31, 2004 and 2003 (in thousands):

	2004	2003
Compensation	$ 16,661	$ 16,431
Interest	23,394	23,853
Other accruals relating to operating expenses	37,236	30,302
Total accrued liabilities	$ 77,291	$ 70,586

We do not accrue for repair and maintenance activities in advance of planned or unplanned major maintenance activities. We generally expense these activities when incurred.

Supplemental Information Statements of Cash Flows

During 2004, 2003 and 2002, we incurred the following transactions (in thousands):

	2004	2003	2002
Capital lease obligations incurred	$ 4,727	$ 2,699	$ 29,526
Income taxes paid related to operations	$ 1,854	$ 2,123	$ 2,822
Income taxes paid related to sale of discontinued operations	$ 429	$ 205	$ 168
Income tax refunds received	$ 1,462	$ 40,643	$ 47,077
Subsidiary trust minority interest payments	$	$ 10,979	$ 23,250
Interest paid	$ 130,493	$ 116,884	$ 119,669
Payments related to extinguishment of debt	$ 1,168	$ 11,482	$ 2,411

Stock issued to acquire broadcast licenses	$	$	$	7,703

Non-cash barter and trade revenue and expense are presented in the consolidated statements of operations.

Local Marketing Agreements

We generally enter into local marketing agreements (LMAs) and similar arrangements with stations located in markets in which we already own and operate a station. Under the terms of these agreements, we make specific periodic payments to the owner-operator in exchange for the right to program and sell advertising on a specified portion of the station s inventory of broadcast time. Nevertheless, as the holder of the FCC license, the owner-operator retains control and responsibility for the operation of the station, including responsibility over all programming broadcast on the station.

Included in the accompanying consolidated statements of operations for the years ended December 31, 2004, 2003 and 2002 are net revenues of $114.6 million, $101.7 million and $111.6 million, respectively, that relate to LMAs.

Outsourcing Agreements

We have entered into 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.

Revenue Recognition

Advertising revenues, net of agency and national representatives commissions, are recognized in the period during which time spots are aired. Total revenues include (i) cash and barter advertising revenues, net of agency and national representatives commissions, (ii) network compensation and (iii) other revenues.

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 $9.7 million, $10.4 million and $7.4 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Financial Instruments

Financial instruments as of December 31, 2004 and 2003 consist 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 determination of fair value of notes payable.

Pro Forma Information Related To Stock-Based Compensation

As permitted under SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), we measure compensation expense for our stock-based employee compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and provide pro forma disclosures of net income (loss) and earnings (loss) per share as if the fair value-based method prescribed by SFAS 123 had been applied in measuring compensation expense.

Had compensation cost related to our grants for stock-based compensation plans been determined consistent with SFAS 123, our net income (loss) available to common shareholders for these years would approximate the pro forma amounts below (in thousands, except per share data):

	For the Years Ended December 31,					
	2004		2003		2002	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income (loss) available to common shareholders	$ 13,842	$ 11,719	$ 14,042	$ 9,227	$ (574,844)	$ (579,274)
Basic and diluted earnings (loss) per common share	$ 0.16	$ 0.14	$ 0.16	$ 0.11	$ (6.74)	$ (6.79)

We have computed for pro forma disclosure purposes the value of all options granted during 2004, 2003 and 2002, respectively, using the Black-Scholes option pricing model as prescribed by SFAS 123 using the following weighted average assumptions for common stock:

	For the Years Ended December 31,		
	2004	2003	2002
Risk-free interest rate	3.10%	3.00%	4.24%
Expected lives	5 years	5 years	5 years
Expected volatility	48%	48%	55%
Dividend yield	2.2%		
Weighted average fair value	$ 5.48	$ 4.63	$ 6.34

Adjustments are made for options forfeited prior to vesting.

Reclassifications

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

2. INVESTMENTS:

The following is a summary of our material investments included in our consolidated financial statements:

Acrodyne Communications, Inc.

As of December 31, 2004 and 2003, we had a 82.4% ownership interest in Acrodyne Communications, Inc. (Acrodyne). Acrodyne designs, manufactures and markets digital and analog television broadcast transmitters for domestic and international television stations, broadcasters, government agencies, not-for-profit organizations and educational institutions.

On January 1, 2003, we forgave indebtedness owed to us by Acrodyne in the aggregate amount of $9.0 million in exchange for $20.3 million additional shares of Acrodyne common stock. The terms of the agreement also committed us to an additional investment of $1.0 million, which we funded on January 1, 2003. Beginning January 1, 2003, we consolidated the financial statements of Acrodyne and ceased accounting for the investment under the equity method of accounting.

G1440 Holdings, Inc.

As of December 31, 2004 and 2003, we had a 93.9% and 89.6% equity interest in G1440 Holdings, Inc., (G1440), respectively. G1440 and its subsidiaries provide single-source, end-to-end e-Business solutions and a number of services and products, including a homebuilder application, an immigration tracking tool application, a syndicated television program management and scheduling application and a procurement application. We consolidate the financial statements of G1440.

Allegiance Capital Limited Partnership

As of December 31, 2004 and 2003, we had an 87.8% and 76.3% limited partnership interest in Allegiance Capital Limited Partnership (Allegiance), respectively. Allegiance is a private mezzanine venture capital fund, which invests in the subordinated debt and equity of privately held companies. The partnership is structured as a debenture Small Business Investment Company (SBIC) and is a federally licensed SBIC. Since we do not have significant control, but only significant influence, we account for our investment in Allegiance under the equity method of accounting.

Summa Holdings, Ltd.

As of December 31, 2004 and 2003, we had a 17.5% equity interest in Summa Holdings, Ltd. (Summa). Summa is a holding company, which owns automobile dealerships and a leasing company. David D. Smith, our President and Chief Executive Officer, has a controlling interest in

Summa and is on the Board of Directors. We have significant influence by holding a board seat (in addition to the board seat personally held by David D. Smith); therefore, we account for this investment under the equity method of accounting.

We have other cost and equity investments in internet related activities and venture capital companies. Management does not believe these investments individually, or in the aggregate, are material to the accompanying consolidated financial statements.

In the event one or more of our investments are significant, we are required to disclose summarized financial information. The table below presents the unaudited summarized financial information for these investments for the years ended December 31, 2004, 2003 and 2002, respectively (in thousands):

	For the Years Ended December 31,			
		2004		2003
Current assets	$	225,118	$	229,533
Long-term assets		137,933		137,524
Total assets	$	363,051	$	367,057
Current liabilities	$	205,657	$	206,786
Long-term liabilities		102,799		113,494
Total liabilities		308,456		320,280
Redeemable preferred stock		20,000		20,000
Minority interests		690		3,000
Equity		33,905		23,777
Total liabilities and equity	$	363,051	$	367,057

	For the Years Ended December 31,					
		2004		2003		2002
Operating revenue	$	1,109,217	$	902,081	$	704,074
Cost of sales	$	935,389	$	752,212	$	578,082
Operating expenses	$	153,090	$	132,864	$	115,256
Income from continuing operations	$	16,709	$	12,791	$	5,814
Net income	$	16,234	$	9,274	$	4,452

Impairment of Investments

Each quarter, we review our investments for impairment. 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. As a result of these reviews, we recorded an impairment of equity investees of $4.0 million in the consolidated statement of operations for the year ended December 31, 2004.

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	35 years
Station equipment	5	10 years
Office furniture and equipment	5	10 years
Leasehold improvements	10	31 years
Automotive equipment	3	5 years

Property and equipment under capital leases	Lease term

Property and equipment consisted of the following as of December 31, 2004 and 2003 (in thousands):

	2004	2003
Land and improvements	$ 15,184	$ 15,133
Buildings and improvements	107,896	100,469
Station equipment	377,858	335,549
Office furniture and equipment	44,497	41,933
Leasehold improvements	12,576	11,912
Automotive equipment	10,368	9,988
Construction in progress	16,955	30,022
	585,334	545,006
Less accumulated depreciation	(245,555)	(206,928)
	$ 339,779	$ 338,078

Depreciation related to capital leases is included in depreciation expense in the consolidated statement of operations.

In the first quarter of 2003, one of our towers in Charleston, West Virginia collapsed during a severe ice storm. This tower was insured and we used the insurance settlement to rebuild the tower and to replace the other assets that were destroyed by the collapse. In the fourth quarter of 2004, we completed substantially all of the construction of the new tower and placed it in service, and at that time we recognized a gain of $3.3 million, representing amounts received from insurance above the net book value of the old tower. Of this amount, $0.1 million was related to business interruption insurance recoveries.

4. GOODWILL AND OTHER INTANGIBLE ASSETS:

In June 2001, the FASB approved SFAS No. 141, *Business Combinations* (SFAS 141) and SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). SFAS 141 prospectively prohibits the pooling of interest method of accounting for business combinations initiated after June 30, 2001. SFAS 142 requires companies to cease amortizing goodwill and certain other intangible assets including broadcast licenses. Effective January 1, 2002, SFAS 142 also established a method of testing goodwill and broadcast licenses for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. The adoption of SFAS 142 resulted in discontinuation of amortization of our goodwill and broadcast licenses commencing January 1, 2002 and we are required to test goodwill and broadcast licenses for impairment under this standard annually.

During the three months ended March 31, 2002, we tested our broadcast licenses for impairment in accordance with SFAS 142 based on the estimated fair value of such licenses in their respective markets. We estimated the fair values of our broadcast licenses using discounted cash flow models. The estimated fair value was compared to the book value to determine whether any impairment had occurred. As a result of this analysis, we recorded a pretax impairment charge of $64.0 million.

SFAS 142 requires that goodwill be tested for impairment at the reporting unit level at adoption and at least annually thereafter, utilizing a two-step methodology. The initial step requires us to determine the fair value of each reporting unit and compare it to the carrying value, including goodwill, of such unit. If the fair value exceeds the carrying value, no impairment loss is recognized. However, if the carrying value of the reporting unit exceeds its fair value, the goodwill of this unit might be impaired. The amount, if any, of the impairment is then measured in the second step. The second step requires us to calculate the fair value of goodwill by allocating the fair value of the reporting unit to each of the assets and liabilities of the reporting unit based on their fair values. This calculated goodwill is then compared to the book value of the goodwill and an impairment loss is recognized to the extent that the book value exceeds the fair value.

We determined that our designated marketing areas (DMAs) are reporting units under SFAS 142. In connection with adopting this standard during 2002, we completed step one of the test for impairment by comparing the book value of our reporting units, including goodwill, to the estimated fair value of our reporting units as of January 1, 2002. We estimated the fair value of our reporting units using a combination of quoted market prices, observed earnings multiples paid for comparable television stations and discounted cash flow models.

We performed the second step of the goodwill impairment test for those DMAs whose goodwill was found to be potentially impaired as a result of the first step. We performed the second step by allocating the estimated fair value of the reporting unit to each of the assets and liabilities of the reporting unit based on their estimated fair values. We estimated the fair values of the assets and liabilities using a combination of observed prices paid for similar assets and liabilities, discounted cash flow models and appraisals.

As a result of such testing, we recorded a pre-tax impairment charge of $532.8 million related to nine of our DMAs and our software development and consulting company during 2002. The total impairment charge of $596.8 million related to our broadcast licenses and goodwill is reflected as a cumulative effect of a change in accounting principle on our consolidated statement of operations for the twelve months ended December 31, 2002, before the related tax benefit of $30.4 million.

SFAS 142 requires goodwill and definite-lived intangible assets to be tested for impairment on an annual basis; therefore, we tested these assets for impairment as of October 1, 2004, 2003 and 2002 using the methodology discussed above. There were no impairment charges recorded for 2003 and 2002 based on the results of such testing. In 2004, based on first step testing, we determined that the carrying value of goodwill of one of our stations exceeded its fair value. As required, we then conducted second step testing in order to calculate the fair value of goodwill. As a result of second step testing, we recorded a $44.1 million charge called impairment of goodwill in our consolidated statement of operations.

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. These amounts result from the acquisition of certain television station non-license assets. The following table shows the gross carrying amount and accumulated amortization of intangibles and estimated amortization (in thousands):

		For the year ended December 31, 2004		For the year ended December 31, 2003	
	Amortization Period	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Amortized intangible assets:					
Network affiliation	15-25 years	$ 243,865	$ (67,209)	$ 240,842	$ (57,440)
Decaying advertiser base	15 years	113,816	(64,713)	113,816	(57,835)
Other	5-25 years	26,932	(14,719)	26,932	(13,649)
Total		$ 384,613	$ (146,641)	$ 381,590	$ (128,924)

The amortization expense of the definite-lived intangible assets and other assets for the years ended December 31, 2004, 2003 and 2002 was $18.5 million, $18.8 million and $19.0 million, respectively. The following table shows the estimated amortization expense of the definite-lived intangible assets and other assets for the next five years (in thousands):

For the year ended December 31, 2005	$	17,845
For the year ended December 31, 2006	$	17,595
For the year ended December 31, 2007	$	17,594
For the year ended December 31, 2008	$	17,594
For the year ended December 31, 2009	$	17,268

The change in the carrying amount of network affiliation for the twelve months ended December 31, 2004 was as follows (in thousands):

Balance as of January 1, 2004	$	183,402
Consolidation of variable interest entity		3,023
2004 amortization		(9,769)
Balance as of December 31, 2004	$	176,656

The change in the carrying amount of broadcast licenses for the twelve months ended December 31, 2004 was as follows (in thousands):

Balance as of January 1, 2004	$	392,258
Consolidation of a variable interest entity and other		14,436
Balance as of December 31, 2004	$	406,694

The change in the carrying amount of goodwill for the twelve months ended December 31, 2004 was as follows (in thousands):

Balance as of January 1, 2004	$	1,085,507
Goodwill impairment charge		(44,055)
Balance as of December 31, 2004	$	1,041,452

5. NOTES PAYABLE AND COMMERCIAL BANK FINANCING:

Bank Credit Agreement

On July 15, 2002, we closed on a new Bank Credit Agreement allowing us more operating capacity and liquidity. The Bank Credit Agreement originally consisted of a $225.0 million Revolving Credit Facility maturing on June 30, 2008 and a $375.0 million Term Loan B Facility repayable in consecutive quarterly installments, amortizing 0.25% per quarter, commencing June 30, 2004 and continuing through its maturity on December 31, 2009. Additionally, we are required to pay a 0.5% annual commitment fee on the unused credit facility.

The applicable interest rate on the Revolving Credit Facility is either London Interbank Offered Rate (LIBOR) plus 1.25% to 2.25% or the alternative base rate plus 0.25% to 1.25% adjusted quarterly based on the ratio of total debt, net of cash, to four quarters trailing earnings before interest, taxes, depreciation and amortization, as adjusted in accordance with the Bank Credit Agreement. The applicable interest rate on the Term Loan B Facility is either LIBOR plus 2.25% or the alternative base rate plus 1.25%.

Availability under the Revolving Credit Facility does not reduce incrementally and terminates at maturity. We are required to prepay the Term Loan Facility and reduce the Revolving Credit Facility with (i) 100% of the net proceeds of any casualty loss or condemnation and; (ii) 100% of the net proceeds of any sale or other disposition of our assets in excess of $100.0 million in the aggregate for any fiscal year, to the extent not used to acquire new assets. The Bank Credit Agreement contains representations and warranties, and affirmative and negative covenants, including among other restrictions, limitations on additional indebtedness, customary for credit facilities of this type.

As a result of closing on the Bank Credit Agreement, we incurred debt acquisition costs of $3.2 million and recognized a loss of $4.2 million, net of tax benefit of $2.4 million. The loss represents the write-off of certain debt acquisition costs associated with indebtedness replaced by the new facility. The loss was computed based on the guidance of EITF No. 96-19, *Debtor s Accounting for a Modification or Exchange of Debt Instruments* (EITF 96-19) and EITF No. 98-14, *Debtor s Accounting for Change in Line-of-Credit or Revolving-Debt Arrangements* (EITF 98-14).

On December 31, 2002, we closed on an additional $125.0 million Term Loan Facility repayable in consecutive quarterly installments, amortizing 0.25% per quarter, commencing June 30, 2004 and continuing through its maturity on December 31, 2009. The proceeds from this additional borrowing, together with $125.0 million of our 8% Senior Subordinated Notes due 2012 and cash on hand was used to redeem our 8.75% Senior Subordinated Notes due 2007.

The weighted average interest rates of the Bank Credit Agreement for the year and the month ended December 31, 2004 were 3.48% and 4.17%, respectively. The weighted average interest rates of the Bank Credit Agreement for the year and the month ended December 31, 2003 were 3.64% and 3.41%, respectively. During 2004 and 2003, the interest expense relating to the Bank Credit Agreement was $16.0 million and $18.0 million, respectively.

On June 25, 2004, we amended and restated our Bank Credit Agreement lowering our annual interest rate. As part of the amendment, we fully redeemed our $460.9 million Term Loan B Facility with borrowings under our revolving credit facility and with new lower priced, $150.0 million Term Loan A and $250.0 million Term Loan C Facilities.

The Term Loan A Facility is repayable in quarterly installments, amortizing as follows:

1.25% per quarter commencing March 31, 2005 to March 31, 2007; and

2.50% per quarter commencing March 31, 2007 and continuing through its maturity on June 30, 2009.

The Term Loan C Facility is repayable in quarterly installments, amortizing 0.25% per quarter, commencing March 31, 2005 through its maturity on December 31, 2009. We did not make any changes to the terms of our $225.0 million Revolving Credit Facility commitment, none of which was outstanding as of December 31, 2004.

The applicable interest rate on the Term Loan A Facility is LIBOR plus 1.75% with step-downs tied to a leverage grid. The applicable interest rate on the Term Loan C Facility is LIBOR plus 1.75%.

As a result of amending the Bank Credit Agreement, during 2004, we incurred debt acquisition costs of $1.8 million and recognized a loss of $2.5 million. This loss represents the write-off of certain debt acquisition costs associated with indebtedness replaced by the new facilities. The loss was computed in accordance with EITF 96-19.

8.75% Senior Subordinated Notes Due 2007 and 2002 Tender Offer

In December 1997, we completed an issuance of $250.0 million aggregate principal amount of 8.75% Senior Subordinated Notes due 2007 (8.75% Notes) pursuant to a shelf registration statement and we received net proceeds of $242.8 million. Of the net proceeds from the issuance, $106.2 million was utilized to tender our 1993 Notes with the remainder retained for general corporate purposes. Interest on the 8.75% Notes was payable semiannually on June 15 and December 15 of each year. Interest expense was $20.2 million for the year ended December 31, 2002. The 8.75% Notes were issued under an Indenture among us, our subsidiaries (the guarantors) and the trustee. Costs associated with the offering totaled $5.8 million, including an underwriting discount of $5.0 million. These costs were capitalized and were being amortized over the life of the debt.

During December 2002, we completed a tender offer of $213.0 million aggregate principal amount of the 8.75% Notes (2002 Tender Offer). Total consideration per $1,000 principal amount note tendered was $1,043.74 resulting in total consideration paid to consummate the Tender Offer of $223.2 million. Also in December 2002, we redeemed the remaining 8.75% Notes for total consideration of $39.0 million. The Tender Offer and redemption were funded through the issuance of a $125.0 million add-on to our existing 8.0% $300.0 million Senior Subordinated Notes due 2012, a $125.0 million additional funding on our Term Loan B Facility, a draw down on our revolving line of credit of $7.0 million and cash on hand for a total consideration paid of $262.2 million. We recognized a loss of $2.5 million, net of tax benefit of $1.4 million, representing a write-off of the previous debt acquisition costs of $3.2 million and consideration of $0.7 million.

9% Senior Subordinated Notes Due 2007

In July 1997, we completed an issuance of $200.0 million aggregate principal amount of 9% Senior Subordinated Notes due 2007 (9% Notes). We utilized $162.5 million of approximately $195.6 million net proceeds of the issuance to repay outstanding revolving credit indebtedness and utilized the remainder to fund acquisitions. Interest on the 9% Notes was payable semiannually on January 15 and July 15 of each year, commencing January 15, 1998. Interest expense was $16.2

million for the year ended December 31, 2002. The 9% Notes were issued under an Indenture among us, our subsidiaries (the guarantors) and the trustee. Costs associated with the offering totaled $4.8 million, including an underwriting discount of $4.0 million. These costs were capitalized and were being amortized over the life of the debt.

On November 8, 2002, the 9% Notes were redeemed for an aggregate principal amount of $200.0 million. The redemption occurred through the issuance of a $125.0 million add-on to our 8% $300.0 million Senior Subordinated Notes due 2012 and available cash on hand for total consideration of $218.5 million including accrued interest of $7.2 million. We recognized a loss of $2.4 million, net of deferred taxes of $1.3 million, representing a write-off of the previous debt acquisition costs of $2.3 million and consideration of $1.4 million.

8.75% Senior Subordinated Notes Due 2011

In December 2001, we completed an issuance of $310.0 million aggregate principal amount of 8.75% Senior Subordinated Notes (the 2001 Notes), due 2011. We received net proceeds of $306.2 million. The net proceeds of this offering were utilized to repay the 1995 10% Notes. Interest on the 2001 Notes is payable semiannually on June 15 and December 15 of each year. Interest expense was $27.1 million for each of the years ended December 31, 2004, 2003 and 2002. The 2001 Notes were issued under an Indenture among us, our subsidiaries (the guarantors) and the trustee. Costs associated with the offering totaled $4.1 million, including an underwriting discount of $3.8 million. These costs were capitalized and are being amortized over the life of the debt. Based on the quoted market price, the fair value of the 2001 Notes as of December 31, 2004 and 2003 was $338.5 million and $331.9 million, respectively.

8% Senior Subordinated Notes Due 2012

In March 2002, we completed an issuance of $300.0 million aggregate principal amount of 8% Senior Subordinated Notes due 2012 (the 2002 Notes), generating gross proceeds to us of $300.0 million. The gross proceeds of this offering were utilized to repay $300.0 million of the Term Loan Facility. We recognized a loss of $0.7 million, net of a tax benefit of $0.4 million. The loss represented the write-off of certain debt acquisition costs associated with indebtedness replaced by the 2002 Notes. Interest on the 2002 Notes is payable semiannually on March 15 and September 15 of each year, beginning September 15, 2002. Interest expense was $24.0 million and $23.9 million for the years ended December 31, 2004 and 2003, respectively. The 2002 Notes were issued under an Indenture among us, certain of our subsidiaries (the guarantors) and the trustee. Net costs associated with the offering totaled $3.4 million. These costs were capitalized and are being amortized to interest expense over the term of the 2002 Notes.

On November 8, 2002, we completed an add-on issuance of $125.0 million aggregate principal amount of 8% Senior Subordinated Notes due 2012 at a price of 100.5% of par, plus accrued interest from September 15, 2002 to November 7, 2002. Interest expense was $10.0 million for the years ended December 31, 2004 and 2003 and $1.4 million for the year ending December 31, 2002. After deducting discount and commission and estimated expenses of the offering of $1.9 million, we received approximately $125.8 million from the sale of the notes. We used the net proceeds together with available cash on hand and a draw down of $10.0 million on the revolving line of credit under the Bank Credit Agreement, to redeem our existing 9% Senior Subordinated Notes due 1997 including an early redemption premium of $9.0 million and accrued interest of $7.2 million. Net costs associated with the offering totaled $1.6 million. These costs were capitalized and are being amortized to interest expense over the term of the 2002 Notes.

On December 31, 2002, we completed an add-on issuance of $125.0 million aggregate principle amount of 8% Senior Subordinated Notes due 2012 at a premium of $3.8 million. Interest expense was $10.0 million for the years ended December 31, 2004 and 2003. We received net proceeds of approximately $130.4 million from the sale of the notes. We used the net proceeds together with additional funding from our term loan of $125.0 million, a draw down of $7.0 million on the revolving line of credit under the Bank Credit Agreement and available cash on hand of $0.2 million, to redeem our existing 8.75% Senior Subordinated Notes due 2007, including an early redemption premium of $10.9 million. Net costs associated with the offering totaled $1.7 million. Of these costs, $1.3 million were capitalized and are being amortized to interest expense over the term of the 2002 Notes.

On May 29, 2003, we completed an add-on issuance of $100.0 million aggregate principal amount of 8% Senior Subordinated Notes, which was an add-on issuance under the Indenture relating to our 8% Senior Subordinated Notes due 2012. Interest expense was $8.0 million and $4.7 million for the years ended December 31, 2004 and 2003, respectively. The Notes were issued at a price of $105.3359 plus accrued interest from March 15, 2003 to May 28, 2003, yielding a rate of 7.00%. We used the net proceeds, along with the net proceeds received in connection with our issuance of $150.0 million of Convertible Senior Subordinated Notes due 2018, to finance the redemption of the 11.625% High Yield Trust Originated

Preferred Securities due 2009 and for general corporate purposes. Net costs associated with the offering totaled $1.3 million. These costs were capitalized and are being amortized to interest expense over the term of the 2002 Notes.

Based on the quoted market price, the fair market value of the 8% Senior Subordinated Notes due 2012 was $692.3 million at December 31, 2004 and $671.3 million at December 31, 2003.

4.875% Convertible Senior Subordinated Notes Due 2018

During May 2003, we completed a private placement of $150.0 million aggregate principal amount of 4.875% Convertible Senior Subordinated Notes due 2018 (Convertible Notes). The Convertible Notes were issued at par, mature on July 15, 2018, and have the following characteristics:

the notes are convertible into shares of our Class A Common Stock at the option of the holder upon certain circumstances. The conversion price is $22.37 until March 31, 2011 at which time the conversion price increases quarterly until reaching $28.07 on July 15, 2018;

the notes may be put to us at par on January 15, 2011 or called thereafter by us;

the notes bear cash interest at an annual rate of 4.875% until January 15, 2011 and bear cash interest at an annual rate of 2.00% from January 15, 2011 through maturity. Interest expense was $7.3 million and $4.5 million for the years ended December 31, 2004 and 2003;

the principal amount of the notes will accrete to 125.66% of the original par amount from January 15, 2011 to maturity so that when combined with the cash interest, the yield to maturity of the notes will be 4.875% per year; and

under certain circumstances, we will pay contingent cash interest to the holders of the Convertible Notes during any six month period from January 15 to July 14 and from July 15 to January 14, commencing with the six month period beginning January 15, 2011. This contingent interest feature is an embedded derivative which had a negligible fair value as of December 31, 2004.

We used the net proceeds, along with the net proceeds from the issuance on May 29, 2003 of $100.0 million of 8% Senior Subordinated Notes due 2012, to finance the redemption of the 11.625% High Yield Trust Originated Preferred Securities due 2009, to repay debt outstanding under our Bank Credit Agreement and for general corporate purposes. Net costs associated with the offering totaled $4.6 million. These costs were capitalized and are being amortized as interest expense over the term of the Convertible Notes.

Based on the quoted market price, the fair market value of the 4.875% Convertible Senior Subordinated Notes Due 2012 was $143.7 million at December 31, 2004 and $162.2 million at December 31, 2003.

Summary

Notes payable, capital leases and the Bank Credit Agreement consisted of the following as of December 31, 2004 and 2003 (in thousands):

	2004	2003
Bank Credit Agreement, Term Loan	$ 400,000	$ 485,900
8.75% Senior Subordinated Notes, due 2011	310,000	310,000
Note payable of consolidated VIE entity (Cunningham)	33,500	35,000
8% Senior Subordinated Notes, due 2012	650,000	650,000
4.875% Convertible Senior Subordinated Notes due 2012	150,000	150,000
Capital leases	49,370	44,263
Installment note for certain real estate interest at 8.0%	39	51
	1,592,909	1,675,214
Plus: Premium on 8% Senior Subordinated Notes, due 2012	7,792	8,873
Plus: SFAS No. 133 derivatives, net	14,382	16,897
Less: Current portion	(43,737)	(38,986)
	$ 1,571,346	$ 1,661,998

Depreciation related to capital leases is included in depreciation expense in the consolidated statement of operations.

Indebtedness under the notes payable, capital leases and our Bank Credit Agreement as of December 31, 2004 mature as follows (in thousands):

	Notes and Bank Credit Agreement	Capital Leases	Total
2005	$ 43,512	$ 4,767	$ 48,279
2006	10,013	4,841	14,854
2007	15,639	4,915	20,554
2008	17,500	4,976	22,476
2009	346,875	5,052	351,927
2010 and thereafter	1,110,000	99,780	1,209,780
Total minimum payments	1,543,539	124,331	1,667,870
Plus: Derivatives, net	14,382		14,382
Plus: Premium on 8% Senior Subordinated Notes due 2012	7,792		7,792
Less: Amount representing interest		(74,961)	(74,961)
	$ 1,565,713	$ 49,370	$ 1,615,083

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

As of December 31, 2004, we had 26 capital leases with non-affiliates, including 25 tower leases and one building lease. All of our tower leases will expire within the next 30 years and the building lease will expire within the next 11 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.

6. PROGRAM CONTRACTS PAYABLE:

Future payments required under program contracts payable as of December 31, 2004 were as follows (in thousands):

	Continuing Operations	Program Contracts Payable Liabilities Held for Sale	Total
2005	$ 113,108	$ 5,700	$ 118,808
2006	34,916	2,229	37,145
2007	16,875	726	17,601
2008	8,496	542	9,038
2009	495		495
Total	173,890	9,197	183,087
Less: Current portion	(113,108)	(5,700)	(118,808)
Long-term portion of program contracts payable	$ 60,782	$ 3,497	$ 64,279

Included in the current portion amounts are payments due in arrears of $26.9 million, of which $1.5 million relates to KSMO-TV and KOVR-TV and have been recorded in liabilities held for sale on our balance sheet. In addition, we have entered into non-cancelable commitments for future program rights aggregating $184.9 million, of which $17.9 million relates to KSMO-TV and KOVR-TV.

We perform a net realizable value calculation quarterly for each of our non-cancelable commitments in accordance with SFAS No. 63, *Financial Reporting by 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.

We have estimated the fair value of our program contract payables and non-cancelable commitments at approximately $176.7 million and $165.1 million, respectively, as of December 31, 2004, and $204.9 million and $108.8 million, respectively, as of December 31, 2003. These estimates were based on future cash payments discounted at our current borrowing rate and include program contract payables and non-cancelable commitments of our stations KSMO-TV and KOVR-TV that are held for sale.

7. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST, COMMON STOCK AND PREFERRED STOCK:

1997 Offering of Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust

In March 1997, we completed a private placement of $200.0 million aggregate liquidation value of 11.625% High Yield Trust Offered Preferred Securities (HYTOPS) of our subsidiary trust, Sinclair Capital. The HYTOPS were issued March 12, 1997, mature March 15, 2009, and provided for quarterly distributions to be paid in arrears beginning June 15, 1997. The HYTOPS were sold to qualified institutional buyers (as defined in Rule 144A under the Securities Act of 1933, as amended) and a limited number of institutional accredited investors and the offering was exempt from registration under the Securities Act of 1933, as amended (the Securities Act), pursuant to Section 4(2) of the Securities Act and Rule 144A thereunder. We utilized $135.0 million of the approximately $192.8 million net proceeds of the private placement to repay outstanding debt and retained the remainder for general corporate purposes. Annual preferred dividends, payable to the holders of HYTOPS, are recorded as Subsidiary trust minority interest expense in the accompanying financial statements and were $11.0 million and $23.3 million for the three years ended December 31, 2003 and 2002, respectively.

On June 20, 2003, we redeemed the $200.0 million aggregate principal amount of the 11.625% HYTOPS. The redemption occurred through the issuance on May 29, 2003 of the 8% Senior Subordinated Notes due 2012 and the Convertible Notes. We recognized a loss on debt extinguishment of $15.2 million consisting of a $9.3 million call premium, a write-off of the previous deferred financing costs of $3.7 million and other fees of $2.2 million.

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 altogether 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 2004 and 2003, 2,062,825 and 492,025 Class B Common Stock shares were converted into Class A Common Stock shares, respectively. For the quarters ended June 30, 2004, September 30, 2004 and December 31, 2004, we declared dividends of $0.025 per share on our common stock. Total dividends declared in 2004 were $0.075 per share or $6.4 million in the aggregate.

Preferred Stock

During 1997, we completed a public offering of 3,450,000 shares of Series D Convertible Exchangeable Preferred Stock (1997 Preferred Stock Offering). During the year, we repurchased 112,967 shares of Series D Preferred Stock so that on December 31, 2004, 3,337,033 were outstanding. The Convertible Exchangeable Preferred Stock has a liquidation preference of $50 per share and a stated annual cumulative dividend of $3.00 per share payable quarterly out of legally available funds and are convertible into shares of Class A Common Stock at the option of the holders thereof at a conversion price of $22.813 per share, subject to adjustment. The Convertible Exchangeable Preferred Stock is convertible into 7,308,102 shares of Class A Common Stock, all of which we have reserved for future issuance. The shares of Convertible Exchangeable Preferred Stock are exchangeable at our option, for 6% Convertible Subordinated Debentures, due 2012 and are redeemable at our option on or after September 20, 2000 at specified prices plus accrued dividends. Holders of Convertible Exchangeable Preferred Stock do not have any voting rights in ordinary circumstances. In circumstances where holders have voting rights, each outstanding share of Series D

Convertible Exchangeable Preferred Stock will be entitled to one vote.

8. DERIVATIVE INSTRUMENTS:

We enter into derivative instruments primarily to reduce the impact of changing interest rates on our floating rate debt and to reduce the impact of changing fair market values of our fixed rate debt.

Statement of Financial Accounting Standard No. 133

On January 1, 2001, we adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133* and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, *an amendment of FASB Statement No. 133* (collectively, SFAS 133). SFAS 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative instrument s fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument s gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS 133 had the following impact on our financial statements.

Our losses resulting from prior year terminations of fixed to floating interest rate agreements are reflected as a discount on our fixed rate debt and are being amortized to interest expense through December 15, 2007, the expiration date of the terminated swap agreements. For each of the years ended December 31, 2004, 2003 and 2002, amortization of $0.5 million of the discount was recorded as interest expense for each respective period.

We experienced deferred net losses in prior years related to terminations of floating to fixed interest rate swap agreements. These deferred net losses are reflected as other comprehensive loss, net of tax effect, and are being amortized to interest expense through June 3, 2004, the expiration dates of the terminated swap agreements. For the years ended December 31, 2004, 2003 and 2002, we amortized $0.9 million, $1.7 million and $1.3 million, respectively, from accumulated other comprehensive loss and deferred tax asset to interest expense.

Interest Rate Derivative Instruments

During the years ended December 31, 2004 and 2003, we held the following derivative instruments:

we hold two interest rate swap agreements with financial institutions that have notional amounts totaling $575.0 million that expire on June 5, 2006. In June 2003, we assigned $200.0 million of the notional amount to a second financial institution. These swap agreements require us to pay a fixed rate, which is set in the range of 6.25% to 7.00% and receive a floating rate based on the three month London Interbank Offered Rate (LIBOR). LIBOR is a measurement and settlement is performed quarterly. These swap agreements are reflected as a derivative obligation based on their fair value of $24.7 million and $54.1 million as a component of other long-term liabilities in the accompanying consolidated balance sheets as of December 31, 2004 and December 31, 2003, respectively. These swap agreements do not qualify for hedge accounting treatment under SFAS 133; therefore, changes in their fair market values are reflected currently in earnings as unrealized gain (loss) from derivative instruments. We incurred an unrealized gain related to these instruments of $29.4 million and $17.4 million for the years ended December 31, 2004 and, 2003, respectively. On December 31, 2004, the instrument with a notional amount of $375.0 million contained a European Style termination option (that is, exercisable only on the expiration date) and could be terminated partially or in full by the counterparty on June 3, 2005 at its fair market value. The instrument was amended March 2, 2005, resulting in removal of the termination option by the counterparty. The interest rate swap agreement with a notional amount of $200.0 million does not have an option to terminate before it expires. We estimate the fair market value of the $375.0 million and $200.0 million agreements at December 31, 2004 to be a liability of $16.0 million and $8.7 million, respectively, based on quotations from the counterparty. These amounts are reflected as a component of other long-term liabilities on our consolidated balance sheet as of December 31, 2004;

in March 2002, we entered into two interest rate swap agreements with notional amounts totaling $300.0 million which expire on March 15, 2012, for which we receive a fixed rate of 8% and pay a floating rate based on LIBOR (measurement and settlement is performed quarterly). These swaps are accounted for as a hedge of our 8% Senior Subordinated Notes in accordance with SFAS 133, whereby changes in the fair market value of the swaps are reflected as adjustments to the carrying amount of the 8% Senior Subordinated Notes. These swaps are reflected in the accompanying balance sheet as a derivative asset and as a premium on the 8% Senior Subordinated Notes based on their fair value of $15.2 million; and

In November 2003, we entered into two interest rate swap agreements with notional amounts totaling $100.0 million, which expire March 15, 2012, for which we receive a fixed rate of 8% and pay a floating rate based on LIBOR (measurement and settlement is performed quarterly). These swaps are accounted for as a hedge of our 8% Senior Subordinated Notes in accordance with SFAS 133, whereby changes in the fair market value of the swaps are reflected as adjustments to the carrying amount of the 8% Senior Subordinated Notes. These swaps are reflected on the accompanying balance sheet as a derivative asset and as a premium on the 8% Senior Subordinated Notes based on their fair value of $0.7 million.

The counterparties to these agreements are international financial institutions. We estimate the net fair value of these instruments at December 31, 2004 to be a liability of $8.8 million. The fair value of the interest rate swap agreements is estimated by obtaining quotations from the financial institutions party to each derivative contract. The fair value is an estimate of the net amount that we would pay on December 31, 2004 if we cancelled the contracts or transferred them to other parties.

In June 2001, we entered into an interest rate swap agreement with a notional amount of $250.0 million which expires on December 15, 2007 in which we received a fixed rate of 8.75% and paid a floating rate based on LIBOR (measurement and settlement is performed quarterly). This swap was accounted for as a hedge of our 8.75% debenture in accordance with SFAS 133, whereby changes in the fair market value of the swap were reflected as adjustments to the carrying amount of the debenture. During December 2002, we terminated this interest rate swap agreement. We received $10.9 million upon termination, which offset the premium that we paid on the 8.75% notes redemption.

In June 2001, we entered into an interest rate swap agreement with a notional amount of $200.0 million which expires on July 15, 2007 in which we received a fixed rate of 9% and paid a floating rate based on LIBOR (measurement and settlement is performed quarterly). This swap was accounted for as a hedge of our 9% Notes in accordance with SFAS 133, whereby changes in the fair market value of the swap were reflected as adjustments to the carrying amount of the debenture. During November 2002, we terminated this interest rate swap agreement and received $9.0 million, which offset the premium that we paid on the 9% notes redemption.

During May 2003, we completed an issuance of $150.0 million aggregate principal amount of 4.875% Convertible Senior Subordinated Bonds. (See *Note 5. Notes Payable and Commercial Bank Financing.)* Under certain circumstances, we will pay contingent cash interest to the holder of the convertible notes during any six month period from January 15 to July 14 and from July 15 to January 14, commencing with the six month period beginning January 15, 2011. The contingent interest feature is an embedded derivative which had a negligible fair value as of December 31, 2004.

9. INCOME TAXES:

We file a consolidated federal income tax return and separate company state tax returns. The provision (benefit) for the income taxes consisted of the following for the years ended December 31, 2004, 2003 and 2002 (in thousands):

	2004	**2003**	**2002**
Provision for (benefit from) income taxes continuing operations	$ 11,182	$ 10,676	$ (7,591)
Provision for income taxes discontinued operations	6,255	3,352	3,776
Provision for income taxes sale of discontinued operations			8,175

Benefit from income taxes cumulative adjustment for change in accounting principle						(30,383)
	$	17,437	$	14,028	$	(26,023)
Current:						
Federal	$	173	$	(1,176)	$	(37,357)
State		310		(2,046)		3,160
		483		(3,222)		(34,197)
Deferred:						
Federal		15,908		16,424		7,894
State		1,046		826		280
		16,954		17,250		8,174
	$	17,437	$	14,028	$	(26,023)

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

	2004	2003	2002
Statutory federal income taxes	35.0%	35.0%	(35.0)%
Adjustments-			
State income and franchise taxes, net of federal effect	2.0%	1.4%	4.1%
Non-deductible expense items	6.7%	5.3%	4.7%
Adjustment to valuation allowance			(11.8)%
Tax return true-up items	1.0%	(0.1)%	(5.6)%
Other	(0.3)%	(1.3)%	1.2%
Provision (benefit) for income taxes	44.4%	40.3%	(42.4)%

Temporary differences between the financial reporting carrying amounts and the tax basis of assets and liabilities give rise to deferred taxes.

Our remaining federal and state net operating losses will expire during various years from 2005 to 2024 and, in certain cases, are subject to annual limitations under Internal Revenue Code Section 382 or under Treasury Regulation 1.1502-21 and similar state provisions. The tax effects of these net operating losses are recorded in the deferred tax accounts in the accompanying consolidated balance sheets.

Total deferred tax assets and deferred tax liabilities as of December 31, 2004 and 2003 were as follows (in thousands):

		2004		2003
Current and Long-Term Deferred Tax Assets:				
Net operating losses	$	143,545	$	114,837
Program contracts		10,020		13,838
Other comprehensive income net deferred tax assets				305
Other		23,736		20,086
		177,301		149,066
Valuation allowance for deferred tax assets		(89,131)		(71,481)
Total deferred tax assets	$	88,170	$	77,585
Current and Long-Term Deferred Tax Liabilities:				
FCC license	$	(52,139)	$	(48,334)
Parent Preferred Stock		(25,833)		(25,833)
Fixed assets and intangibles		(199,948)		(177,850)
Variable interest entities net deferred tax liabilities		(305)		(1,069)
Other		(6,528)		(5,194)
Total deferred tax liabilities		(284,753)		(258,280)
Net tax liabilities	$	(196,583)	$	(180,695)

We establish valuation allowances in accordance with the provisions of SFAS No. 109, *Accounting for Income Taxes*. A valuation allowance has been provided for deferred tax assets relating to various federal and state net operating losses (NOL) being carried forward based on 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.

We adjusted the net deferred tax liabilities for changes in enacted state tax rates, where applicable. The total amount of adjustments did not have a significant impact on the statement of financial position, results of operations, or cash flows.

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

During the year ended December 31, 2004, the statute of limitations expired for certain tax returns related to continuing operations. As a result, our 2004 provision for income taxes reflects a $0.5 million benefit because these accruals were no longer needed.

10. COMMITMENTS AND CONTINGENCIES:

Litigation

Lawsuits and claims are filed against us from time to time in the ordinary course of business. These actions, other than what is discussed below, are in various preliminary stages and no judgments or decisions have been rendered by hearing boards or courts. After reviewing developments to date with legal counsel, management is of the opinion that the outcome of such matters will not have a material adverse effect on our consolidated financial position, consolidated results of operations or consolidated cash flows.

There has been some controversy surrounding the airing in 2004 of a news program, *POW Story: Politics, Pressure, and the Media*. On October 19, 2004, a nominal shareholder filed a derivative suit in the Baltimore City Circuit Court against our directors and us. The suit alleged mismanagement of our company by the directors in allowing the controlling shareholders to impose their own political and personal agendas on our news programming. After our outside counsel filed a motion which noted that none of the claims of financial losses were realized and the speculation of significant loss of advertising revenue and eroded ratings were incorrect, this shareholder derivative suit was voluntarily dismissed on February 23, 2005. Additionally, just before the presidential election, we received a formal letter demanding that we sue three of our directors for insider trading. Our outside counsel responded to the letter by noting to its writer that the allegations supporting the claims of insider trading were objectively incorrect. Outside counsel also advised the writer that the action demanded by the letter, even if based upon accurate facts, failed to support a shareholder derivative suit or any action by us on the demand. We have received no further communication from this writer. Lastly, certain parties filed formal complaints against us with the Federal Communications Commission (FCC) and the Federal Election Commission (FEC). The complaint filed with the FCC was withdrawn, and we have filed a response to the complaints with the FEC. Based on the information currently available, we have no reason to believe that the FEC complaint has merit. We believe that we have appropriately responded to this controversy and that there will be no material adverse effect on our consolidated financial position, consolidated results of operations or consolidated cash flows.

On November 1, 2004, an organization calling itself Free Press filed a petition with the FCC to deny the license renewal applications of six of our stations (WXLV-TV, Winston-Salem, North Carolina; WUPN-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) and two Cunningham Broadcasting Corporation stations (WBSC-TV, Anderson, South Carolina and WTAT-TV, Charleston, South Carolina), which are programmed by us pursuant to LMAs. The petition contains essentially the same allegations that have been brought in the past by the Rainbow/PUSH Coalition, which were dismissed or denied by the FCC, and several other allegations which we believe have no merit nor will they have a material adverse effect on our consolidated financial position, consolidated results of operations or consolidated cash flows.

Operating Leases

We have entered into operating leases for certain property and equipment under terms ranging from three to ten 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, 2004, 2003 and 2002 was approximately $3.3 million, $4.2 million and $4.8 million, respectively.

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

FUTURE MINUMUM PAYMENTS

	Continuing Operations	Discontinued Operations	Total
2005	$ 4,529	$ 17	$ 4,546
2006	3,655	3	3,658
2007	3,270	3	3,273
2008	2,179	1	2,180
2009	1,947		1,947
2010 and thereafter	10,778		10,778
	$ 26,358	$ 24	$ 26,382

At December 31, 2004 and 2003, we had an outstanding letter of credit of $0.9 million and $1.0 million, respectively, under our revolving credit facility. The letter of credit acts as a guarantee of lease payments for the property occupied by WTTA-TV in Tampa, Florida, pursuant to the terms and conditions of the lease agreement.

Network Affiliation Agreements

Sixty of the 62 television stations that we own and operate, or to which we provide programming services or sales services, currently operate as affiliates of FOX (20 stations), WB (19 stations), ABC (9 stations), NBC (3 stations), UPN (6 stations) and CBS (3 stations). The remaining two stations are independent. 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 the programming.

During July 2004, we entered into an affiliation agreement with ABC for WKEF-TV in Dayton, Ohio. WKEF-TV (channel 22) switched from its NBC network affiliation to the ABC Television Network beginning August 30, 2004. WKEF-TV s current syndicated and local news programming continues to be aired on channel 22. As of December 31, 2004, the corresponding net book value of the affiliation agreement was $13.8 million. We tested the affiliation agreement of WKEF-TV for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* and determined that this asset was not impaired.

The NBC affiliation agreement with WICS/WICD-TV in Champaign/Springfield, Illinois expired on April 1, 2004. We continue to program this station as an NBC affiliate without a formal agreement. On February 25, 2004, NBC informed us that they intend to terminate our affiliation with WICS/WICD effective September 2005 in order to affiliate with another station in that market. We have engaged in discussions with ABC Television Network regarding affiliating with ABC in that market because the station which is scheduled to acquire our NBC affiliation is currently the ABC affiliate in Champaign/Springfield. As of December 31, 2004, the corresponding net book value of the affiliation agreement was $9.8 million.

During December 2004, we entered into renewals with CBS Broadcasting, Inc. of all of our affiliation agreements for UPN and CBS. The UPN agreements expire in July of 2007 and two of the CBS agreements expire in December of 2007 and one expires in March of 2008.

The affiliation agreements of five ABC stations (WSYX-TV in Columbus, Ohio; WLOS-TV in Asheville, North Carolina; WCHS-TV in Charleston, West Virginia; WEAR-TV in Pensacola, Florida and WGGB in Springfield, Massachusetts) have expired; in the case of WLOS and WSYX, these agreements (including extensions thereto) expired on January 31, 2005; the other agreements expired prior to 2004. We continue to operate these stations as ABC affiliates and we do not believe ABC has any current plans to terminate the affiliation with any of these stations, although we can make no assurance that ABC will not do so. We are currently engaged in negotiations with ABC regarding continuing our network affiliation agreements. The net aggregate book value of these ABC affiliate agreements was $68.6 million as of December 31, 2004.

The affiliation agreements of our twenty FOX stations will expire on June 30, 2005. We have begun preliminary negotiations to renew our affiliation agreements. The aggregate net book value of our FOX affiliate agreements was $39.6 million as of December 31, 2004.

The non-renewal or termination of one or more of these or any of our other 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 the above affiliation agreements, we would be required to establish new affiliation agreements with other networks 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. At this time we cannot predict the final outcome of these negotiations and any impact they may have on our financial position, consolidated results of operations or consolidated cash flows.

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, whereby the licensee of one station programs substantial portions of the broadcast day and sells advertising time during such program 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. Under the new FCC ownership rules adopted in 2003, we would be allowed to continue to program most of the stations with which we have an LMA. In the absence of a waiver, the new rules would require us to terminate or modify three of our LMAs in markets where both the station we own and the station with which we have an LMA are ranked among the top four stations in their particular designated market area. The FCC s new ownership rules include specific provisions permitting waivers of this top four restriction. Although there can be no assurances, we have studied the application of the new rules to our markets and believe we are qualified for waivers. The new rules have been stayed by the U.S. Court of Appeals for the Third Circuit and are on remand to the FCC. Several parties have filed with the Supreme Court of the United States petitions for writ of certiorari (defined below) seeking review of the Third Circuit decision. Because the new ownership rules have been remanded, it is not clear if we will be required to terminate or modify our LMAs in markets where we have such arrangements. A petition for a writ of certiorari is a legal term that means a document filed with the U. S. Supreme Court asking the Court to review the decision of a lower court. It includes, among other things, an argument as to why the Supreme Court should hear the appeal. On March 3, 2005, we filed a conditional cross-petition with the Supreme Court asking the Court to consider our arguments together with the arguments contained in the petitions filed by the other parties.

When the FCC decided to attribute LMAs for ownership purposes in 1999, 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 period. Recently, the FCC invited comments as to whether, instead of beginning the review of the grandfathered LMAs in 2004, it should do so in 2006. We cannot predict when the FCC will begin its review of those LMAs.

Because the effectiveness of the new rules has been stayed and, in connection with the adoption of the new rules, the FCC concluded the old rules could not be justified as necessary to the public interest, we have taken 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. The FCC, however, dismissed our applications to acquire certain LMA stations. We filed an application for review of that decision, which is still pending. We also 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.

On November 15, 1999, we entered into five separate plans and agreements of merger, pursuant to which we would acquire through merger with subsidiaries of Cunningham, television broadcast stations WABM-TV, Birmingham, Alabama; KRRT-TV, San Antonio, Texas; WVTV-TV, Milwaukee, Wisconsin; WRDC-TV, Raleigh-Durham, North Carolina; and WBSC-TV (formerly WFBC-TV), Anderson, South Carolina. The consideration for these mergers was the issuance to Cunningham, of shares of our Class A Common voting stock. In December 2001, we received FCC approval on all the transactions except WBSC-TV. Accordingly, on February 1, 2002, we closed on the purchase of the FCC license and related assets of WABM-TV, Birmingham, Alabama; KRRT-TV, San Antonio, Texas; WVTV-TV, Milwaukee, Wisconsin and WRDC-TV, Raleigh-Durham, North Carolina. The total value of the shares issued in consideration for the approved mergers was $7.7 million. We have filed a petition for reconsideration with the FCC to reconsider its denial of the acquisition of WBSC-TV and amended our application to acquire the license in light of the FCC s new 2003 multiple ownership rules. However, the new rules have been stayed. 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. The Rainbow/PUSH Coalition filed a petition to deny these five applications and to revoke all of our licenses. The FCC dismissed our applications in light of the stay of the new ownership rules, and we filed an application for review of the dismissal, which may be impacted by the remand of the FCC s new multiple ownership rules. We also 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. The FCC denied the Rainbow/PUSH petition and Rainbow filed a petition for reconsideration of that denial. Both the applications and the associated petition to deny are still pending. We believe the Rainbow/PUSH petition is without merit.

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

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

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

WNAB Options

We have entered into an agreement with an unrelated third party to purchase certain license and non-license television broadcast assets of WNAB-TV, Nashville, Tennessee at our option (the call option) and additionally, the unrelated third party may require us to purchase these license and non-license broadcast assets at the option of the unrelated third party (the put option). On January 2, 2003, we made an $18.0 million non-refundable deposit against the purchase price of the put or call option on the non-license assets in return for a reduction of $0.1 million in our profit sharing arrangements. Upon exercise, we may settle the call or put options entirely in cash or, at our option, we may pay up to one-half of the purchase price by issuing additional shares of our Class A Common Stock. The call and put option exercise prices vary depending on the exercise dates and have been adjusted for the deposit. The license asset call option exercise price is $5.0 million prior to March 31, 2005, $5.6 million from March 31, 2005 until March 31, 2006 and $6.2 million after March 31, 2006. The non-license asset call option exercise price is $8.3 million prior to March 31, 2005, $12.6 million from March 31, 2005 to March 31, 2006 and $16.0 million after March 31, 2006. The license asset put option price is $5.4 million from July 1, 2005 to July 31, 2005, $5.9 million from July 1, 2006 to July 31, 2006 and $6.3 million from July 1, 2007 to July 31, 2007. The non-license asset put option price is $7.9 million from July 1, 2005 to July 31, 2005, $12.4 million from July 1, 2006 to July 31, 2006 and $16.0 million from July 1, 2007 through its expiration on July 31, 2007.

11. RELATED PARTY TRANSACTIONS:

David, Frederick, Duncan and Robert Smith (collectively, the controlling shareholders) are brothers and hold substantially all of the Class B Common Stock.

Notes and capital leases payable to affiliates consisted of the following as of December 31, 2004 and 2003 (in thousands):

	2004	2003
Subordinated installment notes payable to former majority owners, interest at 8.75%, principal payments in varying amounts due annually beginning October 1991, with a balloon payment due at maturity in May 2005	$ 2,015	$ 3,133
Capital lease for building, interest at 7.93%	1,028	1,569
Capital lease for building, interest at 6.62%	5,060	5,900
Capital leases for broadcasting tower facilities, interest at 9.0%	1,552	2,030
Capital leases for broadcasting tower facilities, interest at 10.5%	3,049	3,011
Capitalization of time brokerage agreements, interest at 6.20% to 8.25%	6,087	7,387
Capital leases for building and tower, interest at 8.25%	5,741	5,907
	24,532	28,937
Less: Current portion	(5,209)	(3,296)
	$ 19,323	$ 25,641

Notes and capital leases payable to affiliates as of December 31, 2004 mature as follows (in thousands):

2005	$ 8,453
2006	6,155
2007	5,422
2008	4,858
2009	2,464
2010 and thereafter	26,156
Total minimum payments due	53,508
Less: Amount representing interest	(28,976)
	$ 24,532

During the year ended December 31, 1993, we loaned Gerstell Development Limited Partnership (a partnership owned by certain controlling shareholders) $2.1 million. The note bears interest at 6.18%, with principal payments beginning on November 1, 1994 and had a final maturity date of October 1, 2013. As of December 31, 2003, the balance outstanding was approximately $1.4 million and the note was paid in full in February 2004.

On September 30, 1990, we issued certain notes (the founders notes) maturing on May 31, 2005, payable to the late Julian S. Smith and Carolyn C. Smith, our former majority owners and the parents of our controlling shareholders. The founders notes, which were issued in consideration for stock redemptions equal to 72.65% of our then outstanding stock, have principal amounts of $7.5 million and $6.7 million, respectively. The founders notes include stated interest rates of 8.75%, which were payable annually from October 1990 until October 1992, then payable monthly commencing April 1993 to December 1996 and then semi-annually thereafter until maturity. The effective interest rate approximates 9.4%. The founders notes are secured by security interests in substantially all of our assets and subsidiaries and are personally guaranteed by our controlling shareholders.

Principal and interest payment on the founders notes are payable, in various amounts, each April and October, beginning October 1991 until October 2005, with a balloon payment due at maturity in the amount of $1.5 million. Additionally, monthly interest payments commenced April 1993 and continued until December 1996. The Carolyn C. Smith note was fully paid as of December 31, 2002. Principal and interest paid on the Julian S. Smith note was $1.4 million, $1.5 million and $1.6 million for the years ended December 31, 2004, 2003 and 2002, respectively. At December 31, 2004 and 2003, $2.0 million and $3.1 million of the Julian S. Smith note remained outstanding, respectively.

Concurrently with our initial public offering, we acquired options from trusts established by Carolyn C. Smith 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). The Cunningham option exercise price is based on a formula that provides a 10% annual return to Cunningham. Cunningham is the owner-operator and FCC licensee of WNUV-TV, Baltimore, Maryland; WRGT-TV, Dayton, Ohio; WVAH-TV, Charleston, West Virginia; WTAT-TV, Charleston, South Carolina; WBSC-TV, Anderson, South Carolina; and WTTE-TV, Columbus, Ohio. We have 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, WBSC-TV and WTTE-TV. During the years ended December 31, 2004, 2003 and 2002, we made payments of $5.9 million, $4.7 million and $4.0 million, respectively, to Cunningham under these LMA agreements.

From time to time, we have entered into charter arrangements to lease aircraft owned by certain controlling shareholders. During the years ended December 31, 2004, 2003 and 2002, we incurred expenses of approximately $0.1 million, $0.2 million and $0.2 million related to these arrangements, respectively.

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 $4.3 million, $4.1 million and $3.6 million for the years ended December 31, 2004, 2003 and 2002, respectively.

In January 1999, we entered into a LMA with Bay Television, Inc. (Bay TV), which owns the television station WTTA-TV in Tampa, Florida. Our controlling shareholders own a substantial portion of the equity of Bay TV. The LMA provides that we deliver television programming to Bay TV, which broadcasts the programming in return for a monthly fee to Bay TV of $143,500. We must also make an annual payment equal to 50% of the annual broadcast cash flow of the station, as defined in the LMA, which is in excess of $1.7 million. The additional payment is reduced by 50% of the broadcast cash flow, (as defined in the LMA) that was below zero in prior calendar years. During 2004 and 2003, we made payments of approximately $1.7 million related to the LMA. An additional payment of $32,000 was made in 2004 related to the broadcast cash flow that exceeded $1.7 million for the year ended December 31, 2003.

On December 30, 2002, we invested $20.0 million in Summa Holdings, Ltd. (Summa), resulting in a 17.5% equity interest. Summa is a holding company which owns automobile dealerships and a leasing company. David D. Smith, our President and Chief Executive Officer, has a controlling interest in Summa and is a member of the Board of Directors. We have significant influence by holding a board seat (in addition to the board seat held personally by David D. Smith); therefore, we account for this investment under the equity method of accounting.

We sold advertising time to Summa on WBFF-TV and WNUV-TV, both in Baltimore, Maryland, for which we received payments totaling $0.5 million, $0.4 million and $0.3 million during the years ended December 31, 2004, 2003 and 2002, respectively. We purchased a total of $1.1 million and $0.2 million in vehicles and related vehicle services from Summa during the year ended December 31, 2004 and 2003, respectively. Summa leases certain dealership properties from a partnership in which David D. Smith has a 50% ownership interest. Summa made lease payments to this partnership of $4.5 million, $6.3 million, and $4.9 million for the years ended December 31, 2004, 2003 and 2002, respectively. Aggregate future minimum lease payments due to the partnership are $24.9 million through 2013.

In August 1999, we established a small business investment company called Allegiance Capital Limited Partnership (Allegiance) with an investment of $2.4 million. Our controlling shareholders and our Chief Financial Officer and Executive Vice President are also limited partners in Allegiance, along with Allegiance Capital Management Corporation (ACMC), the general partner. 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 averages approximately $40,800 and which is paid by the limited partners. We have invested $9.2 million and $7.5 million as of December 31, 2004 and 2003, respectively, and we are, together with the other limited partners, committed to investing up to a combined total of $15.0 million.

12. DISCONTINUED OPERATIONS:

In accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Asset*, we reported the results of operations of KOVR-TV, KSMO-TV and WTTV-TV as discontinued operations in the accompanying consolidated balance sheets and statements of operations. Discontinued operations have not been segregated in the statements of consolidated cash flows and, therefore, amounts for certain captions will not agree with the accompanying consolidated balance sheets and statements of operations. The operating results of KOVR-TV, KSMO-TV and WTTV-TV are not included in our consolidated results from continuing operations for the years ended December 31, 2004, 2003 and 2002. In accordance with EITF No. 87-24, *Allocation of Interest to Discontinued Operations*, we have allocated interest expense for the Bank Credit Agreement associated with the amount of debt to be paid down with proceeds from the sale of KOVR-TV and KSMO-TV. Interest expense related to the allocation of $7.7 million, $6.8 million and $8.1 million for the years ended December 31, 2004, 2003 and 2002, respectively, have been included in discontinued operations.

KOVR Disposition

On December 2, 2004, we entered into an agreement to sell KOVR-TV in Sacramento, California, including the FCC license, and our investment in KOVR Joint Venture (collectively KOVR) to an unrelated third party. The sale will be completed upon approval from the FCC for transfer of the license to the unrelated third party. We expect closing to occur in the second quarter of 2005. KOVR had net assets and liabilities held for sale of $83.6 million and $83.1 million as of December 31, 2004 and 2003, respectively.

Accounts receivable related to discontinued operations, which we will continue to own the rights to and collect, is included in accounts receivable, net of allowance for doubtful accounts, in the accompanying consolidated balance sheets for all periods presented. Such amounts were $8.0 million (net of allowance of $0.3 million) and $8.0 million (net of allowance of $0.2 million) as of December 31, 2004 and 2003, respectively. Net income from discontinued operations, net of taxes, was $9.6 million (net of $6.0 million of income tax provision), $6.4 million (net of $4.7 million of income tax provision) and $4.6 million (net of $3.6 million of income tax provision) for the years ended December 31, 2004, 2003 and 2002, respectively. Net broadcast revenues from discontinued operations were $42.4 million, $36.5 million and $35.6 million for the years ended December 31, 2004, 2003 and 2002, respectively.

KSMO Disposition

On November 12, 2004, we entered into an agreement to sell KSMO-TV in Kansas City, Missouri, including the FCC license, (KSMO broadcast license) to an unrelated third party. We completed the sale of KSMO-TV non-license assets for $26.8 million and recorded a deferred gain, which is stated separately on the consolidated balance sheet, of $26.1 million, net of taxes, which will be recognized upon the closing of the sale of the KSMO broadcast license to the unrelated third party. The closing of the KSMO broadcast license, expected to occur by the end of 2005, is pending approval by the FCC for transfer of the license to the unrelated third party. We are operating KSMO-TV under a joint sales agreement. KSMO had net assets and liabilities held for sale of $2.2 million and $2.1 million as of December 31, 2004 and 2003, respectively.

Accounts receivable related to discontinued operations, which we will continue to own the rights to and collect, is included in accounts receivable, net of allowance for doubtful accounts, in the accompanying consolidated balance sheets for all periods presented. Such amounts were $1.4 million (net of allowance of $62,391) and $2.4 million (net of allowance of $82,134) as of December 31, 2004 and 2003, respectively. Net income from discontinued operations, net of taxes, was $0.4 (net of $0.3 million of income tax provision), $0.6 million (net of $0.3 million of income tax provision) and a net loss of $0.3 million (net of $0.2 million of income tax benefit) for the years ended December 31, 2004, 2003 and 2002, respectively. Broadcast revenues from discontinued operations were $8.2 million, $10.6 million and $10.5 million for the years ended December 31, 2004, 2003 and 2002, respectively.

WTTV Disposition

On April 18, 2002, we entered into an agreement to sell WTTV-TV in Bloomington, Indiana and its satellite station, WTTK-TV in Kokomo, Indiana to an unrelated third party. On July 24, 2002, we completed the sale of WTTV-TV for $124.5 million and recognized a gain of $7.5 million (net of $8.2 million of income tax provision).

Accounts receivable related to discontinued operations, which we will continue to own the rights to and collect, is included in accounts receivable, net of allowance for doubtful accounts, in the accompanying consolidated balance sheets for all periods presented. Such amounts were $187,628 (net of allowance of $168,105) for the year ended December 31, 2003. As of December 31, 2004, all accounts receivable were collected. Net income from discontinued operations includes net broadcast revenue of $10.2 million for the year ended December 31, 2002.

Other Dispositions

During 2003, we reduced our income tax liability by $1.6 million as a result of the expiration of certain statutes of limitations related to the sale of radio stations in prior years. This adjustment was recorded in discontinued operations.

13. EMPLOYEE BENEFIT PLAN:

The Sinclair Broadcast Group, Inc. 401(k) Profit Sharing Plan and Trust (the SBG Plan) covers our eligible employees. Contributions made to the SBG Plan include an employee elected salary reduction amount, company-matching contributions and an additional discretionary amount determined each year by the Board of Directors. Our 401(k) expense from continuing operations for the years ended December 31, 2004, 2003 and 2002 was $1.5 million, $1.3 million and $1.2 million, respectively. There were no additional discretionary contributions during these periods. During December 1997, we registered 800,000 shares of our Class A Common Stock with the SEC to be issued as a matching contribution for the 1997 plan year and subsequent plan years. During February 2003, we registered an additional 800,000 shares of our Class A Common Stock with the SEC to be issued as matching contributions for subsequent plan years.

14. STOCK BASED COMPENSATION PLANS:

Stock Option Plans

Designated Participants Stock Option Plan. In connection with our initial public offering in June 1995, our Board of Directors adopted an Incentive Stock Option Plan (ISOP) for Designated Participants (Designated Participants Stock Option Plan) pursuant to which options for shares of Class A Common Stock were granted to certain of our key employees. The Designated Participants Stock Option Plan provides that the number of shares of Class A Common Stock reserved for issuance under the that plan is 136,000. Options granted pursuant to the Designated Participants Stock Option Plan must be exercised within 10 years following the grant date. As of December 31, 2004, 34,500 shares were available for future grants.

Long-Term Incentive Plan. 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 that 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 the plan. As of December 31, 2004, 12,869,555 shares have been granted under the LTIP and 6,862,064 shares (including forfeited shares) were available for future grants.

Incentive Stock Option Plan. In June 1996, the Board of Directors adopted, upon approval of the shareholders by proxy, an amendment to our ISOP. The purpose of the amendment was (i) to increase the number of shares of Class A Common Stock approved for issuance under the plan from 800,000 to 1,000,000, (ii) to lengthen the period after date of grant before options become exercisable from two years to three years and (iii) to provide immediate termination and three-year ratable vesting of options in certain circumstances. Options granted pursuant to the ISOP must be exercised within 10 years following the grant date. As of December 31, 2004, 714,200 shares have been granted under the ISOP and 836,334 shares (including forfeited shares) were available for future grants.

A summary of changes in outstanding stock options is as follows:

	Options		Weighted-Average Exercise Price	Exercisable		Weighted-Average Exercise Price
Outstanding at end of 2001	7,229,445	$	16.85	4,666,669	$	15.65
2002 Activity:						
Granted	295,400	$	12.15		$	
Exercised	(283,812)	$	9.23		$	
Forfeited	(645,275)	$	20.67		$	
Outstanding at end of 2002	6,595,758	$	16.66	5,073,533	$	16.08
2003 Activity:						
Granted	428,500	$	9.45		$	
Exercised	(159,162)	$	9.24		$	
Forfeited	(356,213)	$	20.83		$	
Outstanding at end of 2003	6,508,883	$	16.07	5,531,870	$	16.09
2004 Activity:						
Granted	475,250	$	12.23		$	
Exercised	(110,488)	$	10.00		$	
Forfeited	(297,125)	$	20.25		$	
Outstanding at end of 2004	6,576,520	$	15.73	5,950,757	$	15.73

Additional information regarding stock options outstanding at December 31, 2004 is as follows:

Outstanding		Exercise Price		Weighted-Average Remaining Contractual Life (In Years)	Exercisable		Weighted-Average Exercise Price
444,425	$	6.10	9.06	7.0	344,300	$	8.58
1,576,725	$	9.22	13.68	6.9	1,081,087	$	10.18
3,155,870	$	13.87	18.88	1.6	3,132,870	$	15.23
1,399,500	$	20.94	28.42	3.3	1,392,500	$	24.86
6,576,520	$	6.10	28.42	3.6	5,950,757	$	16.18

15. EARNINGS 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, 2004, 2003, and 2002 (in thousands):

	2004	2003	2002
Income (loss) (Numerator)			
Net income (loss) from continuing operations	$ 14,004	$ 15,834	$ (10,294)
Net income from discontinued operations, including gain on sale of broadcast assets related to discontinued operations	$ 10,018	$ 8,558	$ 12,204
Cumulative adjustment for change in accounting principle	$	$	$ (566,404)
Net income (loss)	$ 24,022	$ 24,392	$ (564,494)
Preferred stock dividends payable	(10,180)	(10,350)	(10,350)
Net income (loss) available to common shareholders	$ 13,842	$ 14,042	$ (574,844)
Shares (Denominator)			
Weighted-average number of common shares	85,590	85,651	85,337
Dilutive effect of outstanding stock options	151	142	243
Weighted-average number of common equivalent shares outstanding	85,741	85,793	85,580

Basic earnings per share (EPS) are calculated using the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share (diluted EPS) includes the potentially dilutive effect, if any, which would occur if outstanding options to purchase common stock were exercised using the treasury stock method. Stock options to exercise 0.2 million, 0.2 million and 0.3 million incremental shares of common stock were outstanding during the years ended December 31, 2004, 2003 and 2002, respectively. During the years ended December 31, 2004 and 2003 stock options to exercise were included in diluted EPS because we had net income. For the year ended December 31, 2002 stock options outstanding were not included in diluted EPS as the effect would be anti-dilutive because we had a net loss. The remaining options to purchase shares of common stock that were outstanding during the years ended December 31, 2004, 2003 and 2002 were not included in the computation of diluted EPS because the options exercise prices were greater than the average market price of the common shares. The Convertible Senior Subordinated Notes were not included in our diluted EPS calculation for December 31, 2004 and 2003 because the effect was antidilutive. The Convertible Senior Subordinated Notes were issued during May 2003 and were not available to be included in our December 31, 2002 diluted EPS calculation. If these notes were included in our diluted EPS calculation, the shares would increase by 6.7 million shares. The Preferred Stock was not included in our diluted EPS calculation for December 31, 2004, 2003 and 2002 because the effect was antidilutive. If this stock was included in our diluted EPS calculation the shares would increase by 7.3 million shares.

16. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

Sinclair Television Group, Inc. (STG) is wholly-owned subsidiary of Sinclair Broadcast Group, Inc. (SBG) and was incorporated in 2003. On September 30, 2003, we completed the creation of a modified holding company structure, whereby we transferred substantially all of our television broadcast assets and liabilities to STG. As such, STG has become the primary obligor under our Bank Credit Agreement, the 8.75% Senior Subordinated Notes due 2011 and the 8% Senior Subordinated Notes due 2012. Our Class A Common Stock, Class B Common Stock, Series D Convertible Exchangeable Preferred Stock and the 4.875% Convertible Senior Subordinated Notes remain at SBG and are not obligations or securities of STG.

SBG and KDSM, LLC, wholly-owned subsidiary of SBG, have fully and unconditionally guaranteed all of STG s obligations. Those guarantees are joint and several. There are no significant restrictions on the ability of SBG, STG or KDSM, LLC to obtain funds from their subsidiaries in the form of dividends or loans.

Although the modified holding company structure using STG was created on September 30, 2003, we have presented balance sheets, statements of operations and cash flows as if STG was in existence in prior periods.

The following condensed consolidating financial statements present the financial position, results of operations, and cash flows of SBG, STG, KDSM, LLC, 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 Securities and Exchange Commission Regulation S-X, Rule 3-10.

CONDENSED CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2004

(in thousands)

	Sinclair Broadcast Group, Inc.	Guarantor Subsidiaries: Sinclair Television Group, Inc.	Guarantor Subsidiaries: KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 7,861	$ 27	$ 2,603	$	$ 10,491
Accounts receivable	179	127,327	1,482	3,074		132,062
Other current assets	741	83,598	866	4,692	(122)	89,775
Assets held for sale		97,822				97,822
Total current assets	920	316,608	2,375	10,369	(122)	330,150
Property and equipment, net	10,957	320,866	5,119	2,837		339,779
Investment in consolidated subsidiaries	342,874				(342,874)	
Other long-term assets	42,875	60,232	428	9,252	(3,171)	109,616
Total other long-term assets	385,749	60,232	428	9,252	(346,045)	109,616
Acquired intangible assets		1,632,766	5,749	47,603		1,686,118
Total assets	$ 397,626	$ 2,330,472	$ 13,671	$ 70,061	$ (346,167)	$ 2,465,663
Accounts payable and accrued liabilities	$ 10,365	$ 65,360	$ 467	$ 8,277	$ (122)	$ 84,347
Current portion of long-term debt	3,080	12,366		33,500		48,946
Other current liabilities		139,181	1,871	869		141,921
Liabilities held for sale		13,447				13,447
Total current liabilities	13,445	230,354	2,338	42,646	(122)	288,661
Long-term debt	157,629	1,430,758	2,282			1,590,669
Other liabilities	1	355,873	997	6,082	(3,171)	359,782
Total liabilities	171,075	2,016,985	5,617	48,728	(3,293)	2,239,112
Preferred stock	33					33
Common stock	851					851
Additional paid-in capital	752,130	614,723	19,783	62,975	(697,481)	752,130
Accumulated deficit	(526,463)	(301,236)	(11,729)	(41,642)	354,607	(526,463)
Total shareholders equity	226,551	313,487	8,054	21,333	(342,874)	226,551
Total liabilities and shareholders equity	$ 397,626	$ 2,330,472	$ 13,671	$ 70,061	$ (346,167)	$ 2,465,663

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2003

(in thousands)

	Sinclair Broadcast Group, Inc.	Guarantor Subsidiaries Sinclair Television Group, Inc.	Guarantor Subsidiaries KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 25,440	$ 44	$ 3,246	$	$ 28,730
Accounts receivable	521	136,300	1,502	1,438		139,761
Other current assets	1,605	79,924	878	6,487	(225)	88,669
Assets held for sale		100,522				100,522
Total current assets	2,126	342,186	2,424	11,171	(225)	357,682
Property and equipment, net	11,772	318,897	5,520	1,889		338,078
Investment in consolidated subsidiaries	332,374				(332,374)	
Other long-term assets	53,219	93,607	281	6,106	(12,298)	140,915
Total other long-term assets	385,593	93,607	281	6,106	(344,672)	140,915
Acquired intangible assets		1,694,241	5,913	30,277		1,730,431
Total assets	$ 399,491	$ 2,448,931	$ 14,138	$ 49,443	$ (344,897)	$ 2,567,106
Accounts payable and accrued liabilities	$ 7,200	$ 65,544	$ 506	$ 5,864	$ (227)	$ 78,887
Current portion of long-term debt	1,117	6,165		35,000		42,282
Other current liabilities		115,960	1,842			117,802
Liabilities held for sale		15,367				15,367
Total current liabilities	8,317	203,036	2,348	40,864	(227)	254,338
Long-term debt	161,613	1,523,793	2,233			1,687,639
Other liabilities		403,445	1,024	3,953	(12,298)	396,124
Total liabilities	169,930	2,130,274	5,605	44,817	(12,525)	2,338,101
Preferred stock	35					35
Common stock	858					858
Additional paid-in capital	762,584	655,036	21,542	38,479	(715,053)	762,588
Retained earnings	(533,916)	(335,819)	(13,009)	(33,853)	382,681	(533,916)
Other comprehensive income		(560)				(560)
Total shareholders equity	229,561	318,657	8,533	4,626	(332,372)	229,005
Total liabilities and shareholders equity	$ 399,491	$ 2,448,931	$ 14,138	$ 49,443	$ (344,897)	$ 2,567,106

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

(in thousands)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$ 687,007	$ 8,218	$ 13,054	$	$ 708,279
Program and production		146,786	1,622			148,408
Selling, general and administrative	15,183	155,409	2,436	2,484		175,512
Depreciation, amortization and other operating expenses	2,276	205,890	2,874	16,088		227,128
Total operating expenses	17,459	508,085	6,932	18,572		551,048
Operating (loss) income	(17,459)	178,922	1,286	(5,518)		157,231
Equity in earnings of subsidiaries	27,758				(27,758)	
Interest income	12	179				191
Interest expense	(8,660)	(109,727)	(259)	(1,754)		(120,400)
Other income (expense)	20,600	(27,929)	254	(4,761)		(11,836)
Total other income (expense)	39,710	(137,477)	(5)	(6,515)	(27,758)	(132,045)
Income tax benefit (provision)	1,771	(17,196)		4,243		(11,182)
Income from discontinued operations		10,018				10,018
Net income (loss)	$ 24,022	$ 34,267	$ 1,281	$ (7,790)	$ (27,758)	$ 24,022

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PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2003

(in thousands)

	Sinclair Broadcast Group, Inc.	Guarantor Subsidiaries: Sinclair Television Group, Inc.	Guarantor Subsidiaries: KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$ 665,765	$ 8,072	$ 14,568	$	$ 688,405
Program and production		140,788	1,681			142,469
Selling, general and administrative	14,536	138,945	2,363	1,972		157,816
Depreciation, amortization and other operating expenses	2,673	210,013	3,382	17,786		233,854
Total operating expenses	17,209	489,746	7,426	19,758		534,139
Operating (loss) income	(17,209)	176,019	646	(5,190)		154,266
Equity in earnings of subsidiaries	47,814				(47,814)	
Interest income	468	92				560
Interest expense	(5,187)	(113,320)	(582)	(2,076)		(121,165)
Other income (expense)	3,874	17,165	(14,041)	(1,849)	(12,300)	(7,151)
Total other income (expense)	46,969	(96,063)	(14,623)	(3,925)	(60,114)	(127,756)
Income tax benefit (provision)	6,932	(20,843)		3,235		(10,676)
Discontinued operations		8,558				8,558
Net income (loss)	$ 36,692	$ 67,671	$ (13,977)	$ (5,880)	$ (60,114)	$ 24,392

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands)

	Sinclair Broadcast Group, Inc.	Guarantor Subsidiaries: Sinclair Television Group, Inc.	Guarantor Subsidiaries: KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$ 673,756	$ 8,247	$ 4,344	$	$ 686,347
Program and production		132,213	1,753	(1,820)		132,146
Selling, general and administrative	18,900	132,001	2,431	(557)		152,775
Depreciation, amortization and other operating expenses	1,918	220,329	3,166	7,653		233,066
Total operating expenses	20,818	484,543	7,350	5,276		517,987
Operating income	(20,818)	189,213	897	(932)		168,360
Equity in earnings of subsidiaries	(553,207)				553,207	
Interest income	1,461	22	1			1,484
Interest expense	(30)	(116,016)	(248)	(1,820)		(118,114)
Other income (expense)	41,595	(87,030)	3,183	(1,330)	(26,033)	(69,615)
Total other (expense) income	(510,181)	(203,024)	2,936	(3,150)	527,174	(186,245)
Income tax (provision) benefit	(7,462)	13,976		1,077		7,591
Income from discontinued operations		4,685				4,685
Gain on sale of discontinued operations		7,519				7,519
Cumulative effect on change in accounting principle		(539,712)	(23,178)	(3,514)		(566,404)
Net (loss) income	$ (538,461)	$ (527,343)	$ (19,345)	$ (6,519)	$ 527,174	$ (564,494)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004

(in thousands)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	$ (443)	$ 128,135	$ 2,042	$ (9,621)	$	$ 120,113
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	(1,249)	(43,349)	(283)			(44,881)
Variable interest entity elimination entries		18,128		(18,128)		
Consolidation of variable interest entities				239		239
Additional investments	(2,465)	(3,084)				(5,549)
Proceeds from the sale of property		39				39
Proceeds from the sale of broadcast assets		28,561				28,561
Loans to affiliates	(143)					(143)
Proceeds from loans to affiliates	1,511					1,511
Proceeds from insurance settlements		2,521				2,521
Net cash flows (used in) from investing activities	(2,346)	2,816	(283)	(17,889)		(17,702)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable and commercial bank financing		533,000				533,000
Repayments of notes payable, commercial bank financing and capital leases	(2,019)	(616,881)		(1,500)		(620,400)
Repurchase of Series D Preferred Stock	(4,752)					(4,752)
Repurchase of Class A Common Stock	(9,550)					(9,550)
Proceeds from exercise of stock options	1,152					1,152
Payments for deferred financing costs	(6)	(818)		(129)		(953)
Increase (decrease) in intercompany payables	32,418	(59,138)	(1,776)	28,496		
Dividends paid on Series D Preferred Stock	(10,180)					(10,180)
Dividends paid on Class A Common Stock	(4,274)					(4,274)
Repayment of notes and capital leases to affiliates		(4,693)				(4,693)

Net cash flows from (used in) financing activities	**2,789**	**(148,530)**	**(1,776)**	**26,867**		**(120,650)**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(17,579)**	**(17)**	**(643)**		**(18,239)**
CASH AND CASH EQUIVALENTS, beginning of period		**25,440**	**44**	**3,246**		**28,730**
CASH AND CASH EQUIVALENTS, end of period	$	**$ 7,861**	**$ 27**	**$ 2,603**	**$**	**$ 10,491**

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2003

(in thousands)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	$ (14,201)	$ 185,378	$ (8,774)	$ (3,648)	$ (12,300)	$ 146,455
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	(884)	(68,494)	(153)			(69,531)
Payment for acquisition of television station licenses and related assets		(18,000)				(18,000)
Contributions in investments	(2,361)	(3,338)				(5,699)
Proceeds from the sale of property		138				138
Repayments of loans to affiliates	(1,115)					(1,115)
Proceeds from loans to affiliates	903					903
Proceeds from insurance settlement		3,328				3,328
Net cash flows (used in) investing activities	(3,457)	(86,366)	(153)			(89,976)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable and commercial bank financing	150,000	168,336				318,336
Repayments of notes payable, commercial bank financing and capital leases	(1,901)	(127,199)				(129,100)
Redemption of High Yield Trust Originated Preferred Securities			(200,000)			(200,000)
Repurchase of Class A Common Stock	(1,544)					(1,544)
Proceeds from exercise of stock options	1,431					1,431
Payments for deferred financing costs	(4,820)	(2,582)				(7,402)
Increase (decrease) in intercompany payables	103,342	(111,384)	2,766	5,276		
Dividends paid on Series D Preferred Stock	(10,350)					(10,350)
Payment of KDSM dividend	(12,300)				12,300	
Redemption of parent preferred securities	(206,200)		206,200			
Repayment of notes and capital leases to affiliates		(4,447)				(4,447)

Net cash flows from (used in) financing activities	**17,658**	**(77,276)**	**8,966**	**5,276**	**12,300**	**(33,076)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**21,736**	**39**	**1,628**		**23,403**
CASH AND CASH EQUIVALENTS, beginning of period		**3,704**	**5**	**1,618**		**5,327**
CASH AND CASH EQUIVALENTS, end of period	**$**	**$ 25,440**	**$ 44**	**$ 3,246**	**$**	**$ 28,730**

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	$ 5,891	$ 162,490	$ 5,370	$ 3,172	$ (26,033)	$ 150,890
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	(1,629)	(60,540)	(808)	68		(62,909)
Payment for acquisition of television station licenses and related assets		(20,625)		(553)		(21,178)
Contributions in investments	(22,745)	(1,992)		(1,083)		(25,820)
Proceeds from sale of property		94	600			694
Proceeds from the sale of broadcast assets		124,472				124,472
Repayment of note receivable		30,257				30,257
Repayments of loans to affiliates	(104)					(104)
Proceeds from loans to affiliates	6,756					6,756
Net cash flows (used in) from investing activities	(17,722)	71,666	(208)	(1,568)		52,168
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable and commercial bank financing		1,263,075				1,263,075
Repayments of notes payable, commercial bank financing and capital leases	(1,846)	(1,490,702)				(1,492,548)
Proceeds from exercise of stock options	2,807					2,807
Payments for deferred financing costs		(10,503)				(10,503)
Increase (decrease) in intercompany payables	47,253	(42,088)	(5,165)			
Dividends paid on Series D Preferred Stock	(10,350)					(10,350)
Proceeds from derivative termination		21,849				21,849
Payment of KDSM dividend	(26,033)				26,033	
Repayment of notes and capital leases to affiliates		(4,124)				(4,124)
Net cash flows from (used in) financing activities	11,831	(262,493)	(5,165)		26,033	(229,794)
		(28,337)	(3)	1604		(26,736)

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS						
CASH AND CASH EQUIVALENTS, beginning of period		**32,041**	**8**	**14**		**32,063**
CASH AND CASH EQUIVALENTS, end of period	$	$ **3,704**	$ **5**	$ **1,618**	$	$ **5,327**

17. QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

(in thousands, except per share data)

	For the Quarter Ended (1)			
	03/31/04	06/30/04	09/30/04	12/31/04
Total revenues, net	$ 163,984	$ 187,401	$ 168,770	$ 188,124
Operating income	$ 25,263	$ 47,319	$ 33,797	$ 50,852
Net (loss) income from continuing operations	$ (1,793)	$ 20,396	$ 1,501	$ (6,100)
Income from discontinued operations	$ 2,082	$ 2,416	$ 2,007	$ 3,513
Net (loss) income available to common shareholders	$ (2,299)	$ 20,225	$ 1,005	$ (5,089)
Basic (loss) earnings per share from continuing operations	$ (0.05)	$ 0.21	$ (0.01)	$ (0.10)
Basic earnings per share from discontinued operations	$ 0.02	$ 0.03	$ 0.02	$ 0.04
Basic additional net (loss) earnings per share	$ (0.03)	$ 0.24	$ 0.01	$ (0.06)
Diluted (loss) earnings per share from continuing operations	$ (0.05)	$ 0.21	$ (0.01)	$ (0.10)
Diluted earnings per share from discontinued operations	$ 0.02	$ 0.03	$ 0.02	$ 0.04
Diluted (loss) earnings per share	$ (0.03)	$ 0.24	$ 0.01	$ (0.06)

	For the Quarter Ended (1)			
	03/31/03	06/30/03	09/30/03	12/31/03
Total revenues, net	$ 159,726	$ 182,976	$ 166,477	$ 179,226
Operating income	$ 26,908	$ 50,486	$ 36,568	$ 40,304
Net (loss) income from continuing operations	$ (2,072)	$ (1,239)	$ 4,480	$ 14,665
Income from discontinued operations	$ 724	$ 1,909	$ 1,983	$ 3,942
Net (loss) income available to common shareholders	$ (3,936)	$ (1,917)	$ 3,875	$ 16,020
Basic (loss) earnings per share from continuing operations	$ (0.05)	$ (0.04)	$ 0.02	$ 0.14
Basic earnings per share from discontinued operations	$ 0.01	$ 0.02	$ 0.02	$ 0.05
Basic (loss) earnings per share	$ (0.05)	$ (0.02)	$ 0.05	$ 0.19
Diluted (loss) earnings per share from continuing operations	$ (0.05)	$ (0.04)	$ 0.02	$ 0.14
Diluted earnings per share from discontinued operations	$ 0.01	$ 0.02	$ 0.02	$ 0.05
Diluted (loss) earnings per share	$ (0.05)	$ (0.02)	$ 0.05	$ 0.19

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(1) Results previously reported in our Form 10-Q s for 2003 and 2004 and our Form 10-K for the year ended December 31, 2003 have been restated to reflect discontinued operations related to the sale of KOVR-TV in Sacramento, California and KSMO-TV in Kansas City, Missouri.

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SINCLAIR BROADCAST GROUP, INC.

INDEX TO SCHEDULES

All schedules except the one listed above are omitted as not applicable or not required or the required information is included in the consolidated financial statements or in the notes thereto.

SCHEDULE II

SINCLAIR BROADCAST GROUP, INC.

VALUATION ALLOWANCES

FOR THE YEARS ENDED DECEMBER 31, 2002, 2003, AND 2004

(in thousands)

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Year	Balance at beginning of period	Charged to Cost and Expenses	Charges to other Accounts (1)	Deductions	Balance at end of period
2002	$ 6,261	$ 2,890	$ (1,326)	$ 1,840	$ 5,985
2003	5,985	110		1,186	4,909
2004	4,909	1,606		1,997	4,518

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(1) Amount represents allowance for doubtful account balances related to the disposition of certain radio stations.