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

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

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

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

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

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

Indicate by check mark 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.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

Based on the closing sales price of \$14.22 per share as of June 29, 2007, the aggregate market value of the voting and non-voting common equity of the Registrant held by non-affiliates was approximately \$728.4 million.

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

Title of each class	Number of shares outstanding as of
	February 21, 2008
Class A Common Stock	52,845,474
Class B Common Stock	34,453,859

Documents Incorporated by Reference - Portions of our definitive Proxy Statement relating to our 2008 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, 2007.

SINCLAIR BROADCAST GROUP, INC.

FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2007

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FORWARD-LOOKING STATEMENTS

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

General risks

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

Industry risks

- the business conditions of our advertisers;
- competition with other broadcast television stations, radio stations, multi-channel video programming distributors (MVPDs) and internet and broadband content providers serving in the same markets;
- labor disputes and other union activity;
- availability and cost of programming;
- the effects of governmental regulation of broadcasting or changes in those regulations and court actions interpreting those regulations, including ownership regulations, indecency regulations, retransmission regulations and political advertising restrictions and regulations;
- the continued viability of networks and syndicators that provide us with programming content;
- the February 17, 2009 mandatory transition from analog to digital over-the-air broadcasting including the impact the transition will have on television ratings;
- the broadcasting community's ability to adopt and to accept a viable mobile digital television strategy and platform;
- competition related to the potential implementation of regulations requiring MVPDs to carry low power television stations programming;

Risks specific to us

- the effectiveness of our management;
- our ability to attract and maintain local and national advertising;
- our ability to successfully renegotiate retransmission consent agreements;
- our ability to service our outstanding debt;
- our ability to renew our FCC licenses;
- our ability to maintain our affiliation agreements with our networks;
- the popularity of syndicated programming we purchase and network programming that we air;
- successful integration of outsourcing and news share agreements;
- the strength of ratings for our local news broadcasts including our news sharing arrangements;
- changes in the makeup of the population in the areas where our stations are located;
- the success of our multi-channel broadcasting initiatives strategy execution including mobile digital television; and
- the results of prior year tax audits by taxing authorities.

Other matters set forth in this report and other reports filed with the Securities and Exchange Commission, including the *Risk Factors* set forth in Item 1A of this report may also cause actual results in the future to differ materially from those described in the forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this report might not occur.

PART I

ITEM 1. BUSINESS

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

We have a mid-size market focus and 43 of our 58 stations are located in television designated market areas (DMAs) that rank between the 13th and 75th largest in the United States. Our television station group is diverse in network affiliation: FOX (20 stations); MyNetworkTV (17 stations); ABC (9 stations); The CW (9 stations); CBS (2 stations) and NBC (1 station). Refer to our *Markets and Stations* table later in this section for more information.

We broadcast free over-the-air programming to television viewing audiences in the communities we serve through our local television stations. The programming that we provide consists of network provided programs, news produced locally, local sporting events and syndicated entertainment programs. We provide network produced programming, which we broadcast pursuant to our agreements with the network with which the stations are affiliated. We produce news at 17 stations in 12 markets, including two stations where we produce news pursuant to a local news sharing arrangement with a competitive station in that market. We have 14 stations which have local news sharing arrangements with a competitive station in that market that produces the news aired on our station. We provide live local sporting events on many of our stations by acquiring the local television broadcast rights for these events. Additionally, we purchase and barter for popular syndicated programming from third parties. See *Operating Strategy* later in this Item for more information regarding the programming we provide.

Our primary source of revenue is the sale of commercial inventory on our television stations to our advertising customers. Our objective is to meet the needs of our advertising customers by delivering significant audiences in key demographics. Our strategy is to achieve this objective by providing quality local news programming and popular network and syndicated programs to our viewing audience. We attract our national television advertisers through a single national marketing representation firm which has offices in New York City, Los Angeles, Chicago and Atlanta. Our local television advertisers are attracted through the use of a local sales force at each of our television stations, which is comprised of over 350 account executives company-wide.

Our operating results are subject to seasonal fluctuations. The second and fourth quarter operating results are typically higher than the first and third quarters due to increased advertising revenues. The second quarter operating results are typically higher than the first and third quarters primarily because advertising expenditures are increased in anticipation of consumer spending on summer related items such as home improvements, lawn care and travel plans. The fourth quarter operating results are typically higher than first and third quarters due to anticipation of holiday season spending by consumers. Our operating results are usually subject to cyclical fluctuations from political advertising. In the past, political spending has been significantly higher in the even-number years due to the cyclicity of political advertising. In addition, every four years, political spending is elevated further due to the advertising revenue preceding the presidential election. Because of this cyclicity, there has been a significant difference in our operating results when comparing even-numbered years performance to the odd-numbered years performance. We believe political advertising will continue to be a strong advertising category in our industry. We believe 2008 will be an exceptional year for television broadcasting. According to TNS Media Intelligence's January 2008 report titled, TNS Media Intelligence forecasts 4.2% increase in U.S. advertising spending in 2008, in 2008 spot TV advertising is expected to grow 9.9% over 2007. The report indicates that overall advertising spending in all mediums, will be driven predominately by the powerful combination of summer Olympics and record-setting levels of political advertising.

Over the last few years, we have been earning revenue from our retransmission consent agreements through payments from the MVPDs in our markets. The MVPDs are local cable companies, satellite television and local telecommunication video providers. The revenues primarily represent payments from the MVPDs for access to our signal so they may rebroadcast directly to and charge their subscribers. We have seen this revenue category grow significantly in 2007 as we successfully negotiated favorable payment terms in our retransmission consent agreements with the MVPDs. Certain agreements are set to expire in 2008 and therefore, contractual negotiations are expected. We expect to continue to generate revenues from retransmission consent agreements at terms as favorable as or more favorable than our existing agreements upon the expiration of those agreements. Our retransmission consent agreements include automatic annual fee escalators. Additionally, as mobile television develops, we may be able to generate additional revenue streams through agreements with portable device service providers.

Mobile digital television holds tremendous potential for the television broadcasting industry. In February 2009, over-the-air television broadcasting in the U.S. is scheduled to complete the transition from high power analog transmissions to digital transmissions. We are enthusiastic about the potential uses of our digital spectrum. With the right technology, digital transmissions will allow us to broadcast our signals to portable devices such as cell phones, laptop computers, car televisions and other hand-held devices. According to BIA Financial Network's January 2008 report titled, "Study of the impact of multiple systems for mobile/handheld digital television," BIA*fn* estimates that broadcast television could reap an additional \$2 billion in annual revenue by 2012 delivering content to mobile and handheld devices if an industry standard is adopted and technology deployed quickly. We believe that mobile television will be available to the public as early as the first half of 2009.

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

TELEVISION BROADCASTING

Markets and Stations

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

Market	Market Rank (a)	Stations	Status (b)	Affiliation (c)	Station Rank in Market (d)	Expiration Date of FCC License
Tampa, Florida	13	WTTA	LMA(e)	MNT	6 of 8	02/01/13
Minneapolis/St. Paul, Minnesota	15	WUCW	O&O	CW	7 of 7	04/01/06(f)
St. Louis, Missouri	21	KDNL	O&O	ABC	4 of 8	02/01/14
Pittsburgh, Pennsylvania	22		O&O	FOX	4 of 8	
		WPGH				08/01/15
		WPMY	O&O	MNT	6 of 8	08/01/07(g)
Baltimore, Maryland	24		O&O	FOX	4 of 6	(f)
		WBFF				10/01/04
		WNUV	LMA(h)	CW	5 of 6	10/01/12
Raleigh/Durham, North Carolina	28		O&O	CW	5 of 6	
		WLFL				12/01/04 (f)
		WRDC	O&O	MNT	6 of 6	12/01/04(f)
Nashville, Tennessee	30		O&O	FOX	4 of 8	
		WZTV	O&O	MNT	5 of 8	08/01/13
		WUXP				08/01/05 (f)
		WNAB	OSA(i)	CW	6 of 8	08/01/05(i)
Columbus, Ohio	32		O&O	ABC	3 of 6	
		WSYX				10/01/13
		WTTE	LMA(h)	FOX	4 of 6	10/01/05(f)
Cincinnati, Ohio	33	WSTR	O&O	MNT	5 of 7	10/01/05(f)
Milwaukee, Wisconsin	34		O&O	MNT	5 of 9	
		WCGV				12/01/05(f)
		WVTV	O&O	CW	6 of 9	12/01/05(f)
Asheville, North Carolina/ Greenville/Spartanburg/ Anderson, South Carolina	36		O&O	ABC	3 of 7	(f)
		WLOS				12/01/04
		WMYA	LMA(h)	MNT	6 of 7	12/01/04(f)
San Antonio, Texas	37		O&O	FOX	4 of 7	
		KABB				08/01/14
		KMYS	O&O	MNT	5 of 7	08/01/14
Birmingham, Alabama	40		O&O	CW	5 of 9	(f)
		WTTO	O&O	MNT	6 of 9	04/01/05
		WABM				04/01/13
		WDBB	LMA	CW	5 of 9(j)	04/01/13
Norfolk, Virginia	42	WTVZ	O&O	MNT	6 of 8	10/01/12
Las Vegas, Nevada	43		O&O	MNT	5 of 7	
		KVMY				10/01/14
		KVCW	O&O	CW	6 of 7	10/01/14
Oklahoma City, Oklahoma	45	KOKH	O&O	FOX	4 of 9	06/01/14
		KOCB				06/01/14

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			O&O	CW	5 of 9	
Greensboro/Winston-Salem/ Highpoint, North Carolina	46		O&O	ABC	4 of 7	
		WXLV				12/01/04(f)
		WMYV	O&O	MNT	6 of 7	12/01/04(f)
Buffalo, New York	50		O&O	FOX	4 of 8	(g)
		WUTV				06/01/07
		WNYO	O&O	MNT	6 of 8	06/01/15
Richmond, Virginia	59	WRLH	O&O	FOX	4 of 6	10/01/12
Mobile, Alabama/Pensacola, Florida	61		O&O	ABC	2 of 8	
		WEAR				02/01/13
		WFGX	O&O	MNT	not rated	02/01/13
Dayton, Ohio	62		O&O	ABC	2 of 6	
		WKEF				10/01/13
		WRGT	LMA(h)	FOX	4 of 6	10/01/05(f)
Lexington, Kentucky	64	WDKY	O&O	FOX	4 of 6	08/01/13
Charleston/Huntington, West Virginia	65		O&O	ABC	2 of 7	
		WCHS				10/01/12
		WVAH	LMA(h)	FOX	4 of 7	10/01/04(f)
Flint/Saginaw/Bay City, Michigan	66					
		WSMH	O&O	FOX	3 of 7	10/01/13
Des Moines, Iowa	71	KDSM	O&O	FOX	4 of 5	02/01/14
Portland, Maine	76	WGME	O&O	CBS	2 of 6	04/01/07(g)
Rochester, New York	78	WUHF	O&O(k)	FOX	4 of 6	06/01/07(g)
Cape Girardeau, Missouri/ Paducah, Kentucky	79	KBSI	O&O	FOX	4 of 7	
						02/01/14
		WDKA	LMA	MNT	5 of 7	08/01/13
Syracuse, New York	80		O&O	FOX	4 of 6	(g)
		WSYT				06/01/07
		WNYS	LMA	MNT	5 of 6	06/01/15
Springfield/Champaign, Illinois	84	WICS	O&O	ABC	2 of 6	(f)
						12/01/05
		WICD	O&O	ABC	2 of 6(1)	12/01/05(f)
Madison, Wisconsin	85	WMSN	O&O	FOX	3 of 6	12/01/05(f)
Cedar Rapids, Iowa	87		O&O	CBS	3 of 6	(f)
		KGAN				02/01/06
		KFXA	OSA(m)	FOX	4 of 6	02/01/06
Charleston, South Carolina	100		LMA(h)	FOX	4 of 6	(f)
		WTAT				12/01/04
		WMMP	O&O	MNT	5 of 6	12/01/04(f)
Tallahassee, Florida	108	WTWC	O&O	NBC	3 of 6	02/01/13
Peoria/Bloomington, Illinois	117	WYZZ	O&O(k)	FOX	4 of 6	12/01/05(f)

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a) Rankings are based on the relative size of a station's designated market area (DMA) among the 210 generally recognized DMAs in the United States as estimated by Nielsen as of November 2007.

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

c) When we negotiate the terms of our affiliation agreements with each network, we negotiate on behalf of all of our stations affiliated with that network simultaneously. This results in substantially similar terms for our stations, including the expiration date of the affiliation agreement. A summary of these expiration dates is as follows:

Affiliate	Expiration Date
FOX	19 of 20 agreements expire on March 6, 2012, except KFXA, which expires on June 30, 2010
MNT	All 17 agreements expire on September 4, 2011
ABC	All 9 agreements expire on December 31, 2009
CW	All 9 agreements expire on August 31, 2010
CBS	Both agreements expire on December 31, 2012
NBC	Agreement expires on December 31, 2016

d) The first number represents the rank of each station in its market and is based upon the November 2007 Nielsen estimates of the percentage of persons tuned into each station in the market from 6:00 a.m. to 2:00 a.m., Monday through Sunday. The second number represents the estimated number of television stations designated by Nielsen as local to the DMA, excluding public television stations and stations that do not meet the minimum Nielsen reporting standards (weekly cumulative audience of at least 0.1%) for the Monday through Sunday 6:00 a.m. to 2:00 a.m. time period as of November 2007. This information is provided to us in a summary report by Katz Television Group.

e) The license assets for this station are currently owned by Bay Television, Inc., a related party. See *Note 12. Related Person Transactions*, in the Notes to our Consolidated Financial Statements for more information.

f) We, or subsidiaries of Cunningham Broadcasting Company (Cunningham), timely filed applications for renewal of these licenses with the FCC. Unrelated third parties have filed petitions to deny or informal objections against such applications. We opposed the petitions to deny and the informal objections and those applications are currently pending. See *Note 11. Commitments and Contingencies*, in the Notes to our Consolidated Financial Statements for more information.

g) We timely filed applications for renewal of these licenses with the FCC. FCC staff have informed us that the applications have not yet been granted because unrelated third parties have filed informal objections against the stations based on alleged violations of either the FCC's sponsorship identification or indecency rules.

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

- i) We have entered into an outsourcing agreement with the unrelated third party owner of WNAB-TV to provide certain non-programming related sales, operational and administrative services to WNAB-TV. Our application to acquire this FCC license is pending FCC approval.
- j) WDBB-TV simulcasts the programming broadcast on WTTO-TV pursuant to a programming services agreement. The station rank applies to the combined viewership of these stations.
- k) We have entered into outsourcing agreements with unrelated third parties, under which the unrelated third parties provide certain non-programming related sales, operational and managerial services to these stations. We continue to own all of the assets of these stations and to program and control each station's operations.
- l) WICD-TV, a satellite of WICS-TV under FCC rules, simulcasts all of the programming aired on WICS-TV except the news broadcasts. WICD-TV airs its own news broadcasts. The station rank applies to the combined viewership of these stations.
- m) On February 1, 2008, we entered into an outsourcing agreement with the unrelated third party owner of KFXA-TV to provide certain non-programming related sales, operational and administrative services to KFXA-TV.

Operating Strategy

Our operating strategy includes the following elements:

Programming to Attract Viewership. We seek to target our programming offerings to attract viewership, to meet the needs of the communities in which we serve and to meet the needs of our advertising customers. In pursuit of this strategy, we seek to obtain, at attractive prices, popular syndicated programming that is complementary to each station's network programming. We also seek to broadcast live local and national sporting events that would appeal to a large segment of the local community. Moreover, we produce news at 17 stations in 12 markets, including two stations which have a local news sharing agreement with a competitive station in that market. We have 14 stations which have local news sharing arrangements with a competitive station in that market, which produces the news aired on our station.

Attract and Retain High Quality Management. We believe that much of our success is due to our ability to attract and retain highly skilled and motivated managers at both the corporate and local station levels. We provide a combination of base salary, long-term incentive compensation and, where appropriate, cash bonus pay designed to be competitive with comparable employers in the television broadcast industry. A significant portion of the compensation available to our Chief Operating Officer, sales vice presidents, group managers, general managers, sales managers and other station managers is based on their exceeding certain operating results. We also provide some of our corporate and station managers with deferred compensation plans and equity awards.

Developing Local Franchises. We believe the greatest opportunity for a sustainable and growing customer base lies within our local communities. Therefore, we have focused on developing a strong local sales force at each of our television stations, which is comprised of over 350 account executives company-wide. Excluding political advertising revenue, 66.3% of our net time sales were local for the year ended December 31, 2007, compared to 64.7% in 2006. Our goal is to grow our local revenues by increasing our market share and by developing new business opportunities.

Local News. We believe that the production and broadcasting of local news is an important link to the community and an aid to a station's efforts to expand its viewership. In addition, local news programming can provide access to advertising sources targeted specifically to local news viewers. We assess the anticipated benefits and costs of producing local news prior to the introduction of local news at our stations because a significant investment in capital equipment is required and substantial operating expenses are incurred in introducing, developing and producing local news programming. We also continuously review the performance of our existing news operations to make sure they are economically viable. In 2008, we expect to provide high definition newscasts in four of our key competitive news markets. In addition, we plan to provide high definition newscasts in an additional four markets in each of 2009 and 2010.

Our local news initiatives are an important part of our strategy that has resulted in our entering into 16 local news sharing arrangements with other television broadcasters. We are the provider of news services in two instances; however, in 14 of our news share arrangements, we are the recipient of services. We believe news share arrangements generally provide both higher viewer ratings and revenues for the station receiving the news and generate a profit for the news share provider. Generally, both parties and the local community are beneficiaries of these arrangements.

Developing New Business. We are always striving to develop new business models to complement or enhance our existing television broadcast business. During the past few years, we have built a profitable direct mail business at many of our stations using, for the most part, our existing sales force. With the success of our direct mail program, which generated \$5.9 million in revenues in 2007, we have developed other initiatives that will give us an additional competitive advantage. We continue to explore new opportunities and plan to implement new initiatives in 2008.

Retransmission Consent Agreements. We have retransmission consent agreements with MVPDs, such as cable, satellite and telecommunications operators in our markets. MVPDs compensate us for the right to retransmit our broadcast signals. Our successful negotiations with MVPDs have created agreements that now produce meaningful sustainable revenue streams. During 2007, our retransmission consent agreements, including the advertising component, generated \$58.9 million in total broadcast revenues. This represents a 135% increase over 2006 results. This growth trend will not continue at this rate since most of the MVPDs that we conduct business with are now under contract. Certain agreements are set to expire in 2008 and therefore, contractual negotiations are expected. We expect to continue to generate revenues from retransmission consent agreements at terms as favorable as or more favorable than our existing agreements upon the expiration of those agreements. Our retransmission consent agreements include automatic annual fee escalators. Additionally, as mobile television develops, we may be able to generate additional revenue streams through agreements with portable device service providers.

Ownership Duopolies and Utilization of Local Marketing Agreements. We have sought to increase our revenues and improve our margins through the ownership of two stations in a single market, called a duopoly, and by providing programming services pursuant to a LMA to a second station in eight DMAs where we already own one station. Duopolies and LMAs allow us to realize significant economies of scale in marketing, programming, overhead and capital expenditures. We also believe these arrangements

enable us to air popular programming and contribute to the diversity of programming within each DMA. Although under the FCC ownership rules released in June 2003, we would be allowed to continue to program most of the stations with which we have a LMA, in the absence of a waiver, the 2003 rules would require us to terminate or modify three of our LMAs. Although there can be no assurances, we have studied the application of the 2003 rules to our markets and believe we are qualified for waivers. Under the ownership rules established in 2008, we may be required to terminate or modify three of our LMAs that we executed after November 5, 1996. We also may be required to terminate or modify three other LMAs that we executed prior to November 5, 1996, if the FCC subsequently initiates a case-by-case review of those LMAs and determines not to extend the grandfathering period. For additional information, refer to *Risk Factors - Changes in Rules on Television Ownership, and Risk Factors - The FCC's multiple ownership rules limit our ability to operate multiple television stations in some markets and may result in a reduction in our revenue or prevent us from reducing costs. Changes in these rules may threaten our existing strategic approach to certain television markets.*

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

Multi-Channel Digital Broadcasting. FCC rules allow broadcasters to transmit additional digital channels within the spectrum allocated to each FCC license holder. This provides viewers with additional programming alternatives at no additional cost to them. Four of our television stations are experimenting with broadcasting a second digital channel in accordance with these rules, airing various alternative programming formats. In Baltimore, where our corporate offices are located, we are airing a secondary digital channel comprised of classic television programming, religious programming and simulcasting of our primary digital channel. In the three other markets, we have a similar format along with MyNetwork TV programming. In addition, as noted below, we believe mobile digital television will serve as a tremendous use of our additional digital spectrum.

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

Mobile Digital Television. We are a member of the Open Mobile Video Coalition, which is a voluntary association of television broadcasters whose mission is to accelerate the development of mobile digital broadcast television. We believe mobile digital television will become a viable use of our local stations' programming. We believe that in the near future it will be possible to broadcast digital television to numerous mobile devices including cell phones, laptop computers, video screens in vehicles, portable video players and other portable devices. We believe that the technical ability to receive our television broadcast content on mobile devices will be attractive to individuals. We believe this technology, if successfully implemented, could create an entirely new revenue stream for television broadcasters. Due to the complexity of the technology, the disparate competitive interests in developing a technology standardization, the availability of other competing technologies and the number of stakeholders involved including cellular network operators, there are risks associated with successfully monetizing this platform. Although the technology and business plan are in process, indications are that mobile digital television could be broadcasted as early as 2009.

Control of Operating and Programming Costs. By employing a disciplined approach to managing programming acquisition and other costs, we have been able to achieve operating margins that we believe are very competitive within the television broadcast industry. We believe our national reach of approximately 22% of the country provides us with a strong position to negotiate with programming providers and, as a result,

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the opportunity to purchase high quality programming at more favorable prices. Moreover, we emphasize control of each of our stations programming and operating costs through program-specific profit analysis, detailed budgeting, regionalization of staff and detailed long-term planning models.

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

Strategic Realignment of Station Portfolio. We continue to examine our television station group portfolio in light of the FCC's broadcast ownership rules adopted in 2003. For a summary of these rules, refer to *Ownership Matters*, discussed in the *Federal Regulation of Television Broadcasting*. Our objective is to build our local franchises in the markets we deem strategic. We routinely review and conduct investigations of potential television station acquisitions, dispositions and station swaps. At any given time, we may be in discussions with one or more television station owners. For more information related to station sales, see *Note 13. Discontinued Operations*, in the Notes to our Consolidated Financial Statements.

Investments. As in the past, we continue to seek more ways to diversify our business and return additional value to our shareholders. We carry investments in various companies from many different industries including sign design and fabrication, security alarm monitoring and bulk acquisition, software development, information technology staffing and consulting and television transmitter manufacturing. In addition, we invest in various real estate ventures including developmental land and apartment and shopping complexes. We also invest in private equity and structure debt and mezzanine financing investment funds. Currently our investment activity represents a small portion of our overall operating results. We expect to continue to make investments in non-broadcast assets as sound economic opportunities appear.

FEDERAL REGULATION OF TELEVISION BROADCASTING

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

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

License Grant and Renewal

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

- that the station has served the public interest, convenience and necessity;
- that there have been no serious violations by the licensee of the Communications Act or the rules and regulations of the FCC; and

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- that there have been no other violations by the licensee of the Communications Act or the rules and regulations of the FCC that, when taken together, would constitute a pattern of misconduct.

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

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

On October 12, 2004, the FCC issued a Notice of Apparent Liability for Forfeiture (NAL) in the amount of \$7,000 per station to virtually every FOX station, including the 15 FOX affiliates presently licensed to us and the four FOX affiliates programmed by us and one FOX affiliate we sold in 2005. The NAL alleged that the stations broadcast indecent material contained in an episode of a FOX network program that aired on April 7, 2003. We, as well as other parties including the FOX network, filed oppositions to the NAL. That proceeding is still pending. Although we cannot predict the outcome of that proceeding or the effect of any adverse outcome on the stations' license renewal applications, the FOX network has agreed to indemnify its affiliates for the full amount of this liability.

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

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

On August 1, 2005, we filed applications with the FCC requesting renewal of the broadcast licenses for WCGV-TV and WVTM-TV in Milwaukee, Wisconsin. On November 1, 2005, the Milwaukee Public Interest Media Coalition filed a petition with the FCC to deny these renewal applications. On June 13, 2007, the Video Division of the FCC denied the petition to deny, and subsequently, the Milwaukee Public Interest Media Coalition filed a petition for reconsideration of that decision, which we opposed. The petition for reconsideration and the renewal applications are currently pending.

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

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

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

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guidance on whether that material was appropriate in the context of the program. The result of this is that we only know that Saving Private Ryan and Schindler's List are allowed to be aired in their unedited entirety under current FCC rulings.

Ownership Matters

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

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

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

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

As a result of these provisions, the licenses granted to our subsidiaries by the FCC could be revoked if, among other restrictions imposed by the FCC, more than 25% of our stock were directly or indirectly owned or voted by aliens. Sinclair and its subsidiaries are domestic corporations, and the members of the Smith family (who together hold approximately 82% of the common voting rights of Sinclair) are all United States citizens. Our amended and restated Articles of Incorporation (the Amended Certificate) contain limitations on alien ownership and control that are substantially similar to those contained in the Communications Act. Pursuant to the Amended Certificate, we have the right to repurchase alien-owned shares at their fair market value to the extent necessary, in the judgment of the Board of Directors, to comply with the alien ownership restrictions.

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

The relevant 2008 ownership rules are as follows:

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

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

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

National Ownership Rule. As of 2004, by statute, the national television viewing audience reach cap is 39%. Under this rule, where an individual or entity has an attributable interest in more than one television station in a market, the percentage of the national television viewing audience encompassed within that market is only counted once. Additionally, since historically, VHF stations (channels 2 through 13) have shared a larger portion of the market than UHF stations (channels 14 through 69), only half of the households in the market area of any UHF station are included when calculating an entity's national television viewing audience (commonly referred to as the UHF discount). The FCC has initiated a proceeding to assess whether it has authority to alter the UHF Discount.

All but seven of the stations we own and operate, or to which we provide programming services, are UHF. We reach approximately 22% of U.S. television households or 12.3% taking into account the FCC's UHF discount.

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

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

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

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

Antitrust Regulation. The Department of Justice (DOJ) and the Federal Trade Commission have increased their scrutiny of the television industry since the adoption of the 1996 Act and have reviewed matters related to the concentration of ownership within markets (including LMAs) even when ownership or the LMA in question is permitted under the laws administered by the FCC or by FCC rules and regulations. The DOJ takes the position that an LMA entered into in anticipation of a station's acquisition with the proposed buyer of the station constitutes a change in beneficial ownership of the station which, if subject to filing under the Hart-Scott-Rodino Anti Trust Improvements Act, cannot be implemented until the waiting period required by that statute has ended or been terminated.

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

Local Marketing Agreements

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

In 1999, the FCC established a new local television ownership rule and decided to attribute LMAs for ownership purposes. It grandfathered our LMAs that were entered into prior to November 5, 1996, permitting the applicable stations to continue operations pursuant to the LMAs until the conclusion of the FCC's 2004 biennial review. The FCC stated it would conduct a case-by-case review of grandfathered LMAs and assess the appropriateness of extending the grandfathering periods. Subsequently, the FCC invited comments as to whether, instead of beginning the review of the grandfathered LMAs in 2004, it should do so in 2006. The FCC did not initiate any review of grandfathered LMAs in 2004 or as part of its 2006 quadrennial review. We do not know when, or if, the FCC will conduct any such review of grandfathered LMAs. With respect to LMAs executed on or after November 5, 1996, the FCC required that parties come into compliance with the 1999 local television ownership rule by August 6, 2001. We challenged the 1999 local television ownership rule in the U.S. Court of Appeals for the D.C. Circuit, and that court stayed the enforcement of the divestiture of the post-November 5, 1996 LMAs. In 2002, the D.C. Circuit ruled in *Sinclair Broadcast Group, Inc. v. F.C.C.*, 284 F.3d 114 (D.C. Cir. 2002) that the 1999 local television ownership rule was arbitrary and capricious and remanded the rule to the Commission.

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

In July 2006, as part of the FCC's statutorily required quadrennial review of its media ownership rules, the FCC released a Further Notice of Proposed Rule Making seeking comment on how to address the issues raised by the Third Circuit's decision, among other things, remanding the local television ownership rule. In January 2008, the FCC released an order containing its current ownership rules, which re-adopted its 1999 local television ownership rule. On February 8, 2008, we filed a petition with the U.S. Court of Appeals for the D.C. Circuit requesting that the Court direct the FCC to cease its use of the 1999 local television ownership rule that it re-adopted as the permanent rule in 2008.

On November 15, 1999, we entered into a plan and agreement of merger to acquire through merger WMYA-TV (formerly WBSC-TV) in Anderson, South Carolina from Cunningham Broadcasting Corporation (Cunningham), but that transaction was denied by the FCC. In light of the change in the 2003 ownership rules, we filed a petition for reconsideration with the FCC and amended our application to acquire the license of WMYA-TV. We also filed applications in November 2003 to acquire the license assets of the remaining five Cunningham stations: WRGT-TV, Dayton, Ohio; WTAT-TV, Charleston, South Carolina; WVAH-TV, Charleston, West Virginia; WNUV-TV, Baltimore, Maryland; and WTTE-TV, Columbus, Ohio. Rainbow/PUSH filed a petition to deny these five applications and to revoke all of our licenses. The FCC dismissed our applications in light of the stay of the 2003 ownership rules and also denied the Rainbow/PUSH petition. Rainbow/PUSH filed a petition for reconsideration of that denial and we filed an application for review of the dismissal. In 2005, we filed a petition with the U. S. Court of Appeals for the D. C. Circuit requesting that the Court direct the FCC to take final action on our applications, but that petition was dismissed. On January 6, 2006, we submitted a motion to the FCC requesting that it take final action on our applications. On February 8, 2008, we filed a petition with the U.S. Court of Appeals for the D.C. Circuit requesting that the Court direct the FCC to act on our assignment applications and to cease its use of the 1999 local television ownership rule that it re-adopted as the permanent rule in 2008. The applications and the associated petition to deny are still pending. We believe the Rainbow/PUSH petition is without merit.

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

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

Must Carry/Retransmission Consent

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

- the number of activated channels on a cable system;

- the location and size of a cable system; and

- the amount of programming on a broadcast station that duplicates the programming of another broadcast station carried by the cable system.

Therefore, under certain circumstances, a cable system may decline to carry a given station. Alternatively, if a broadcaster chooses to exercise retransmission consent rights, it can prohibit cable systems from carrying its signal or grant the appropriate cable system the authority to retransmit the broadcast signal for a fee or other consideration. In October 2005, we elected retransmission consent with respect to all of our stations. Some of these retransmission consent agreements had been negotiated for cable carriage of our analog and/or digital signal and are short-term and subject to month-to-month extensions.

In February 2005, the FCC adopted an order stating that cable television systems are not required to carry both a station's analog and digital signals during the digital transition period. Thus, only television stations operating solely with digital signals are entitled to mandatory carriage of their digital signal by cable companies. In addition, it is technically possible for a television station to broadcast more than one channel of programming using its digital signal. The same FCC order clarified that cable systems need only carry a broadcast station's primary video stream and not any of the station's other programming streams in those situations where a station chooses to transmit multiple programming streams.

Many of the viewers of our television stations receive the signal of the stations via MVPDs. MVPDs generally transmit our signals pursuant to permission granted by us in retransmission consent agreements. A portion of these retransmission consent agreements will expire in 2008. Most agreements expire in 2009. There can be no assurance that future negotiations of these agreements will be advantageous to us or that we or the MVPDs might not determine to terminate some or all of these agreements. A termination of our retransmission consent agreements would make it more difficult for our viewers to watch our programming and could result in lower ratings and a negative financial impact on us. There can be no assurances that we will be able to negotiate mutually acceptable retransmission consent agreements in the future relating to the carriage of our digital signals. However, we believe that as these agreements expire we will be able to negotiate terms as favorable as or more favorable than the existing agreements.

Syndicated Exclusivity/Territorial Exclusivity

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

Digital Television

The FCC has taken a number of steps to implement digital television (DTV) broadcasting services. The FCC has adopted an allotment table that provides all authorized television stations with a second channel on which to broadcast a DTV signal. The FCC has attempted to provide DTV coverage areas that are comparable to stations' existing service areas. The FCC has ruled that television broadcast licensees may use their digital channels for a wide variety of services such as high-definition television, multiple standard definition television programming, audio, data and other types of communications, subject to the requirement that each broadcaster provide at least one free video channel equal in quality to the current technical standard and further subject to the requirement that broadcasters pay a fee of 5% of gross revenues from any DTV ancillary or supplementary service for which there is a subscription fee or for which the licensee receives a fee from a third party.

DTV channels are generally located in the range of channels from channel 2 through channel 51. All commercial stations were required to begin digital broadcasting on May 1, 2002. Under the FCC's rules, all DTV stations are required to operate at all times in which their analog stations are operating. In September 2004, the FCC eliminated its requirement that a digital station simulcast a certain percentage of the programming transmitted on its associated analog station.

As of December 31, 2004, DTV stations were required to meet a certain signal strength standard for the digital signal coverage in their communities of license. By July 2005, a DTV licensee affiliated with a top four network (i.e. FOX, ABC, CBS or NBC) that is located in one of the top 100 markets was required to meet a higher replication standard or lose interference protection for those areas not covered by the digital signal. For a station subject to this deadline which had not yet received a construction permit, the FCC required that such station build a checklist facility by August 2005. For all other commercial DTV licensees, as well as non-commercial DTV licensees, that have received construction permits, the deadline for meeting a higher replication standard was July 2006. All of our stations filed a DTV status report with the FCC, as required, by the February 19, 2008 deadline. In August 2007 we filed a request for WSMH-DT for an extension and/or waiver of the FCC's rule permitting satellite subscribers to qualify, under a digital signal strength test, for satellite retransmission of distant digital network signals. The FCC granted the request in October 2007. We will need to seek further extension and waiver of the extended deadline for WSMH-DT by March 18, 2008, and there is no guarantee that such extension request will be granted. If the request is not granted, the station could lose viewers which could adversely impact revenues for that station.

We operate our television stations at different power levels pursuant to our FCC licenses, applicable permits or special temporary authority granted by the FCC. The following table is a summary of our operating status as of January 31, 2008:

DTV Operating Status

of Station

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Operating with approved digital license, at full power	21
Operating at full power, pending license approval	23
Operating at low power with special temporary authority	2
Applications pending for construction permits	1
LMA/JSA stations operating with approved digital license, at full power	5
LMA/JSA stations operating at full power, pending license approval	4
LMA/JSA stations operating at low power with special temporary authority	2
	58

In April 2003, the FCC adopted a policy of graduated sanctions to be imposed upon licensees who do not meet the FCC's DTV build-out schedule. Under the policy, the stations could face monetary fines and possible loss of any digital construction permits for non-compliance with the build-out schedule. After completion of the transition period, the FCC will reclaim the non-digital channels. Congress passed legislation establishing a hard deadline of February 17, 2009 by which broadcasters must cease using their analog channel. There can be no assurance that the stations we own or program will be fully transitioned to digital broadcasts by this deadline. A station's failure to meet the deadline could result in a loss of interference protection or the applicable FCC license, adversely impacting the revenues of stations we own or to which we provide services.

On December 31, 2007, the FCC released an order discussing the progress of the transition to digital television and imposing new reporting obligations and pre-transition construction deadlines on digital television station licensees and permittees. As of February 22, 2008 all but 10 of the television stations we own or to which we provide services are operating on their authorized post-transition digital channels and have certified to the FCC that they are doing so in compliance with the new interim construction deadlines. As a result of the order, the remaining 10 television stations, which are not operating on their post-transition DTV channels, are required to comply with the new pre-transition construction deadlines, and file construction permit applications, construction permit extension applications, or tolling requests, as appropriate. There can be no assurance that the FCC will grant applications filed for these stations or that the stations will meet the FCC pre-transition deadlines or be fully transitioned to digital broadcasts by February 17, 2009.

On August 7, 2007, the FCC released an order which adopted the **final DTV table of allotments** establishing the post-transition digital channels for all full-power television stations in the country. On October 26, 2007, we filed petitions for reconsideration of the FCC's final DTV table for stations WTVZ-DT, WMMP-DT, and WVTM-DT requesting that the Commission correct the FCC antenna identification numbers and power levels for the stations set forth in the DTV table. There is no guarantee that the FCC will make the requested corrections and a failure of the FCC to do so might result in decreased service to viewers of those stations.

Implementation of digital television has imposed substantial additional costs on television stations because of the need to replace equipment and because some stations will need to operate at higher utility costs. There can be no assurance that our television stations will be able to increase revenue to offset such costs. In addition, the FCC has proposed imposing new public interest requirements on television licensees in exchange for their receipt of DTV channels.

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

Reclamation of analog channels. Analog broadcasters are required to cease operation on their assigned analog spectrum by February 17, 2009. At that time, the FCC will reclaim this spectrum from broadcasters and make it available to the entities that have been assigned the spectrum through FCC auctions. The FCC envisions that the reclaimed band will be used for a variety of broadcast-type applications including two-way interactive services and services using Coded Orthogonal Frequency Division Multiplexing technology. We cannot predict how the development of this spectrum will affect our television operations.

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

Multi-Channel Digital Broadcasting. FCC rules allow broadcasters to transmit additional digital signals within the spectrum allocated to each FCC license holder. We are currently broadcasting a single digital signal for all but four of our television stations. During 2006, we began broadcasting a second digital signal in Baltimore, Maryland. In 2006, we also entered into agreements with MyNetworkTV to air prime-time programming on the second digital signal in Columbus, Ohio, Dayton, Ohio and Richmond, Virginia. During non-prime-time hours these stations air religious, paid-programming, classic syndicated programming and simulcasting of our primary digital channel.

Capital and operating costs. We have incurred and will continue to incur costs to replace equipment in our stations in order to provide digital television. Some of our stations will also incur increased utilities costs as a result of broadcasting both analog and digital signals during the transition period.

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

Emergency Alert System. In November 2005, the FCC adopted an order requiring that digital broadcasters comply with the FCC's present Emergency Alert System (EAS) rules. It also issued a further notice of proposed rulemaking seeking comments on what actions the FCC should take to expedite the development of a digitally based public alert and warning system. On July 12, 2007, the Commission adopted an order allowing mandatory use of EAS by state governments and requiring that all EAS participants, including television broadcasters, be able to receive messages formatted pursuant to a procedure to be adopted by the Federal Emergency Management Agency. In a further notice, the FCC invited comments on, among other things, how the EAS rules could be modified to ensure that non-English speakers and persons with disabilities are reached by EAS messages and whether local, county, tribal, or other state governmental entities should be allowed to initiate mandatory state and local alerts. Any additional EAS requirements on digital broadcasters could increase our costs.

Restrictions on Broadcast Programming

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

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

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

It is a violation of federal law and FCC regulations to broadcast obscene or indecent programming. FCC licensees are, in general, responsible for the content of their broadcast programming, including that supplied by television networks. Accordingly, there is a risk of being fined as a result of our broadcast programming, including network programming. As a result of legislation passed in June 2006, the maximum forfeiture amount for the broadcast of indecent or obscene material was increased to \$325,000 from \$32,500 for each violation. In July 2007, a bill was introduced in Congress that would require the FCC, in enforcing its regulations concerning the broadcast of indecent programming, to maintain a policy that a single word or image may be considered indecent.

Programming and Operation

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

In 2000, the FCC initiated a rulemaking proceeding to determine whether its requirements pertaining to television stations' public inspection files were sufficient to ensure that the public had adequate access to information on how stations were serving their communities. In January 2008, the FCC released an order adopting a standardized form for the quarterly reporting of programming aired in response to issues facing a station's community and imposed a requirement that portions of each station's public inspection file be placed on the Internet. We cannot predict how these requirements will impact our business.

Equal Employment Opportunity. On November 20, 2002, the FCC adopted rules, effective March 10, 2003, requiring licensees to create equal employment opportunity outreach programs and maintain records and make filings with the FCC evidencing such

efforts. The FCC simultaneously released a notice of proposed rulemaking seeking comments on whether and how to apply these rules and policies to part-time positions, defined as less than 30 hours per week. That rulemaking is still pending.

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

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

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

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

Violent Programming. In 2004, the FCC initiated a notice of inquiry seeking comments on issues relating to the presentation of violent programming on television and its impact on children. On April 25, 2007, the FCC released a report concluding that there is strong evidence that exposure to violence in the media can increase aggressive behavior in children, at least in the short term. Accordingly, the FCC concluded that it would be in the public interest to regulate such programming and Congress could do so consistent with the First Amendment. As possible solutions, the FCC suggested, among other things, a voluntary industry initiative to reduce the amount of excessively violent programming viewed by children and also proposed several viewer-initiated blocking proposals, such as the provision of video channels by multi-channel video programming distributors on family tiers or on an a la carte basis. We cannot predict what rules the FCC will adopt or how they will affect our business.

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

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Localism. In 2004, the FCC initiated a notice of inquiry seeking comments on what actions, if any, it should take to ensure that licensees air programming that is responsive to the interests and needs of their communities. In January 2008, the FCC released a notice of proposed rulemaking proposing, among other things, to require licensees to establish permanent advisory boards and to modify the FCC's renewal application processing guidelines to ensure that all broadcasters provide some locally oriented programming. Additionally, the FCC proposed to grant Class A status to additional low-power television stations, providing such stations additional interference protection from full-power television stations and requiring such stations to provide local programming. We cannot predict what rules the FCC will adopt and how it will affect our business.

Closed Captioning. Effective January 1, 2006, all new nonexempt analog and digital English language programming was required to be captioned. Additionally, the FCC, in July 2005, initiated a rulemaking to determine whether any revisions should be made to enhance the effectiveness of its closed captioning rules, including monitoring compliance and the establishment of a base forfeiture amount for noncompliance.

Pending Matters

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

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

For example, in October 2006, the FCC adopted an order taking the initial steps toward allowing new low power devices to operate in the broadcast television spectrum at locations where channels in that spectrum are not in use. Initial FCC tests of prototype devices failed to show that the tested devices could predictably sense the presence of television broadcast signals and thus could result in interference to broadcast stations. In October 2007, the FCC announced that it would be conducting further laboratory and field testing of prototype devices. The operation of such devices could cause harmful interference to our broadcast signals adversely affecting the operation and profitability of our stations.

In December 2006, the FCC adopted an order prohibiting franchising authorities from unreasonably refusing to award competitive franchises for the provision of cable services. The order could facilitate the provision of such services by telephone companies, increasing competition to our stations.

Other Considerations

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

ENVIRONMENTAL REGULATION

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

COMPETITION

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

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Television Competition. Competition in the television broadcasting industry occurs primarily in individual DMAs. Generally, a television broadcasting station in one DMA does not compete with stations in other DMAs. Our television stations are located in highly competitive DMAs. In addition, certain of our DMAs are overlapped by over-the-air and MVPDs of stations in adjacent DMAs, which tends to spread viewership and advertising expenditures over a larger number of television stations.

Broadcast television stations compete for advertising revenues primarily with other broadcast television stations, radio stations, cable channels, MVPDs serving the same market, as well as with newspapers, the internet, yellow page directories, direct mail, outdoor advertising operators and transit advertisers. Television stations compete for audience share primarily on the basis of program popularity, which has a direct effect on advertising rates. Our network affiliated stations are largely dependent upon the performance of network provided programs in order to attract viewers. Non-network time periods are programmed by the station primarily with syndicated programs purchased for cash, cash and barter or barter-only, as well as through self-produced news, public affairs programs, live local sporting events, paid-programming and other entertainment programming.

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

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

There are sources of video service other than conventional television stations, the most common being cable television, which can increase competition for a broadcast television station by bringing into its market additional program channels. These narrow program channels serve as low rated, expensive programs to local advertisers. Other principal sources of competition include home video exhibition and Direct Broadcast Satellite (DBS) services and Broadband Radio Service (BRS). DBS and cable operators, in particular, compete aggressively for advertising revenues.

Moreover, technology advances and regulatory changes affecting programming delivery through fiber optic telephone lines and video compression could lower entry barriers for new video channels and encourage the further development of increasingly specialized niche programming. Telephone companies are permitted to provide video distribution services via radio communication, on a common carrier basis, as cable systems or as open video systems, each pursuant to different regulatory schemes. Additionally, in January 2004, the FCC concluded an auction for licenses operating in the 12 GHz band that can be used to provide multi-channel video programming distribution. Those licenses were granted in July 2004. We are unable to predict what other video technologies might be considered in the future or the effect that technological and regulatory changes will have on the broadcast television industry and on the future profitability and value of a particular broadcast television station.

DTV broadcasts are currently available in virtually all viewing markets. The transition of our viewers from the current analog broadcast format to a digital format is scheduled to occur on February 17, 2009. We are currently exploring whether or not television broadcasting will be enhanced significantly by the development and increased availability of DTV technology. This technology has the potential to permit us to provide viewers multiple channels of digital television over each of our existing standard digital channels, to provide certain programming in high definition television format and to deliver other channels of information in the forms of data and programming to the internet, to PCs and mobile devices. These additional capabilities may provide us with additional sources of revenue, as well as additional competition.

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

We believe we compete favorably against other television stations because of our management skill and experience, our ability historically to generate revenue share greater than our audience share, our network affiliations and our local program acceptance. In addition, we believe that

we benefit from the operation of multiple broadcast properties, affording us certain non-quantifiable economies of scale and competitive advantages in the purchase of programming.

EMPLOYEES

As of February 21, 2008, we had approximately 2,760 employees. Approximately 100 employees are represented by labor unions under certain collective bargaining agreements. We have not experienced any significant labor problems and consider our overall labor relations to be good.

AVAILABLE INFORMATION

Our internet address is: www.sbg.net. We make available, free of charge through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934 as soon as reasonably practicable after such documents are electronically submitted to the SEC. In addition, a replay of each of our quarterly earnings conference calls is available on our website until the subsequent quarter's earnings call.

ITEM 1A. RISK FACTORS

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

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

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

- the levels of automobile advertising, which generally represents about one fifth of our advertising revenue;
- the health of the economy in the area where our television stations are located and in the nation as a whole;
- the popularity of our programming;
- changes in the makeup of the population in the areas where our stations are located;
- the activities of our competitors, including increased competition from other forms of advertising-based mediums, such as other broadcast television stations, radio stations, MVPDs and internet and broadband content providers serving in the same markets; and

- other factors that may be beyond our control.

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

We have a high level of debt, totaling \$1.3 billion at December 31, 2007, compared to the book value of shareholders' equity of \$252.8 million on the same date. Our relatively high level of debt poses the following risks, particularly in periods of declining revenues:

- we use a significant portion of our cash flow to pay principal and interest on our outstanding debt, limiting the amount available for working capital, capital expenditures, dividends and other general corporate purposes;
- our lenders may not be as willing to lend additional amounts to us for future working capital needs, additional acquisitions or other purposes;
- if our cash flow were inadequate to make interest and principal payments, we might have to refinance our indebtedness or sell one or more of our stations to reduce debt service obligations;

- our ability to finance working capital needs and general corporate purposes for the public and private markets, as well as the associated cost of funding is dependent, in part, by our credit ratings. As of December 31, 2007, our credit ratings, as assigned by Moody's Investor Services (Moody's) and Standard & Poor's Ratings Services (S&P) were:

	Moody's	S&P
Senior Secured Credit Facilities	Baa3	BB+
Corporate Credit	Ba3	BB-
Senior Subordinated Notes	Ba3	B
4.875% and 3.0% Convertible Senior Notes	B1	B

The credit ratings previously stated are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the assigning rating organization. Each rating should be evaluated independently of any other rating.

- we may be more vulnerable to adverse economic conditions than less leveraged competitors and thus, less able to withstand competitive pressures; and

- of the \$1.3 billion of total debt outstanding, \$0.3 billion relates to our Bank Credit Agreement. The interest rate under our Bank Credit Agreement is a floating rate and will increase if interest rates increase. This will reduce the funds available to repay our obligations and for operations and future business opportunities and will make us more vulnerable to the consequences of our leveraged capital structure.

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

We may be able to incur significantly more debt in the future, which will increase each of the foregoing risks related to our indebtedness.

At December 31, 2007, we had \$175.0 million available (subject to certain borrowing conditions) for additional borrowings under the Bank Credit Agreement, all of which was available under our current borrowing capacity. In addition, under the terms of our debt instruments, we may be able to incur substantial additional indebtedness in the future, including additional senior debt and in some cases, secured debt. Provided we meet certain financial and other covenants, the terms of the indentures governing our outstanding notes do not prohibit us from incurring such additional indebtedness. If we incur additional indebtedness, the risks described above relating to having substantial debt could intensify.

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

One of our most significant costs is television programming. Our ability to generate revenue to cover this cost may affect the value of our securities. If a particular program is not popular in relation to its costs, we may not be able to sell enough advertising time to cover the costs of

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the program. Since we generally purchase programming content from others rather than produce it ourselves, we have limited control over the costs of the programming. We usually must purchase programming several years in advance and may have to commit to purchase more than one year's worth of programming. Finally, we may replace programs that are doing poorly before we have recaptured any significant portion of the costs we incurred or before we have fully amortized the costs. Any of these factors could reduce our revenues or otherwise cause our costs to escalate relative to revenues. These factors are exacerbated during a weak advertising market. Additionally, our business is subject to the popularity of the programs provided by the networks with which we have network affiliation agreements or which provide us programming.

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

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

- restrictions on additional debt;
- restrictions on our ability to pledge our assets as security for our indebtedness;

- restrictions on payment of dividends, the repurchase of stock and other payments relating to capital stock;
- restrictions on some sales of assets and the use of proceeds from asset sales;
- restrictions on mergers and other acquisitions, satisfaction of conditions for acquisitions and a limit on the total amount of acquisitions without the consent of bank lenders;
- restrictions on the type of business we and our subsidiaries may operate in; and
- financial ratio and condition tests including the ratio of earnings before interest, tax, depreciation and amortization, as adjusted (adjusted EBITDA) to certain of our fixed expenses, the ratio of adjusted EBITDA to senior indebtedness and adjusted EBITDA to operating company indebtedness.

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

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

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

The non-renewal or termination of any of our network affiliation agreements would prevent us from being able to carry programming of the relevant network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and which may not be as attractive to our target audiences, resulting in reduced revenues. Upon the termination of any of the above affiliation agreements, we would be required to establish a new affiliation agreement with another network or operate as an independent station. At such time, the remaining value of the network affiliation asset could become impaired and we would be required to write down the value of the asset. At this time, we cannot predict the final outcome of future negotiations and what impact, if any, they may have on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows. See *Item 1. Business, Television Broadcasting* table for further information regarding our affiliation agreements.

A change in a critical accounting estimate that affects the accounting treatment of goodwill and FCC licenses could cause material future losses due to asset impairment.

In June 2001, the Financial Accounting Standards Board (FASB) approved SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). SFAS 142 requires companies to cease amortizing goodwill and certain other intangible assets including FCC licenses. SFAS 142 also establishes a method of testing goodwill and FCC licenses for impairment on an annual basis, or on an interim basis if an event occurs that would reduce the fair value of a reporting unit below its carrying value.

We test our goodwill and FCC licenses for impairment. To perform this test, we estimate the fair values of our station assets and liabilities using a combination of observed prices paid for similar assets and liabilities, discounted cash flow models and appraisals. We make certain critical estimates about the future revenue growth rates within each of our markets as well as the discount rates that would be used by market participants in an arms-length transaction. If these growth rates decline or if the discount rate increases, our goodwill and/or FCC licenses could be impaired. An impairment of some or all of the value of these assets could result in a material effect on the consolidated statements of operations.

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

Some of our officers, directors and majority shareholders own stock or partnership interests in businesses that engage in television broadcasting, do business with us or otherwise do business that conflicts with our interests. They may transact some business with us upon approval by the independent members of our Board of Directors even if there is a conflict of interest or they may engage in business competitive to our business and those transactions may benefit the officers, directors or majority shareholders to the detriment of our securityholders. David D. Smith, Frederick G. Smith, and J. Duncan Smith are each an officer and director of Sinclair and Robert E. Smith is a director of Sinclair. Together, the Smiths hold shares of our common stock that control the outcome of most matters submitted to a vote of shareholders. The Smiths own a controlling interest in a television station which we program pursuant to an LMA. The Smiths also own businesses that lease real property and tower space to us and engage in other transactions with us. David D. Smith, Frederick G. Smith, J. Duncan Smith, Robert E. Smith and David B. Amy, our Executive Vice President and Chief Financial Officer, together own less than 2.8% of Allegiance Capital Limited Partnership, a limited partnership in which we hold a 96.7% interest. Also, David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith together own less than 1.0% of the stock of G1440, a company of which we own approximately 94.0% and David D. Smith owns less than 0.1% of Acrodyne Communications, Inc., a company of which we own approximately 82.3%. We can give no assurance that these transactions or any transactions that we may enter into in the future with our officers, directors or majority shareholders, have been, or will be, negotiated on terms as favorable to us as we would obtain from unrelated parties.

Maryland law and our financing agreements limit the extent to which our officers, directors and majority shareholders may transact business with us and pursue business opportunities that we might pursue. These limitations do not, however, prohibit all such transactions.

For additional information regarding our related person transactions, see *Note 12. Related Person Transactions*, in the Notes to our Consolidated Financial Statements.

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

David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith hold shares representing approximately 85% of the common stock voting rights and, therefore, control the outcome of most matters submitted to a vote of shareholders, including, but not limited to, electing directors, adopting amendments to our certificate of incorporation and approving corporate transactions. The Smiths hold substantially all of the Class B Common Stock, which have ten votes per share. Our Class A Common Stock has only one vote per share. In addition, the Smiths hold half our board of directors' seats and, therefore, have the power to exert significant influence over our corporate management and policies. The Smiths have entered into a stockholders' agreement pursuant to which they have agreed to vote for each other as candidates for election to the board of directors until June 13, 2015.

Circumstances may occur in which the interests of the Smiths, as the controlling security holders, could be in conflict with the interests of other securityholders and the Smiths would have the ability to cause us to take actions in their interest. In addition, the Smiths could pursue acquisitions, divestitures or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to our other securityholders. (See *Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* and *Item 13. Certain Relationships and Related Transactions*, which will be included as part of our Proxy Statement for our 2008 Annual Meeting.)

Certain features of our capital structure that discourage others from attempting to acquire our company may prevent our securityholders from receiving a premium on their securities or result in a lower price for our securities.

The control the Smiths have over shareholder votes may discourage other parties from trying to acquire us. Anyone trying to acquire us would likely offer to pay more for shares of Class A Common Stock than the amount those shares were trading for in the open market at the time of the offer. If the voting rights of the Smiths discourage such takeover attempts, shareholders may be denied the opportunity to receive such a premium. The general level of prices for Class A Common Stock might also be lower than it would otherwise be if these deterrents to takeovers did not exist.

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

The FCC regulates our business, just as it does all other companies in the broadcasting industry. We must ask the FCC's approval whenever we need a new license, seek to renew, assign or modify a license, purchase a new station, sell an

existing station or transfer the control of one of our subsidiaries that holds a license. Our FCC licenses and those of the stations we program pursuant to LMAs are critical to our operations; we cannot operate without them. We cannot be certain that the FCC will renew these licenses in the future or approve new acquisitions. If licenses are not renewed or acquisitions approved, we may lose revenue that we otherwise could have earned.

In addition, Congress and the FCC may, in the future, adopt new laws, regulations and policies regarding a wide variety of matters (including technological changes) that could, directly or indirectly, materially and adversely affect the operation and ownership of our broadcast properties. (See *Item 1. Business.*)

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

Changes in Rules on Television Ownership

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

In June 2003, the FCC adopted new multiple ownership rules. In July 2004, the Court of Appeals for the Third Circuit issued a decision which upheld a portion of such rules and remanded the matter to the FCC for further justification of the rules. The court also issued a stay of the 2003 rules pending the remand. Several parties, including us, filed petitions with the Supreme Court of the United States seeking review of the Third Circuit decision, but the Supreme Court denied the petitions in June 2005. In July 2006, as part of the FCC's statutorily required quadrennial review of its media ownership rules, the FCC released a Further Notice of Proposed Rule Making seeking comment on how to address the issues raised by the Third Circuit's decision, among other things, remanding the local television ownership rule. In January 2008, the FCC released an order containing its current ownership rules, which re-adopted its 1999 local television ownership rule. On February 8, 2008, we filed a petition with the U.S. Court of Appeals for the D.C. Circuit requesting that the Court direct the FCC to cease its use of the 1999 local television ownership rule that it re-adopted as the permanent rule in 2008. We cannot predict the outcome of that proceeding, which could significantly impact our business.

Changes in Rules on Local Marketing Agreements

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

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Under the 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 2003 ownership 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 2003 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 2003 ownership rules to our markets and believe we are qualified for waivers.

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 periods. Subsequently, the FCC invited comments as to whether, instead of beginning the review of the grandfathered LMAs in 2004, it should do so in 2006. The FCC did not initiate any such review of grandfathered LMAs in 2004 and has not indicated it would do so as part of its 2006 quadrennial review. We do not know when, or if, the FCC will conduct any such review of grandfathered LMAs.

Because the effective date of the 2003 ownership rules has been stayed and, in connection with the adoption of those 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. On November 15, 1999, we entered into a plan and agreement of merger to acquire through merger WMYA-TV (formerly WBSC-TV) in Anderson, South Carolina from Cunningham Broadcasting Corporation (Cunningham), but that transaction was denied by the FCC. In light of the change in the 2003 ownership rules, we have filed a petition

for reconsideration with the FCC and amended our application to acquire the license of WMYA-TV. We also filed applications in November 2003 to acquire the license assets of the remaining five Cunningham stations: WRGT-TV, Dayton, Ohio; WTAT-TV, Charleston, South Carolina; WVAH-TV, Charleston, West Virginia; WNUV-TV, Baltimore, Maryland; and WTTE-TV, Columbus, Ohio. Rainbow/PUSH filed a petition to deny these five applications and to revoke all of our licenses. The FCC dismissed our applications in light of the stay of the 2003 rules and also denied the Rainbow/PUSH petition. Rainbow/PUSH filed a petition for reconsideration of that denial and we filed an application for review of the dismissal, which may be impacted by the remand of the FCC's 2003 ownership rules. In 2005, we filed a petition with the U. S. Court of Appeals for the D. C. Circuit requesting that the Court direct the FCC to take final action on our applications, but that petition was dismissed. On January 6, 2006, we submitted a motion to the FCC requesting that it take final action on our applications and that request is pending. On February 8, 2008, we filed a petition with the U.S. Court of Appeals for the D.C. Circuit requesting that the Court direct the FCC to act on our assignment applications and to cease its use of the 1999 local television ownership rule that it re-adopted as the permanent rule in 2008. 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 good as when we purchased them and, therefore, we cannot be certain of a favorable return on our original investments.

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

Use of outsourcing agreements

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

Failure of owner/licensee to exercise control

The FCC requires the owner/licensee of a station to maintain independent control over the programming and operations of the station. As a result, the owners/licensees of those stations with which we have LMAs or outsourcing agreements can exert their control in ways that may be counter to our interests, including the right to preempt or terminate programming in certain instances. The preemption and termination rights cause some uncertainty as to whether we will be able to air all of the programming that we have purchased under our LMAs and therefore, uncertainty about the advertising revenue that we will receive from such programming. In addition, if the FCC determines that the

owner/licensee is not exercising sufficient control, it may penalize the owner licensee by a fine, revocation of the license for the station or a denial of the renewal of that license. Any one of these scenarios might result in a reduction of our cash flow and an increase in our operating costs or margins, especially the revocation of or denial of renewal of a license. In addition, penalties might also affect our qualifications to hold FCC licenses, putting our own licenses at risk.

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

The television industry is highly competitive and this competition can draw viewers and advertisers from our stations, which reduces our revenue or requires us to pay more for programming, which increases our costs. We face intense competition from the following:

New Technology and the subdivision of markets

Cable providers, direct broadcast satellite companies and telecommunication companies are developing new

technology that allows them to transmit more channels on their existing equipment to highly targeted audiences, reducing the cost of creating channels and potentially leading to the division of the television industry into ever more specialized niche markets. Competitors who target programming to such sharply defined markets may gain an advantage over us for television advertising revenues. The decreased cost of creating channels may also encourage new competitors to enter our markets and compete with us for advertising revenue. In addition, emerging technologies that will allow viewers to digitally record, store and play back television programming may decrease viewership of commercials as recorded by media measurement services such as Nielsen Media Research and, as a result, lower our advertising revenues. The broadcast and advertising industries have agreed on a ratings standard that includes live viewing plus viewers who watch a program within 72 hours of its original appearance.

Types of competitors

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

- other local free over-the-air broadcast television and radio stations;

- telecommunication companies;

- cable and satellite system operators;

- print media providers such as newspapers, direct mail and periodicals;

- internet providers; and

- competition from other emerging technologies.

Deregulation

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

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

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

The commencement of the Iraq War resulted in a decline in advertising revenues and negatively impacted our operating results. Future conflicts may have a similar effect.

The commencement of the war in Iraq in 2002 resulted in a reduction of advertising revenues as a result of uninterrupted news coverage and general economic uncertainty. During the first quarter of 2003, we experienced \$2.2 million in advertiser cancellations and preemptions, which resulted in lower earnings than we would have experienced without this disruption. If the United States becomes engaged in similar conflicts in the future, there may be a similar adverse effect on our results of operations.

Unrelated third parties may claim that we infringe on their rights based on the nature and content of information posted on websites maintained by us.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Generally, each of our stations has facilities consisting of offices, studios and tower sites. Transmitter and tower sites are located to provide maximum signal coverage of our stations' markets. We believe that all of our properties, both owned and leased, are generally in good operating condition, subject to normal wear and tear and are suitable and adequate for our current business operations. The following is a summary of our principal owned and leased real properties. All properties that are owned are included in the broadcast segment. All properties that are leased with the exception of our corporate headquarters are also included in the broadcast segment. Approximately 74,000 square feet of the leased office and studio building below related to our corporate facilities. We believe that no one property represents a material amount of the total properties owned or leased. See *Item 1. Business*, for a listing of our station locations.

	OWNED	LEASED
Office and Studio Buildings	502,134 square feet	415,832 square feet
Office and Studio Land	161 acres	4 acres
Transmitter Building Sites	83,526 square feet	74,992 square feet
Transmitter and Tower Land	1,130 acres	1,437 acres

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our shareholders during the fourth quarter of 2007.

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

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

2007	High	Low
First Quarter	\$ 15.65	\$ 10.73
Second Quarter	\$ 17.50	\$ 14.15
Third Quarter	\$ 15.07	\$ 11.44
Fourth Quarter	\$ 13.18	\$ 8.21
2006	High	Low
First Quarter	\$ 9.56	\$ 7.19
Second Quarter	\$ 8.75	\$ 7.70
Third Quarter	\$ 8.68	\$ 7.51
Fourth Quarter	\$ 10.91	\$ 7.76

As of February 21, 2008, there were approximately 86 shareholders of record of our common stock. This number does not include beneficial owners holding shares through nominee names.

On February 5, 2008, our Board of Directors renewed its authorization to repurchase up to \$150.0 million of the Class A Common Stock on the open market or through private transactions. We did not repurchase any Class A Common Stock during 2007.

Dividend Policy

Future dividends on our common shares, if any, will be at the discretion of our Board of Directors and will depend on several factors including our results of operations, cash requirements and surplus, financial condition, covenant restrictions and other factors that the Board of Directors may deem relevant. Our Bank Credit Agreement and some of our subordinated debt instruments have general restrictions on the amount of dividends that may be paid. Under the indentures governing our 8.0% Senior Subordinated Notes, due 2012, we are restricted from paying dividends on our common stock unless certain specified conditions are satisfied, including that:

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

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

Our current dividend of 20 cents per share per quarter is not in excess of any applicable restrictions or conditions contained within the indentures of our various senior subordinated notes and our Bank Credit Agreement. We expect to continue to pay a dividend in the foreseeable future.

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During 2007, the Board of Directors voted to increase the dividend twice. On February 14, 2007, we announced that our Board of Directors approved an increase to our annual dividend to 60 cents per share from 50 cents per share. On October 31, 2007, we announced that our Board of Directors approved an increase to our annual dividend to 70 cents per share from 60 cents per share. We began paying this dividend rate in the first quarter 2008. On February 6, 2008, we announced that our Board of Directors approved an increase to our annual dividend to 80 cents per share from 70 cents per share. We intend to declare dividend distributions in each future quarter. The 2007 and 2006 dividends declared were as follows:

For the quarter ended	Quarterly Dividend Per Share		Annual Dividend Per Share		Date dividends were paid
March 31, 2007	\$	0.150	\$	0.600	April 13, 2007
June 30, 2007	\$	0.150	\$	0.600	July 12, 2007
September 30, 2007	\$	0.150	\$	0.600	October 12, 2007
December 31, 2007	\$	0.175	\$	0.700	January 14, 2008

For the quarter ended	Quarterly Dividend Per Share		Annual Dividend Per Share		Date dividends were paid
March 31, 2006	\$	0.100	\$	0.400	April 13, 2006
June 30, 2006	\$	0.100	\$	0.400	July 13, 2006
September 30, 2006	\$	0.125	\$	0.500	October 12, 2006
December 31, 2006	\$	0.125	\$	0.500	January 12, 2007

Convertible Note Repurchases

On January 22, 2007, we used the proceeds from our \$225.0 million Term Loan A-1 along with \$59.4 million of cash on hand and additional borrowings of \$23.0 million under our Revolving Credit Facility to redeem the aggregate principal amount of our \$307.4 million 8.75% Senior Subordinated Notes, due 2011 (the 8.75% Notes). The redemption was effected in accordance with the terms of the indenture governing the 8.75% Notes at a redemption price of 104.375% of the principal amount of the 8.75% Notes plus accrued and unpaid interest.

On June 11, 2007 and June 18, 2007, we partially redeemed \$300.0 million and \$45.0 million, respectively, of our existing 8.0% Senior Subordinated Notes, due 2012 (the 8.0% Notes) at a redemption price of 104% of the principal amount of the 8.0% Notes plus accrued and unpaid interest with net proceeds from the offering of the 3.0% Convertible Senior Notes, due 2027 (the 3.0% Notes) and cash on hand.

In addition to the partial redemption noted above, during 2007 we repurchased, in the open market, \$9.9 million face value of the 8.0% Notes. During January 2008, we repurchased, in the open market, \$6.9 million face value of the 8.0% Notes.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data for the years ended December 31, 2007, 2006, 2005, 2004 and 2003 have been derived from our audited consolidated financial statements. The consolidated financial statements for the years ended December 31, 2007, 2006 and 2005 are included elsewhere in this report.

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

STATEMENTS OF OPERATIONS DATA

(In thousands, except per share data)

	Years Ended December 31,				
	2007	2006	2005	2004	2003
Statements of Operations Data:					
Net broadcast revenues (a)	\$ 622,643	\$ 627,075	\$ 606,450	\$ 625,303	\$ 601,299
Revenues realized from station barter arrangements	61,790	54,537	54,908	57,713	58,733
Other operating divisions revenues	33,667	24,610	22,597	13,054	14,568
Total revenues	718,100	706,222	683,955	696,070	674,600
Station production expenses	148,707	144,236	149,033	151,783	145,604
Station selling, general and administrative expenses	140,026	137,995	135,870	143,357	127,930
Expenses recognized from station barter arrangements	55,662	49,358	50,334	53,258	53,993
Depreciation and amortization (b)	157,178	153,399	136,916	154,212	159,045
Other operating divisions expenses	33,023	24,193	20,944	14,932	16,375
Corporate general and administrative expenses	24,334	22,795	21,220	21,496	19,745
Impairment of intangibles		15,589			
Operating income	159,170	158,657	169,638	157,032	151,908
Interest expense and amortization of debt discount and deferred financing cost	(95,866)	(115,217)	(120,002)	(120,400)	(121,165)
Subsidiary trust minority interest expense (c)					(11,246)
Interest income	2,228	2,008	650	191	560
(Loss) gain from sale of assets	(21)	143	(80)	(44)	(448)
Loss from extinguishment of debt	(30,716)	(904)	(1,937)	(2,453)	(15,187)
Gain from derivative instrument	2,592	2,907	21,778	29,388	17,354
Income (loss) from equity and cost investees	601	6,338	(1,426)	1,100	1,193
Gain on insurance settlement			1,193	3,341	
Other income	1,227	1,159	721	894	1,189
Income from continuing operations before income taxes	39,215	55,091	70,535	69,049	24,158
Income tax provision	(18,800)	(6,589)	(36,027)	(27,959)	(9,780)
Net income from continuing operations	20,415	48,502	34,508	41,090	14,378
Discontinued operations:					
Income (loss) from discontinued operations, net of related income taxes	1,219	3,701	5,400	(17,068)	10,014
Gain on sale of discontinued operations, net of related income taxes	1,065	1,774	146,024		
Net income	\$ 22,699	\$ 53,977	\$ 185,932	\$ 24,022	\$ 24,392
Net income available to common shareholders	\$ 22,699	\$ 53,977	\$ 207,129	\$ 13,842	\$ 14,042

	Years Ended December 31,				
	2007	2006	2005	2004	2003
Per Common Share Data:					
Basic and diluted earnings per share from continuing operations	\$ 0.23	\$ 0.57	\$ 0.65	\$ 0.36	\$ 0.05
Basic and diluted earnings (loss) per share from discontinued operations	\$ 0.03	\$ 0.06	\$ 1.77	\$ (0.20)	\$ 0.12
Basic and diluted earnings per share	\$ 0.26	\$ 0.63	\$ 2.43	\$ 0.16	\$ 0.16
Dividends declared per share	\$ 0.625	\$ 0.450	\$ 0.030	\$ 0.075	\$
Balance Sheet Data:					
Cash and cash equivalents	\$ 20,980	\$ 67,408	\$ 9,655	\$ 10,491	\$ 28,730
Total assets	\$ 2,224,655	\$ 2,271,580	\$ 2,280,641	\$ 2,465,663	\$ 2,567,106
Total debt (d)	\$ 1,344,349	\$ 1,413,623	\$ 1,450,738	\$ 1,639,615	\$ 1,729,921
Total shareholders equity	\$ 252,774	\$ 266,645	\$ 249,722	\$ 226,551	\$ 229,005

- (a) Net broadcast revenues is defined as broadcast revenues, net of agency commissions.
- (b) Depreciation and amortization includes amortization of program contract costs and net realizable value adjustments, depreciation and amortization of property and equipment and amortization of definite-lived intangible broadcasting assets, other assets and costs related to excess syndicated programming.
- (c) Subsidiary trust minority expense represents the distributions on the HYTOPS and amortization of deferred finance costs.
- (d) Total debt is defined as notes payable, capital leases and commercial bank financing, including the current and long-term portions. Total debt does not include our preferred stock, in applicable years related balances were outstanding including 2004 and 2003.

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

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

Executive Overview a description of our business, financial highlights from 2007, information about industry trends and sources of revenues and operating costs;

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

The following Management's Discussion and Analysis provides qualitative and quantitative information about our fi

Results of Operations a summary of the components of our revenues by category and by network affiliation, a summary of other operating data and an analysis of our revenues and expenses for 2007, 2006 and 2005, including comparisons between years and expectations for 2008; and

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

EXECUTIVE OVERVIEW

We believe that we are one of the largest and most diversified television broadcasting companies in the United States. We currently own, provide programming and operating services pursuant to local marketing agreements (LMAs) or provide, or are provided, sales services pursuant to outsourcing agreements to 58 television stations in 35 markets. For the purpose of this report, these 58 stations are referred to as our stations.

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

Sinclair Television Group, Inc. (STG), a wholly owned subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under our existing Bank Credit Agreement, as amended and the 8.0% Senior Subordinated Notes, due 2012. Our Class A Common Stock, Class B Common Stock, the 6.0% Convertible Debentures, due 2012, the 4.875% Convertible Senior Notes, due 2018 and the 3.0% Convertible Senior Notes, due 2027 remain obligations or securities of SBG and are not obligations or securities of STG.

2007 Highlights

- In January 2007, we entered into a three-year retransmission consent agreement with Time Warner Cable for the carriage of the analog and digital signals of 35 stations in 22 markets, representing approximately 6.0 million of Time Warner's subscribers;
- In January 2007, we redeemed in full, our 8.75% Senior Subordinated Notes, due 2011, which resulted in a \$15.7 million loss on extinguishment of debt;
- In February 2007, we entered into a three-year retransmission consent agreement with Mediacom Communications Corporation for the carriage of the analog and digital signals of 24 stations in 16 markets, representing approximately 0.7 million of Mediacom's subscribers;
- In March 2007, we entered into a four-year renewal of our retransmission consent agreement with Comcast Corporation for the carriage of the analog and digital signals of 37 stations in 23 markets, representing approximately 3.4 million of Comcast's cable subscribers;
- In April 2007, we entered into a retransmission consent agreement with Charter Communications, Inc. for the carriage of the analog and digital signals of 28 stations in 19 markets, representing approximately 1.9 million subscribers;
- In April 2007, our FOX affiliate, KOKH-TV in Oklahoma City, Oklahoma expanded its Monday through Friday news offering through the addition of a three-hour morning newscast;
- In April 2007, we joined the Open Mobile Video Coalition, a voluntary association of television broadcasters whose mission it is to accelerate the development of mobile digital broadcast television;
- In May 2007, we acquired Triangle Sign & Service, Inc., a Baltimore-based company whose primary business is to design and fabricate commercial signs for retailers, sports complexes and other commercial businesses for \$15.9 million, net of cash acquired;
- In May 2007, we completed an offering of \$345.0 million aggregate principal amount of 3.0% Convertible Senior Notes, due 2027, and used the proceeds to partially redeem our 8.0% Senior Subordinated Notes, due 2012 generating a \$15.0 million loss on extinguishment of debt;
- In June 2007, we entered into a retransmission consent agreement with COX Communications, Inc. for the carriage of the analog and digital signals of nine stations in six markets, representing approximately 1.3 million subscribers;
- In July 2007, we acquired FBP Holding Company, LLC (FBP Holding), which holds an investment in a commercial warehouse property located in Baltimore, Maryland, for \$8.3 million including \$7.1 million in the assumption of debt. Debt assumed in conjunction with this acquisition is non-recourse to us;

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- In July 2007, we entered into an agreement to sell the assets of WGGB-TV in Springfield, Massachusetts, including the FCC license to an unrelated third party for \$21.2 million in cash. The sale closed on November 1, 2007;
- In September 2007, we acquired Bagby Investors, LLC (Bagby), which holds an investment in a commercial office building in Baltimore, Maryland, for \$16.9 million, net of cash acquired;
- In September 2007, we entered into a news share agreement in which WFLA-TV will produce a newscast to air on WTTA, bringing more local news coverage to the Tampa Bay area;
- In November 2007, we entered into agreements with CBS for the renewal of our two CBS television station affiliations. The agreements, which cover WGME-TV in Portland, Maine and KGAN-TV in Cedar Rapids, Iowa, have five-year terms that terminate on December 31, 2012;
- In November 2007, we acquired Alarm Funding, a regional security alarm operating and bulk acquisitions company for \$4.9 million, net of cash acquired;
- In December 2007, we expanded the news on WEAR-TV in Pensacola, Florida by adding a one-hour, four p.m. news program;
- During 2007, we invested \$17.0 million in various real estate ventures including developmental land and apartment and shopping complexes;

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- We increased our quarterly dividend rate from 12.5 cents per share to 15 cents per share beginning with the March 2007 dividend payment. The quarterly dividend rate per share increased again to 17.5 cents per share on October 31, 2007;
- Our retransmission consent agreements, including the advertising component, generated \$58.9 million in total net broadcast revenues during the year ended December 31, 2007 compared to \$25.1 million during the same period in 2006;
- Excluding political, local revenues increased 2.6% and national revenues decreased 4.6% during the year ended December 31, 2007 versus the same period in 2006;
- In 2007, interest expense decreased 16.8%, primarily due to the full redemption of our 8.75% Notes and the partial redemption of our 8.0% Notes during 2007; and
- Market share survey results reflect that our stations' share of the television advertising market in 2007 increased to 17.4%, from 16.8% in 2006.

Other Highlights

- In January 2008, we repurchased in the open market \$6.9 million face value of our 8.0% Senior Subordinated Notes, due 2012;
- On February 1, 2008, we purchased the non-license assets of KFXA-TV in Cedar Rapids, Iowa for \$17.1 million in cash and the right to purchase licensed assets, pending FCC approval, for \$1.9 million. Our CBS affiliate, KGAN-TV in Cedar Rapids, Iowa, will provide sales and other non-programming related services to KFXA-TV pursuant to a joint sales agreement;
- In February 2008, we increased our quarterly dividend rate to 20 cents per share; and
- In 2008, we have invested \$4.5 million primarily in developmental land and \$3.0 million in the Patriot Capital II fund, which provides financing to small businesses.

Industry Trends

- Political advertising increases in even-numbered years, such as 2006, due to the advertising expenditures from candidates running in local and national elections. In every fourth year, such as 2008, political advertising is elevated further due to the presidential election;
- The Federal Communications Commission (FCC) has mandated that beginning February 17, 2009, all broadcast television stations must broadcast using only a digital signal and will no longer be able to broadcast using an analog signal;
- The FCC has permitted broadcast television stations to use their digital spectrum for a wide variety of services including multi-channel broadcasts. The FCC's rules only apply to a station's primary digital stream;
- A number of other broadcasters, including Sinclair, have joined together in what is known as the Open Mobile Video Coalition to promote the development of mobile digital broadcasting applications. We believe there is potential for broadcasters to garner payment for retransmission of their signals to mobile devices;

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- Retransmission consent rules provide a mechanism for broadcasters to seek payment from multi-channel video programming distributors (MVPDs) who carry broadcasters' signals. Recognition of the value provided by broadcasters, including digital and high definition signals and popular network programming, in addition to increased competition among video delivery providers, has generated a sustainable, annual payment stream which we expect to continue to grow;
- Automotive-related advertising is a significant portion of our total net revenues in all periods presented and these revenues have been trending downward in recent years;
- Many broadcasters are enhancing/upgrading their websites to use the internet to deliver rich media content, such as newscasts and weather updates, to attract advertisers;
- Seasonal advertising increases in the second and fourth quarters due to the advertising expenditures related to the anticipation of certain seasonal and holiday spending by consumers;
- Advertising revenue related to the Olympics occurs in even numbered years and the Super Bowl is aired on a different network each year. Both of these popularly viewed events can have an impact on our advertising revenues; and
- Compensation from networks to their affiliates in exchange for broadcasting of network programming has significantly declined in recent years and may be eliminated in the future in lieu of alternative network and affiliate relationships.

Sources of Revenues and Costs

Most of our revenues are generated from the transactional spot market rather than the traditional up front and scatter markets that networks access. These operating revenues are derived from local and national advertisers and, to a much lesser extent, from political advertisers. During 2007, we began to generate significant new revenues from our retransmission consent agreements. These agreements have helped to produce a new, viable revenue stream that has replaced the steady decline in revenues from television network compensation while also significantly exceeding such previous sources of revenue. While we

expect revenues from our retransmission consent agreements to continue to grow over the next fiscal year and beyond, we do not expect the revenues to significantly increase, such as the increase from 2006 to 2007, since most of our significant MVPDs are now under contract. However, as contracts expire we expect to negotiate favorable terms to grow our revenue stream. In addition, most contracts contain automatic annual fee escalators. Our revenues from local advertisers have continued to trend upward and revenues from national advertisers have continued to trend downward when measured as a percentage of total broadcast revenues. We believe this trend is the result of our focus on increasing local advertising revenues as a percentage of total advertising revenues, combined with a decrease in overall spending by national advertisers and an increase in the number of competitive media outlets providing national advertisers multiple alternatives in which to advertise their goods or services. Our efforts to mitigate the effect of these increasingly competitive media outlets for national advertisers include continuing our efforts to increase local revenues and developing innovative sales and marketing strategies to sell traditional and non-traditional services to our advertisers.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

Our retransmission consent agreements contain both advertising and retransmission consent elements that are paid in cash. We have determined that our agreements are revenue arrangements with multiple deliverables and fall within the scope of EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* (EITF 00-21). Advertising and retransmission consent deliverables sold under our agreements are separated into different units of accounting based on fair value. Revenue applicable to the advertising element of the arrangement is recognized consistent with the advertising revenue policy noted above. Revenue applicable to the retransmission consent element of the arrangement is recognized ratably over the life of the agreement.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from extending credit to our customers that are unable to make required payments. If the economy and/or the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. For example, a 10% increase of the balance of our allowance for doubtful accounts as of December 31, 2007, would reduce net income available to common shareholders by approximately \$0.4 million.

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

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

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

We have determined our broadcast licenses to be indefinite-lived intangible assets under Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets*, which requires such assets to be tested for impairment on an annual basis along with our goodwill. We test our broadcast licenses and goodwill by estimating the fair market value of the broadcast licenses, or the net assets for each of our markets in the case of goodwill, using a combination of quoted market prices, observed earnings multiples paid for comparable television stations, discounted cash flow models and appraisals. We then compare the estimated fair market value to the book value of these assets to determine if an impairment exists. Our discounted cash flow model is based on our judgment of future market conditions within each designated marketing area, as well as discount rates that would be used by market participants in an arms-length transaction. Future events could cause us to conclude that market conditions have declined or discount rates have increased to the extent that our broadcast licenses and/or goodwill could be impaired. Any resulting impairment loss could have a material adverse impact on our consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows.

Income Taxes. We recognize deferred tax assets and liabilities based on the differences between the financial statements carrying amounts and the tax bases of assets and liabilities. We provide a valuation allowance for deferred tax assets relating to various federal and state net operating losses (NOL) that are carried forward. As of December 31, 2007, valuation allowances have been provided for a substantial amount of our available federal and state NOLs. We evaluate the need and extent of a valuation allowance based on the expected timing of the reversals of existing temporary book/tax differences, alternative tax strategies and projected future taxable income. If we are unable to generate sufficient taxable income, if there is a material change in our projected taxable income, or if there is a change in our ability to use NOL carryforwards due to changes in federal and state laws, we will make any necessary adjustments to the valuation allowance. Management periodically performs a comprehensive review of our tax positions and accrues amounts for tax contingencies. Based on these reviews, the status of ongoing audits and the expiration of applicable statute of limitations, accruals are adjusted as necessary in accordance with the recognition provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*.

Restructuring Costs

During the year ended December 31, 2006, we incurred costs in our broadcast segment associated with restructuring the news operations at certain of our stations. Specifically, on or before March 31, 2006, we ceased our locally-produced news broadcasts in nine of our markets and, consequently, let go our news employees and cancelled our news-related contracts. We recorded restructuring charges in station production expenses. As of December 31, 2007, there was no remaining unpaid balance related to the restructuring plan.

Recent Accounting Pronouncements

In February 2007, the Financial Standards Accounting Board (FASB) issued Statement of Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS 159). The fair value option established by this Statement permits all entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected are to be reported in earnings at each subsequent reporting date. This Statement is effective for our fiscal year beginning January 1, 2008. We currently have no plans to apply the option provisions of SFAS 159 to our consolidated financial statements.

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In May 2007, the FASB issued FASB Staff Position (FSP) FIN 48-1, *Definition of Settlement in FASB Interpretation No. 48*. This FSP amends FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), to provide guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The guidance in this FSP should be applied by companies upon the initial adoption of FIN 48. We adopted FIN 48 in 2007, see *Note 10. Income Taxes* for more information. This FSP and FIN 48 did not have a material impact on our consolidated financial statements.

In June 2007, the Emerging Issues Task Force (EITF) issued the consensus on Issue No. 06-11, *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards*. The provisions require companies to recognize the tax benefits of dividends on unvested share-based payments in equity and reclassify the tax benefits from additional paid-in capital to the income statement when the related award is forfeited. The provisions are effective prospectively starting January 1, 2008. The impact of this issue will not have a material effect to our consolidated financial statements.

In July 2007, the FASB issued FSP, APB 14-a, an interpretation of APB Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*. This proposed FSP provides clarification on the accounting for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement. If issued, the guidance could significantly impact the accounting for instruments commonly referred to as Instrument C, which is structured so that upon conversion, the principal amount of the obligation is paid in cash and the conversion spread is settled in cash or shares. This proposed FSP would require the issuer to bifurcate a component of the debt and classify that component in shareholder's equity, then accrete the resulting discount on the debt resulting in interest expense equal to the issuer's nonconvertible debt borrowing rate. The expected effective date is for fiscal years beginning after January 1, 2009 and is required to be retroactively applied. Such a change in the accounting for convertible debt securities could have a material impact on our consolidated financial statements.

In November 2007, the FASB issued FSP FAS 142-f, *Goodwill and Other Intangible Assets*. This proposed FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of an intangible asset under FASB Statement No. 142, *Goodwill and Other Intangibles* (FAS 142). The FSP aims to improve the consistency between the useful life of an intangible asset as determined under FAS 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141, *Business Combinations*, and other applicable accounting literature. As a result of this FSP, entities generally will be able to align the assumptions used for valuing an intangible asset with those used to determine its useful life. This FSP will be effective for financial statements issued for fiscal years beginning after June 15, 2008 and interim periods within those fiscal years. We are currently evaluating the effect of this statement on our consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standard No 141 (revised 2007), *Business Combinations* (FAS 141(R)). FAS 141(R) requires an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. In addition to new disclosure requirements, FAS 141(R) also makes the following significant changes: acquisition costs are expensed as incurred, noncontrolling interests are valued at fair value at the acquisition date, acquired contingencies are recorded at fair value at the acquisition date and subsequently re-measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies, in-process research and development costs are recorded at fair value as an indefinite-lived intangible asset at the acquisition date, restructuring costs are expensed subsequent to the acquisition date and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally affect income tax expense. This statement is effective for business combinations in which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 and early adoption is prohibited. We are currently evaluating the effect of this statement on our consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standard No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51* (FAS 160). This statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. Changes in a parent's ownership interest that result in deconsolidation of a subsidiary will result in the recognition of a gain or loss in net income when the subsidiary is deconsolidated. FAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. The statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We are currently evaluating the effect of this statement on our consolidated financial statements.

In February 2008, the FASB issued FSP FAS 157-1 and FSP FAS 157-2, *Fair Value Measurements*. FSP FAS 157-1 amends FASB Statement No. 157, *Fair Value Measurements* (FAS 157) to exclude FASB Statement No. 13, *Accounting for Leases* (FAS 13), and its related interpretive accounting pronouncements that address leasing transactions. The FASB decided to exclude leasing transactions covered by FAS 13 (except those arising from a business combination) in order to allow it to more broadly consider the use of fair value measurements for these transactions as part of its project to comprehensively reconsider the accounting for leasing transactions. FAS 157-2 delays the effective date of FAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The FSP states that the application of FAS 157 for non-financial assets and non-financial liabilities will be delayed until fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. FAS 157 was issued in September 2006 and defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This standard is effective for the year ended December 31, 2008. The application of FAS 157 will not have a material impact on our consolidated financial statements.

RESULTS OF OPERATIONS

In general, this discussion is related to the results of our continuing operations, except for discussions regarding our cash flows (which also include the results of our discontinued operations). Unless otherwise indicated, references in this discussion to 2007, 2006 and 2005 are to our fiscal years ended December 31, 2007, 2006 and 2005, respectively. Additionally, any references to the first, second, third or fourth quarters are to the three months ended March 31, June 30, September 30 and December 31, respectively, for the year being discussed.

Broadcast Revenues

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

	Years Ended December 31,								
	2007		2006		2005				
Local/regional advertising (a)	\$	421.3	59.3%	\$	410.8	57.0%	\$	407.3	58.5%
National advertising		218.9	30.8%		229.5	31.9%		248.9	35.7%
Political advertising		5.8	0.8%		36.6	5.1%		2.4	0.3%
Network compensation		6.5	0.9%		9.4	1.3%		13.2	1.9%
Retransmission consent		44.4	6.3%		20.4	2.8%		15.1	2.2%
Other station revenues		13.5	1.9%		13.5	1.9%		10.0	1.4%
Gross broadcast revenues		710.4	100.0%		720.2	100.0%		696.9	100.0%
Less: agency commissions		(87.8)			(93.1)			(90.4)	
Net broadcast revenues		622.6			627.1			606.5	
Revenues realized from station barter arrangements		61.8			54.5			54.9	
Other operating divisions revenues		33.7			24.6			22.6	
Total revenues	\$	718.1		\$	706.2		\$	684.0	

(a) In 2007, 2006 and 2005, \$14.5 million, \$4.7 million and \$3.4 million, respectively, in revenues generated from our retransmission consent agreements are categorized as local/regional advertising rather than as retransmission consent revenues pursuant to EITF 00-21.

Our primary types of programming and their approximate percentages of 2007 net broadcast revenues from continuing operations were syndicated programming (40.2%), network programming (21.1%), news (14.7%), direct advertising programming (8.1%), sports programming (5.6%). Additionally, other types of revenue and their approximate percentages of 2007 net broadcast revenues from continuing operations were retransmission consent (7.1%), network compensation (1.0%) and other (2.2%).

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

# of	Percent of Sales	Net Time Sales (a)	Percent Change
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	Stations	2007	2007	2006 (b)	2005	07 vs. 06	06 vs. 05
FOX (c)	20	43.5%	\$ 243.0	\$ 235.3	\$ 230.4	3.3%	2.1%
MyNetworkTV(d)	17	18.4%	102.9	120.8	123.0	(14.8%)	(1.8%)
ABC (c)	9	21.7%	120.7	136.1	122.9	(11.3%)	10.7%
The CW (d)	9	13.6%	76.0	76.6	77.7	(0.8%)	(1.4%)
CBS	2	2.0%	11.3	10.5	10.7	7.6%	(1.9%)
NBC	1	0.7%	3.6	4.3	3.5	(16.3%)	22.9%
Digital (e)	4	0.1%	0.7	0.4		75.0%	100.0%
Total	62		\$ 558.2	\$ 584.0	\$ 568.2		

(a) During 2006 and 2005, several of our stations switched affiliations. We have reclassified the revenue for those stations in prior years for comparability.

(b) 2006 includes significantly more political revenue than 2007 and 2005.

(c) During 2005, we entered into an agreement to sell our FOX station in Tri-Cities, Tennessee. During 2007, we entered into an agreement to sell our ABC station in Springfield, Massachusetts. The time sales from these stations are not included in this table because they are accounted for as time sales from discontinued operations.

(d) In September 2006, our composition of network affiliates changed as a result of our agreement to air MyNetworkTV programming and the merger of UPN and The WB into a network called The CW. Refer to *Item 1. Markets and Stations* table for additional information.

(e) Some of our television stations are broadcasting a second digital signal as permitted by FCC rules.

Operating Data

The following table sets forth certain of our operating data from continuing operations for the years ended December 31, 2007, 2006 and 2005 (in millions). For definitions of terms, see the footnotes to the table in *Item 6. Selected Financial Data*.

	Years Ended December 31,		
	2007	2006	2005
Net broadcast revenues	\$ 622.6	\$ 627.1	\$ 606.5
Revenues realized from station barter arrangements	61.8	54.5	54.9
Other operating divisions revenues	33.7	24.6	22.6
Total revenues	718.1	706.2	684.0
Station production expenses	148.7	144.2	149.0
Station selling, general and administrative expenses	140.0	138.0	135.9
Expenses recognized from station barter arrangements	55.7	49.4	50.5
Depreciation and amortization	157.2	153.3	136.9
Other operating divisions expenses	33.0	24.2	20.9
Corporate general and administrative expenses	24.3	22.8	21.2
Impairment of intangibles		15.6	
Operating income	\$ 159.2	\$ 158.7	\$ 169.6
Net income	\$ 22.7	\$ 54.0	\$ 185.9
Net income available to common shareholders	\$ 22.7	\$ 54.0	\$ 207.1

Revenue Discussion and Analysis

The following table presents our revenues from continuing operations, net of agency commissions, for the three years ended December 31, 2007, 2006 and 2005 (in millions):

	2007	2006	2005	Percent Change	
				07 vs. 06	06 vs. 05
Local revenues:					
Non-political (a)	\$ 366.9	\$ 357.6	\$ 354.3	2.6%	0.9%
Political	1.3	10.0	1.2	(b)	(b)
Total local	368.2	367.6	355.5	0.2%	3.4%
National revenues:					
Non-political	186.3	195.3	211.9	(4.6%)	(7.8%)
Political	3.7	21.1	0.8	(b)	(b)
Total national	190.0	216.4	212.7	(12.2%)	1.7%
Other revenues	64.4	43.1	38.3	49.4%	12.5%

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Total net broadcast revenues	\$	622.6	\$	627.1	\$	606.5	(0.7%)	3.4%
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(a) Revenues of \$14.5 million, \$4.7 million and \$3.4 million in 2007, 2006 and 2005, respectively, generated from our retransmission consent agreements are categorized as local/regional advertising pursuant to EITF 00-21.

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

Our largest categories of advertising and their approximate percentages of 2007 net time sales were automotive (21.2%), professional services (14.6%), schools (6.9%), paid programming (6.6%), fast food (6.4%) and retail (5.6%). No other advertising category accounted for more than 5.0% of our net time sales in 2007. Along with the industry, we have seen softness in the automotive advertising category. We conduct business with thousands of advertisers. No advertiser accounted for more than 1.25% of our consolidated broadcast revenue in 2007.

Net Broadcast Revenues. From a revenue category standpoint, the year ended December 31, 2007, when compared to 2006, was impacted by a decrease in advertising revenues from political, retail, fast food, paid programming, movies and soft drinks, offset by increases in medical, media, telecommunications, services, cosmetics and home products. Automotive, our single largest category, representing 21.2% of the year's net time sales, was down 4.6%.

Political Revenues. Local and national political revenues were the primary drivers of higher revenue in 2006, compared to 2007 and 2005 because 2006 was an election year. For the year ended December 31, 2007, political revenues decreased by \$26.1 million to \$5.0 million when compared to the same period in 2006. We expect political revenues to increase in 2008 from 2007 levels, because 2008 is a presidential election year.

Local Revenues. Our revenues from local advertisers, excluding political revenues, increased during the last three years. We continue to focus on increasing local advertising revenues through innovative sales and marketing strategies in our markets. We continue to provide an enhanced sales training course for all of our salespeople with a focus on local revenue sales. We expect to continue these efforts in 2008. Local revenues excluding political increased \$9.3 million for the year ended December 31, 2007, compared to the same period in 2006. This increase was primarily due to revenue from our FOX affiliates which were up \$12.9 million in 2007, a 9.3% increase from 2006 offset by a decrease in revenue from our MyNetworkTV affiliates of \$5.1 million in 2007, a 6.5% decrease from 2006.

National Revenues. Our revenues from national advertisers, excluding political revenues, have continued to trend downward over time. We believe this trend represents a shift in the way national advertising dollars are being spent and we believe this trend will continue in the future. Advertisers in major categories like automotive, soft drink and packaged goods have shifted significant portions of their advertising budgets away from spot television into non-traditional media, in-store promotions and product placement in network shows. Automotive decreases are due to automotive companies reducing advertising budgets and shifting advertising dollars to specific Direct Marketing Areas. We had decreases in national revenues, excluding political of \$9.0 million during the year ended December 31, 2007, when compared to the same period in 2006. More specifically in 2007, the primary drivers to our decrease in national revenues were caused by a change in Super Bowl programming advertising revenues were \$2.0 million less than the same period in 2006 due to the shift in network affiliation that aired the Super Bowl from ABC to CBS and weakness from our MyNetworkTV stations.

Other Revenues. Our other revenues consist primarily of revenues from retransmission consent agreements with multi-channel video programming distributors, network compensation, production revenues and revenues from our outsourcing agreements. Our retransmission consent agreements, including the advertising component, generated \$58.9 million in total broadcast revenues during 2007 compared with \$25.1 million in 2006 and \$18.5 million in 2005. This growth trend is the result of our ability to monetize our existing relationships as cable providers struggle with increased competition from alternative video delivery providers and have begun to recognize the value of our digital and high definition signals and network programming. Pursuant to EITF 00-21, during 2007, \$44.4 million of the total \$58.9 million in revenues generated from our retransmission consent agreements are included in other revenues while the remaining \$14.5 million is included in net time sales. During 2006, \$20.4 million of the total \$25.1 million in revenues generated from our retransmission consent agreements are included in other revenues while the remaining \$4.7 million is included in net time sales. During 2005, \$15.1 million of the total \$18.5 million in revenues generated from our retransmission consent agreements are included in other revenues while the remaining \$3.4 million is included in net time sales. Certain agreements are set to expire in 2008 and therefore, contractual negotiations are expected. We expect to continue to generate revenues from retransmission consent agreements at terms as favorable as or more favorable than our existing agreements upon the expiration of those agreements. Our retransmission consent agreements include automatic annual fee escalators. Network compensation decreased by \$2.9 million during 2007 and \$3.8 million during 2006. We expect further decreases in revenues from network compensation in 2008.

Expense and Other Income Discussion and Analysis

The following table presents our significant expense and other income categories for the three years ended December 31, 2007, 2006 and 2005 (in millions):

				Percent Change (Increase/(Decrease))	
	2007	2006	2005	07 vs. 06	06 vs. 05
Station production expenses	\$ 148.7	\$ 144.2	\$ 149.0	3.1%	(3.2%)
Station selling, general and administrative expenses	\$ 140.0	\$ 138.0	\$ 135.9	1.4%	1.5%
Amortization of program contract costs and net realizable value adjustments					