SINCLAIR BROADCAST GROUP INC
Form 10-K/A
March 31, 2003

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10 K/A

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

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

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

**FOR THE TRANSITION PERIOD FROM TO .**

**COMMISSION FILE NUMBER: 000-26076**

# SINCLAIR BROADCAST GROUP, INC.

(Exact name of Registrant as specified in its charter)

| **Maryland** | **52-1494660** |
|---|---|
| (State of incorporation) | (I.R.S. Employer Identification No.) |

**10706 Beaver Dam Road**
**Hunt Valley, MD 21030**
(Address of principal executive offices)

**(410) 568 1500**
(Registrant s telephone number, including area code)

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Securities registered pursuant to Section 12 (b) of the Act: **None**
Securities registered pursuant to Section 12 (g) of the Act:
Class A common stock, par value $.01 per share
Series D preferred stock, par value $.01 per share

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained in this report, 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. ý

Based on the closing sales price of $9.83 per share as of February 14, 2003, the aggregate market value of the voting and non-voting common equity of the Registrant held by non-affiliates was approximately $429.7 million.

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

Based on the closing price of $14.56 per share as June 28, 2002, the aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates was $620.8 million.

As of February 14, 2003, there were 43,887,663 shares of class A common stock, $.01 par value; 41,705,678 shares of class B common stock $.01 par value, and 3,450,000 shares of series D preferred stock, $.01 par value, convertible into 7,561,644 shares of class A common stock at a conversion price of $22.813 per share, of the registrant issued and outstanding.

In addition, 2,000,000 shares of $200 million aggregate liquidation value of 11.625% High Yield Trust Offered Preferred Securities of Sinclair Capital, a subsidiary trust of Sinclair Broadcast Group, Inc., are issued and outstanding.

Documents Incorporated by Reference - None

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**ITEM 6. SELECTED FINANCIAL DATA**

The selected consolidated financial data for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 have been derived from our audited consolidated financial statements. The consolidated financial statements for the years ended December 31, 2002, 2001 and 2000 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.

**STATEMENT OF OPERATIONS DATA**

**(dollars in thousands, except per share data)**

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2002** | **2001** | **2000** | **1999** | **1998** |
| **Statement of Operations Data:** | | | | | |
| Net broadcast revenues(a) | $ 670,534 | $ 623,837 | $ 699,422 | $ 643,088 | $ 537,793 |
| Barter revenues | 60,911 | 53,889 | 54,595 | 60,052 | 55,276 |
| Other revenues | 4,344 | 6,925 | 4,494 | | |
| Total revenues | 735,789 | 684,651 | 758,511 | 703,140 | 593,069 |
| Operating costs(b) | 309,254 | 311,494 | 320,817 | 276,092 | 213,192 |
| Expenses from barter arrangements | 54,567 | 48,159 | 48,543 | 54,463 | 49,805 |
| Depreciation and amortization(c)(d) | 185,939 | 260,526 | 230,889 | 204,612 | 158,653 |
| Stock-based compensation | 1,399 | 1,559 | 1,762 | 2,467 | 2,873 |
| Impairment and write down charge of long-lived assets | — | 16,075 | | | |
| Restructuring costs | — | 3,700 | | | |
| Contract termination costs | — | 5,135 | | | |
| Cumulative adjustment for change in assets held for sale | — | | 619 | | |
| Operating income | 184,630 | 38,003 | 155,881 | 165,506 | 168,546 |
| Interest expense(d) | (126,500) | (143,574) | (152,219) | (181,569) | (141,704) |
| Subsidiary trust minority interest expense(e) | (23,890) | (23,890) | (23,890) | (23,890) | (23,923) |
| Gain (loss) on sale of broadcast assets | (478) | 204 | | (418) | 1,232 |
| Unrealized (loss) gain on derivative instrument | (30,939) | (32,220) | (296) | 15,747 | (9,050) |
| Loss related to investments | (1,189) | (7,616) | (16,764) | | |
| Interest and other income | 3,585 | 3,758 | 2,812 | 3,082 | 6,631 |
| Income (loss) before income taxes | 5,219 | (165,335) | (34,476) | (21,542) | 1,732 |
| (Provision) benefit for income taxes | (1,369) | 51,875 | (3,355) | (23,281) | (30,811) |
| | 3,850 | (113,460) | (37,831) | (44,823) | (29,079) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Income (loss) from continuing operations | | | | | | | | | | |
| Discontinued Operations: | | | | | | | | | | |
| Income (loss) from discontinued operations, net of related income taxes | | 372 | | (52) | | 6,932 | | 20,235 | | 16,980 |
| Gain on sale of broadcast assets, net of related income taxes | | 7,519 | | | | 108,264 | | 192,372 | | 6,282 |
| Extraordinary item: | | | | | | | | | | |
| Loss on early extinguishment of debt, net of related income taxes | | (9,831) | | (14,210) | | | | | | (11,063) |
| Cumulative adjustment for change in accounting principle net of related income taxes | | (566,404) | | — | | — | | — | | — |
| Net (loss) income | $ | (564,494) | $ | (127,722) | $ | 77,365 | $ | 167,784 | $ | (16,880) |
| Net (loss) income available to common Shareholders | $ | (574,844) | $ | (138,072) | $ | 67,015 | $ | 157,434 | $ | (27,230) |
| | | | | | | | | | | |
| **Other Data:** | | | | | | | | | | |
| Broadcast cash flow(f)(m) | $ | 293,548 | $ | 255,519 | $ | 329,907 | $ | 321,673 | $ | 294,581 |
| Broadcast cash flow margin(g) | | 43.8% | | 41.0% | | 47.2% | | 50.0% | | 54.8% |
| Adjusted EBITDA(h)(m) | $ | 273,753 | $ | 235,769 | $ | 307,602 | $ | 303,027 | $ | 277,988 |
| Adjusted EBITDA margin(g) | | 40.8% | | 37.8% | | 44.0% | | 47.1% | | 51.7% |
| After tax cash flow(i)(m) | $ | 143,703 | $ | 91,262 | $ | 145,469 | $ | 137,245 | $ | 149,760 |
| Program contract payments(j) | $ | 99,922 | $ | 91,267 | $ | 84,131 | $ | 69,558 | $ | 52,084 |
| Corporate overhead expense | $ | 19,795 | $ | 19,750 | $ | 22,305 | $ | 18,646 | $ | 16,593 |
| Capital expenditures | $ | 62,909 | $ | 29,017 | $ | 33,256 | $ | 30,861 | $ | 19,426 |
| Cash flows from operating activities | $ | 149,615 | $ | 58,888 | $ | 69,127 | $ | 130,665 | $ | 150,480 |
| Cash flows from (used in) investing activities | $ | 52,822 | $ | (33,338) | $ | 209,820 | $ | 452,499 | $ | (1,812,682) |
| Cash flows (used in) from financing activities | $ | (229,173) | $ | 2,422 | $ | (291,264) | $ | (570,024) | $ | 1,526,143 |
| | | | | | | | | | | |
| **Per Share Data:** | | | | | | | | | | |
| Basic loss per share from continuing operations | $ | (0.08) | $ | (1.47) | $ | (0.53) | $ | (0.57) | $ | (0.42) |
| Basic earnings per share from discontinued operations | $ | 0.09 | | | $ | 1.26 | $ | 2.20 | $ | 0.25 |
| Basic loss per share from extraordinary item | $ | (0.12) | $ | (0.17) | | | | | $ | (0.12) |
| Basic loss per share from cumulative effect of accounting change | $ | (6.64) | | — | | — | | — | | — |
| Basic net income (loss) per share | $ | (6.74) | $ | (1.64) | $ | 0.73 | $ | 1.63 | $ | (0.29) |
| Diluted loss per share from continuing operations | $ | (0.08) | $ | (1.47) | $ | (0.53) | $ | (0.57) | $ | (0.42) |
| Diluted earnings per share from discontinued operations | $ | 0.09 | | | $ | 1.26 | $ | 2.20 | $ | 0.25 |
| Diluted loss per share from extraordinary item | $ | (0.12) | $ | (0.17) | | | | | $ | (0.12) |
| Diluted loss per share from cumulative effect of accounting change | $ | (6.64) | | — | | — | | — | | — |
| Diluted net income (loss) per share | $ | (6.74) | $ | (1.64) | $ | 0.73 | $ | 1.63 | $ | (0.29) |
| | | | | | | | | | | |
| **Balance Sheet Data:** | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ | 5,327 | $ | 32,063 | $ | 4,091 | $ | 16,408 | $ | 3,268 |
| Total assets | $ | 2,606,773 | $ | 3,289,426 | $ | 3,400,640 | $ | 3,619,510 | $ | 3,852,752 |
| Total debt(k) | $ | 1,551,970 | $ | 1,685,630 | $ | 1,616,426 | $ | 1,792,339 | $ | 2,327,221 |
| HYTOPS(l) | $ | 200,000 | $ | 200,000 | $ | 200,000 | $ | 200,000 | $ | 200,000 |
| Total stockholders equity | $ | 211,180 | $ | 771,960 | $ | 912,530 | $ | 974,917 | $ | 816,043 |

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

(b) Operating costs include program and production expenses and selling, general and administrative expenses.

(c) Depreciation and amortization includes amortization of program contract costs and net realizable value adjustments, depreciation and amortization of property and equipment, and amortization of acquired intangible broadcasting assets, other assets and costs related to excess syndicated programming.

(d) Depreciation and amortization and interest expense amounts differ from prior presentations for the fiscal years ended December 31, 2000, 1999, and 1998. Previously the amortized costs associated with the issuance of indebtedness had been classified as depreciation and amortization instead of being classified as interest expense. Accordingly, we reclassified $3,313, $3,288 and $2,752 as interest expense for the fiscal years ended December 31, 2000, 1999 and 1998, respectively.

(e) Subsidiary trust minority interest expense represents the distributions on the HYTOPS and amortization of deferred finance costs. See footnote k.

(f) Broadcast cash flow (BCF) is defined as operating income plus corporate expenses, selling, general and administrative expenses related to software development and consulting operations, stock-based compensation, depreciation, and amortization (including film amortization, and amortization of deferred compensation), restructuring charges, contract termination costs, impairment and write down of long-lived assets, cumulative adjustment for change in assets held for sale, less other revenue and cash payments for program rights. Cash program payments represent cash payments made for current programs payable and do not necessarily correspond to program usage. We believe these data are comparable to the data provided by the other companies in the industry, but there can be no assurance that it is comparable. BCF does not purport to represent cash provided by operating activities as reflected in our consolidated statements of cash flows and is not a

measure of financial performance under generally accepted accounting principles. In addition, BCF should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Management believes the presentation of BCF is relevant and useful because 1) it is a measurement utilized by management and lenders to measure our ability to service our debt, 2) it is a measurement utilized by management and industry analysts to determine a private market value of our television stations and 3) it is a measurement management and industry analysts utilize when determining our operating performance.

(g) Broadcast cash flow margin is defined as broadcast cash flow divided by net broadcast revenues. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by net broadcast revenues.

(h) Adjusted EBITDA is defined as broadcast cash flow less corporate expenses and is a commonly used measure of performance for broadcast companies. We believe these data are comparable to the data provided by other companies in the industry, but there can be no assurances that it is comparable. Adjusted EBITDA does not purport to represent cash provided by operating activities as reflected in our consolidated statements of cash flows and is not a measure of financial performance under generally accepted accounting principles. In addition, Adjusted EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Management believes the presentation of Adjusted EBITDA is relevant and useful because (1) it is a measurement utilized by management and lenders to measure our ability to service our debt, (2) it is a measurement utilized by management and industry analysts to determine a private market value of our television stations and (3) it is a measurement management and industry analysts utilize when determining our operating performance.

(i) After tax cash flow (ATCF) is defined as net income (loss) available to common shareholders, plus extraordinary items (before the effect of related tax benefits) plus depreciation and amortization (excluding film amortization), stock-based compensation, amortization of deferred financing costs, restructuring charges, contract termination costs, impairment and write down of long-lived assets, the cumulative adjustment for change in assets held for sale, the loss of equity investments (or minus the gain), unrealized loss on derivative instruments (or minus the gain), the deferred tax provision related to operations or minus the deferred tax benefit, the cumulative affect of change in accounting principle, the loss on the sale of discontinued operations (or minus the gain) and loss on sale of assets (or minus the gain) and minus deferred NOL carrybacks. We have presented ATCF data, which we believe is comparable to the data provided by other companies in the industry, because such data are commonly used as a measure of performance for broadcast companies; however, there can be no assurances that it is comparable. ATCF is presented here not as a measure of operating results and does not purport to represent cash provided by operating activities. ATCF should not be considered in isolation or as substitute for measures of performance prepared in accordance with generally accepted accounting principles. Management believes the presentation of ATCF is relevant and useful because ATCF is a measurement utilized by management and industry analysts to determine a public market value of our television stations and ATCF is a measurement management and analysts utilize when determining our operating performance.

(j) Program contract payments do not include payments related to WTTV-TV, which we sold on July 24, 2002. Program contract payments related to WTTV-TV for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 were $6,405, $10,989, $10,171, $9,915, and $9,023, respectively.

(k) Total debt is defined as long-term debt, net of unamortized discount, and capital lease obligations, including the current portion thereof. Total debt does not include the HYTOPS or our preferred stock.

(l) HYTOPS represents our Obligated Mandatorily Redeemable Security of Subsidiary Trust Holding Solely KDSM Senior Debentures representing $200 million aggregate liquidation value.

(m) The following table shows the calculation of Broadcast Cash Flow, Adjusted EBITDA and After-tax Cash Flow.

| | For the Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 | 1998 |
| **Broadcast Cash Flow & Adjusted EBITDA Calculation:** | | | | | |
| Operating income | $ 184,630 | $ 38,003 | $ 155,881 | $ 165,506 | $ 168,546 |
| Corporate expenses | 19,795 | 19,750 | 22,305 | 18,646 | 16,593 |
| Other revenue | (4,344) | (6,925) | (4,494) | — | — |
| G1440 sales, general and administrative expenses | 6,051 | 8,963 | 7,076 | — | — |
| Stock based compensation | 1,399 | 1,559 | 1,762 | 2,467 | 2,873 |
| Impairment of assets | — | 16,075 | — | — | — |
| Restructuring costs | — | 3,700 | — | — | — |
| Contract termination costs | — | 5,135 | — | — | — |
| Cumulative adjustment- Assets Held for Sale | — | — | 619 | — | — |
| Depreciation and amortization | 41,219 | 37,802 | 37,081 | 31,072 | 24,340 |
| Amortization of intangibles | 19,456 | 112,459 | 104,685 | 97,730 | 76,229 |
| Amortization of film | 125,264 | 110,265 | 89,123 | 75,810 | 58,084 |
| Less: (Cash film payments) | (99,922) | (91,267) | (84,131) | (69,558) | (52,084) |
| **Broadcast Cash Flow** | $ 293,548 | $ 255,519 | $ 329,907 | $ 321,673 | $ 294,581 |
| Less: Corporate expenses | (19,795) | (19,750) | (22,305) | (18,646) | (16,593) |
| **Adjusted EBITDA** | $ 273,753 | $ 235,769 | $ 307,602 | $ 303,027 | $ 277,988 |
| | | | | | |
| **After tax cash flow calculation:** | | | | | |
| Net income (loss) available to common shareholders | $ (574,844) | $ (138,072) | $ 67,015 | $ 157,434 | $ (27,230) |
| Extraordinary item | 9,831 | 14,210 | — | — | 11,063 |
| Depreciation and amortization of property and equipment | 41,219 | 37,802 | 37,081 | $ 31,072 | 24,340 |
| Amortization of intangibles | 19,456 | 112,459 | 104,685 | $ 97,730 | 76,229 |
| Amortization of deferred financing costs | 4,256 | 4,072 | 3,953 | 3,928 | 3,425 |
| Stock based compensation | 1,399 | 1,559 | 1,762 | $ 2,467 | 2,873 |

| | | | | | |
|---|---|---|---|---|---|
| Unrealized loss (gain) on derivative instrument | 30,939 | 32,220 | 296 | (15,747) | 9,050 |
| Impairment of asset | — | 16,075 | — | — | — |
| Restructuring costs | — | 3,700 | — | — | — |
| Contract termination costs | — | 5,135 | — | — | — |
| Cumulative adjustment for change in assets held for sale | — | — | 619 | — | — |
| Loss from equity investments | 1,189 | 7,616 | 16,764 | — | — |
| (Gain)/ Loss on sale of assets | 478 | (204) | — | 418 | (1,232) |
| Cumulative adjustment for change in accounting principle | 566,404 | — | — | — | — |
| Discontinued Operations: | | | | | |
| Depreciation and Amortization | 293 | 1,200 | 6,252 | 23,095 | 20,630 |
| Amortization of intangibles | 124 | 3,924 | 3,508 | 3,995 | 2,901 |
| Stock based compensation | — | 25 | 38 | 28 | 410 |
| Restructuring costs | — | 136 | — | — | — |
| Gain on sale of discontinued operations | (7,519) | — | (108,264) | (192,372) | (6,282) |
| Add deferred taxes provision (benefit) | 50,478 | (10,595) | 11,760 | 25,197 | 33,583 |
| **After Tax Cash Flow** | $ 143,703 | $ 91,262 | $ 145,469 | $ 137,245 | $ 149,760 |

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

**Introduction**

We are a diversified broadcasting company that owns and operates, provides programming services pursuant to LMAs or provides sales services pursuant to outsourcing agreements to more television stations than all but one other commercial broadcasting group in the United States. We currently own, provide programming services pursuant to LMAs or provide sales services to 62 television stations in 39 markets. We currently have duopolies where we own and operate two stations in ten markets; own and operate a station and provide programming and operating services to a second station in nine markets; and own a station and provide or are provided sales, operational and managerial services to a second station in four markets.

Our operating revenues are derived from local and national advertisers and, to a much lesser extent, from political advertisers and television network compensation. Our revenues from local advertisers have continued to trend upward and revenues from national advertisers have continued to trend downward when measured as a percentage of gross broadcast revenue. We believe this trend is primarily the result of our focus on increasing local advertising revenues as a percentage of total advertising revenues, from a decrease in overall spending by national advertisers and from an increase in the number of media outlets providing national advertisers a means by which to advertise their goods or services. Our efforts to mitigate the effect of increasing national media outlets include continuing our efforts to increase local revenues and developing innovative marketing strategies to sell traditional and non-traditional services to national advertisers.

Our primary operating expenses are syndicated program rights fees, commissions on revenues, employee salaries, and newsgathering and station promotional costs. Amortization and depreciation of costs associated with the acquisition of the stations and interest carrying charges are

significant factors in determining our overall profitability.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of our operations are 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, income taxes, program contract costs, property and equipment, intangible assets, 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. Actual results may differ from these estimates under different assumptions or conditions.

We have identified the policies below as critical to our business operations and the understanding of our results of operations. For a detailed discussion on the application of these and other accounting policies, see the Notes to the Consolidated Financial Statements.

*Allowance for Doubtful Accounts.* We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers 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 their payments, additional allowances may be required.

*Program Contract Costs.* We have agreements with distributors for the rights to television programming over contract periods, which generally run from one to seven years. Contract payments are made in installments over terms that are generally shorter than the contract period. Each contract is recorded as an asset and a liability at an amount equal to its gross 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 rights to program materials are reflected in the Consolidated Balance Sheets at the lower of unamortized cost or estimated net realizable value. Estimated net realizable values are based upon management s expectation of future advertising revenues net of sale commissions to be generated by the program material. Amortization of program contract costs is generally computed using either a four year accelerated method or based on usage, whichever yields the greater amortization for each program. Program contract costs, estimated by management to be amortized in the succeeding year, are classified as current assets. Payments of program contract liabilities are typically paid on a scheduled basis and are not affected by adjustments for amortization or estimated net realizable value. If we are unable to realize management s estimate of future advertising revenues, additional writedowns to net realizable value may be required.

*Valuation of Goodwill, Long-Lived Assets and Intangible Assets.* We periodically evaluate our goodwill, 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, operational 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

financial condition and results of operations.

*Income Taxes.* We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We regularly review our deferred tax assets for recoverability and establish a valuation allowance based on historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences. If we are unable to generate sufficient taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we could be required to establish a valuation allowance against all or a significant portion of our deferred tax assets resulting in a substantial increase in our effective tax rate and a material adverse impact on our operating results.

Set forth below are the principal types of broadcast revenues received by our stations for the periods indicated and the percentage contribution of each type to our total gross broadcast revenues:

**BROADCAST REVENUE**

**(dollars in thousands)**

| | Years ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2002 | | | 2001 | | | 2000 | | |
| Local/regional advertising | $ | 413,428 | 53.3% | $ | 391,872 | 54.3% | $ | 405,134 | 49.9% |
| National advertising | | 309,923 | 40.0% | | 307,514 | 42.7% | | 355,697 | 43.9% |
| Network compensation | | 16,450 | 2.1% | | 16,754 | 2.3% | | 17,656 | 2.2% |
| Political advertising | | 33,176 | 4.3% | | 2,559 | 0.4% | | 29,990 | 3.7% |
| Production | | 1,966 | 0.3% | | 2,069 | 0.3% | | 2,379 | 0.3% |
| Broadcast revenues | | 774,943 | 100.0% | | 720,768 | 100.0% | | 810,856 | 100.0% |
| Less: agency commissions | | (104,409) | | | (96,931) | | | (111,434) | |
| Broadcast revenues, net | | 670,534 | | | 623,837 | | | 699,422 | |
| Barter revenues | | 60,911 | | | 53,889 | | | 54,595 | |
| Other revenues | | 4,344 | | | 6,925 | | | 4,494 | |
| Total revenues | $ | 735,789 | | $ | 684,651 | | $ | 758,511 | |

Our primary types of programming and their approximate percentages of 2002 net broadcast revenues were syndicated programming (51.5%), network programming (24.9%), news (13.8%), direct advertising programming (6.6%), sports programming (2.6%) and children s programming (0.6%). Similarly, our five largest categories of advertising and their approximate percentages of 2002 net time sales were automotive (23.2%), professional services (10.7%), fast food advertising (7.4%), retail department stores (6.7%), and paid programming (6.7%). No other advertising category accounted for more than 4.5% of our net time sales in 2002. No individual advertiser accounted for more than 2.7% of our consolidated net broadcast revenues in 2002.

The following table sets forth certain of our operating data for the years ended December 31, 2002, 2001 and 2000. For definitions of items, see footnotes to table in Item 6. Selected Financial Data .

**OPERATING DATA**

**(dollars in thousands)**

| | Years ended December 31, | | |
|---|---|---|---|
| | **2002** | **2001** | **2000** |
| Net broadcast revenue | $ 670,534 | $ 623,837 | $ 699,422 |
| Barter revenue | 60,911 | 53,889 | 54,595 |
| Other revenue | 4,344 | 6,925 | 4,494 |
| Total revenue | 735,789 | 684,651 | 758,511 |
| Operating costs | 309,254 | 311,494 | 320,817 |
| Expenses from barter arrangements | 54,567 | 48,159 | 48,543 |
| Depreciation and amortization | 185,939 | 260,526 | 230,889 |
| Stock-based compensation | 1,399 | 1,559 | 1,762 |
| Impairment and write down charge of long-lived assets | — | 16,075 | |
| Restructuring costs | — | 3,700 | |
| Contract termination costs | — | 5,135 | |
| Cumulative adjustment for change in assets held for sale | — | | 619 |
| Operating income | $ 184,630 | $ 38,003 | $ 155,881 |
| Cumulative effect of change in accounting principle | $ (566,404) | $ | $ |
| Net income (loss) | $ (564,494) | $ (127,722) | $ 77,365 |
| Net income (loss) available to common shareholders | $ (574,844) | $ (138,072) | $ 67,015 |
| | | | |
| **Other Data:** | | | |
| Broadcast cash flow(a) | $ 293,548 | $ 255,519 | $ 329,907 |
| BCF margin | 43.8% | 41.0% | 47.2% |
| Adjusted EBITDA(a) | $ 273,753 | $ 235,769 | $ 307,602 |
| Adjusted EBITDA margin | 40.8% | 37.8% | 44.0% |
| After tax cash flow(a) | $ 143,703 | $ 91,262 | $ 145,469 |
| Program contract payments | 99,922 | 91,267 | 84,131 |
| Corporate expense | 19,795 | 19,750 | 22,305 |
| Capital expenditures | 62,909 | 29,017 | 33,256 |
| Cash flows from operating activities | 149,615 | 58,888 | 69,127 |
| Cash flows from (used in) investing activities | 52,822 | (33,338) | 209,820 |
| Cash flows (used in) from financing activities | (229,173) | 2,422 | (291,264) |

(a) The following table shows the calculation of Broadcast Cash Flow, Adjusted EBITDA and After-tax Cash Flow.

| | YTD 2002 | YTD 2001 | YTD 2000 |
|---|---|---|---|
| **Broadcast Cash Flow & Adjusted EBITDA Calculation:** | | | |
| Operating income | $ 184,630 | $ 38,003 | $ 155,881 |
| Corporate Expenses | 19,795 | 19,750 | 22,305 |
| Other revenue | (4,344) | (6,925) | (4,494) |
| G1440 sales, general and administrative expenses | 6,051 | 8,963 | 7,076 |
| Stock based compensation | 1,399 | 1,559 | 1,762 |
| Impairment of Assets | — | 16,075 | — |
| Restructuring Costs | — | 3,700 | — |
| Contract Termination Costs | — | 5,135 | — |
| Cumulative Adjustment - Assets Held for Sale | — | — | 619 |
| Depreciation and Amortization | 41,219 | 37,802 | 37,081 |
| Amortization of intangibles | 19,456 | 112,459 | 104,685 |
| Amortization of film | 125,264 | 110,265 | 89,123 |
| Less: (Cash film payments) | (99,922) | (91,267) | (84,131) |
| **Broadcast Cash Flow** | 293,548 | 255,519 | 329,907 |
| Less: Corporate Expenses | (19,795) | (19,750) | (22,305) |
| **Adjusted EBITDA** | $ 273,753 | $ 235,769 | $ 307,602 |
| | | | |
| **After tax cash flow calculation:** | | | |
| Net income (loss) available to common shareholders | $ (574,844) | $ (138,072) | $ 67,015 |
| | | | |
| Extraordinary item | 9,831 | 14,210 | — |
| Depreciation and amortization | 41,219 | 37,802 | 37,081 |
| Amortization of intangibles | 19,456 | 112,459 | 104,685 |
| Amortization of deferred financing costs | 4,256 | 4,072 | 3,953 |
| Stock based compensation | 1,399 | 1,559 | 1,762 |
| Unrealized loss (gain) on derivative instrument | 30,939 | 32,220 | 296 |
| Impairment of asset | — | 16,075 | — |
| Restructuring costs | — | 3,700 | — |
| Contract termination costs | — | 5,135 | — |
| Cumulative adjustment for change in assets held for sale | — | — | 619 |
| Loss from equity investments | 1,189 | 7,616 | 16,764 |
| (Gain)/ Loss on sale of assets | 478 | (204) | |
| Cumulative adjustment for change in accounting principle | 566,404 | — | — |
| Discontinued Operations: | | | |
| Depreciation and Amortization | 293 | 1,200 | 6,252 |
| Amortization of intangibles | 124 | 3,924 | 3,508 |
| Stock based compensation | — | 25 | 38 |
| Restructuring costs | — | 136 | — |
| Gain on sale of discontinued operations | (7,519) | — | (108,264) |
| Add deferred taxes provision (benefit) | 50,478 | (10,595) | 11,760 |

| | | | |
|---|---|---|---|
| **After Tax Cash Flow** | $ 143,703 | $ 91,262 | $ 145,469 |

**Results of Operations**

**Years Ended December 31, 2002 and 2001**

Net loss available to shareholders for the year ended December 31, 2002 was $574.8 million or net loss of $6.74 per share compared to net loss of $138.1 million or loss of $1.64 per share for the year ended December 31, 2001. The net loss for the year ended December 31, 2002 was largely the result of the cumulative effect of change in accounting principle of $566.4 million net of taxes.

Net broadcast revenues increased to $670.5 million for the year ended December 31, 2002 from $623.8 million for the year ended December 31, 2001, or 7.5%. The year ending December 31, 2002 was positively impacted by higher advertising revenues generated from the political, automotive, services, restaurants, home products, schools, and beer/wine, offset by weakness in the fast food and soft drink sectors. During the year ended December 31, 2002, national revenues increased to $271.9 million, or 7.0%, from $254.0 million during 2001. National political revenues increased $19.1 million, or 1,888.0%. During the year ended December 31, 2002, local revenues increased to $369.0 million, or 8.3%, from $340.6 million during 2001. Local political revenues increased $6.9 million, or 556.0%, representing 2.0% of the increase in total local revenues. The increase in political revenues was primarily the result of the several primary and general elections during 2002.

National revenues, excluding political revenues, declined $1.3 million to $251.7 million, or 0.5%, during the year ended December 31, 2002 from $253.0 million during the year ended December 31, 2001. Local revenues, excluding political revenues, increased $21.5 million to $360.8 million, or 6.3%, during the year ended December 31, 2002 from $339.3 million during 2001.

Same station basis is a comparison of only the stations that we owned or provided programming and operating services pursuant to an LMA for both entire years ending December 31, 2002 and 2001. On a same station basis for the year ended December 31, 2002, national revenues including political revenues increased $17.2 million, or 6.8%, and local sales increased $29.4 million, or 8.8%, over 2001. The increase in national revenues was primarily due to the increase in political revenues. The increase in local revenues is related to our continued focus on developing a strong local sales force at each of our stations.

In addition, for the year ended December 31, 2001, the events of September 11th had a direct impact on the revenues of media related businesses. The impact of the terrorist attacks to us due to pre-emptions and cancelled advertisements was estimated to be a $5.4 million revenue loss during 2001.

The network affiliations that experienced the largest revenue growth for the year ended December 31, 2002 were our NBC and CBS affiliates which increased 21.3% and 19.3%, respectively, compared with the year ended December 31, 2001. Our ABC and FOX affiliates experienced revenue growth of 11.3% and 9.1%, respectively, for the year ended December 31, 2002 as compared to the year ended December 31, 2001. The WB affiliates revenue increased 2.0% for the year ended December 31, 2002 as compared to the year ended December 31, 2001. The UPN affiliates revenue decreased 1.7% for the year ended December 31, 2002 as compared to the year ended December 31, 2001.

Other revenue decreased to $4.3 million for the year ended December 31, 2002 from $6.9 million for the year ended December 31, 2001 or 37.7%. The decrease in revenue relates to a decreased demand for services from our software development and consulting company, due to the

slow economy and a decrease in revenue of $0.4 million related to the closing of the San Francisco office during the first quarter 2001.

Operating costs were $309.3 million for the year ended December 31, 2002 compared to $311.5 million for the year ended December 31, 2001, a decrease of $2.2 million or 0.7%. The decrease in operating costs related to a decrease in program and production expenses due to the acquisition of 15 television broadcast licenses during the three months ended March 31, 2002, which we are able to operate at a lower cost than under the previous LMA structure. In addition, we reduced our spending for the February rating sweeps promotion due to direct competition from the Olympics. The decrease in operating expenses also resulted from the full quarter effect of our restructuring program initiated during the three months ended March 31, 2001, and the restructuring costs incurred during 2001, related to discontinued programming of local news at our stations KDNL-TV in St. Louis, Missouri and WXLV-TV in Winston-Salem, North Carolina.

Depreciation and amortization decreased $74.6 million to $185.9 million for the year ended December 31, 2002 from $260.5 million for the year ended December 31, 2001. The decrease in depreciation and amortization for the year ended December 31, 2002 as compared to the year ended December 31, 2001 was related to the adoption of

SFAS No. 142 which resulted in the discontinuation of amortization of our goodwill and broadcast licenses, offset by an increase in amortization of our program contract costs and net realizable value adjustments related to our addition of new programming such as Dharma & Greg and Will & Grace as well as write downs related to additional seasons for Frasier, Drew Carey, Spin City, Just Shoot Me, and Third Rock from the Sun and an increase in depreciation of fixed assets related to our property additions, primarily resulting from our digital television conversion.

For the year ended December 31, 2002, we did not incur any restructuring charges, impairment and write-down of long-lived assets (except for the impact of adopting SFAS No. 142) or contract termination costs. During the three months ended March 31, 2001, we offered a voluntary early retirement program to our eligible employees and implemented a restructuring program to reduce operating and overhead costs. As a result, we reduced our staff by 186 employees and incurred a restructuring charge of $2.3 million, which is included in the accompanying consolidated statements of operations. During September 2001, our station KDNL-TV in St. Louis, Missouri, discontinued programming its local news broadcast. As a result, we incurred a restructuring charge of $1.1 million. During December 2001, WXLV-TV in Winston-Salem, North Carolina discontinued programming its local news broadcast. As a result we incurred a restructuring charge of $0.3 million. The restructuring charges related to severance and operating contract termination costs. During the nine months ended September 2001, we incurred an impairment and write-down of long-lived assets of $5.5 million and contract termination costs of $5.1 million.

Operating income increased $146.6 million to $184.6 million for the year ended December 31, 2002 from $38.0 million for the year ended December 31, 2001, or 385.8%. The net increase in operating income for the year ended December 31, 2002 as compared to the year ended December 31, 2001 was primarily attributable to a decrease in amortization due to the adoption of SFAS No. 142 which resulted in the discontinuation of amortization of our goodwill and FCC licenses offset by an increase in program contract amortization expense and property and equipment depreciation expense. Operating income was also affected by a decrease in program and production expenses due to the acquisition of 15 television broadcast licenses resulting in our ability to operate at a cost lower than operating those stations as LMA structures and reduced spending for sweeps promotion due to direct competition from the Olympics. During the year ended December 31, 2001, we incurred a loss of $16.1 million related to a write down charge of long-lived assets. This charge is comprised of goodwill related to our software development company and our station KBSI-TV in Paducah, Kentucky, and a write off of fixed assets which represent the net book value of damaged, obsolete or abandoned property. We also incurred contract termination costs of $5.1 million and restructuring charges of $3.7 million during the year ended December 2001. We did not incur any write-down charge of long-lived assets, contract termination or restructuring charges for the year ended December 31, 2002.

Interest expense decreased to $126.5 million for the year ended December 31, 2002 from $143.6 million for the year ended December 31, 2001, or 11.9%. The decrease in interest expense for the year ended December 31, 2002 resulted from the refinancing of indebtedness at lower interest rates during December 2001, March 2002, July 2002, November 2002 and December 2002 and an overall lower interest rate environment.

Our income tax provision was $1.4 million for the year ended December 31, 2002 compared to an income tax benefit of $51.9 million for the year ended December 31, 2001. Our tax rate changed to a provision in 2002 from a benefit in 2001 because we reported net income in 2002 compared to a net loss in 2001. The effective tax rate from continuing operations decreased to 26.2% for the year ended December 31, 2002 from 31.3% for the year ended December 31, 2001. The decrease is primarily because (prior to the implementation of SFAS No. 142 for 2002) our reported income in 2001 was reduced by amortization of goodwill, which was non-deductible for tax purposes.

Loss related to investments decreased to $1.2 million for the year ended December 31, 2002 as compared to $7.6 million for the year ended December 31, 2001. The loss related to investments for the year ended December 31, 2002 primarily relates to a loss of $1.4 million as a result of a write down of our investment in Allegiance Capital, a loss of $0.1 million from the sale of our interest in Synergy Brands, Inc., offset by a gain of $0.3 million related to proceeds of a settlement to shareholders of Acrodyne.

We recognized income from discontinued operations of $7.9 million, which includes a gain on the sale of WTTV-TV in Indianapolis, Indiana of $7.5 million for the year ended December 31, 2002 as compared to a loss from discontinued operations of $52,000 for the year ended December 31, 2001.

As a result of the implementation of SFAS No. 133, one of our derivatives does not qualify for special hedge accounting treatment. Therefore, this derivative must be recognized in the balance sheet at fair market value and the changes in fair market value are reflected in earnings. As a result, we recognized $30.9 million of losses during 2002.

Broadcast cash flow increased to $293.5 million for the year ended December 31, 2002 from $255.5 million for the year ended December 31, 2001, or 14.9%. The broadcast cash flow margin for the year ended December 31, 2002 increased to 43.8% from 41.0% for the year ended December 31, 2001. The increase in broadcast cash flow for the year ended December 31, 2002 as compared to the year ended December 31, 2001 was primarily due to an increase in net broadcast revenue, a decrease in operating costs, offset by an increase in program contract payments.

Adjusted EBITDA increased to $273.8 million for the year ended December 31, 2002 from $235.8 million for the year ended December 31, 2001 or 16.1%. Adjusted EBITDA margin increased to 40.8% for the year ended December 31, 2002 from 37.8% for the year ended December 31, 2001. The increases in Adjusted EBITDA and margins for the year ended December 31, 2002 as compared to the year ended December 31, 2001 primarily resulted from an increase in net broadcast revenue and a decrease in operating costs offset by an increase in program contract payments.

After tax cash flow increased to $143.7 million for the year ended December 31, 2002 from $91.3 million for the year ended December 31, 2001, or 57.4%. The increase in after tax cash flow for the year ended December 31, 2002, as compared to the year ended December 31, 2001, primarily resulted from an increase in net broadcast revenue, a decrease in operating costs, a decrease in interest expense, an increase in the current tax benefit offset by an increase in program contract amortization.

**Years ended December 31, 2001 and 2000**

Net loss available to common shareholders for the year ended December 31, 2001 was $138.1 million or $1.64 per share compared to net income available to common stockholders for the year ended December 31, 2000 of $67.0 million or $0.73 per share.

Net broadcast revenue decreased $75.6 million to $623.8 million for the year ended December 31, 2001 from $699.4 million for the year ended December 31, 2000, or 10.8%. The decrease in net broadcast revenue for the year ended December 31, 2001 as compared to the year ended December 31, 2000 was comprised of a decrease in revenues of $84.1 million on a same station basis offset by an increase of $8.5 million related to 2000 acquisitions, and the 2001 outsourcing agreement with WTXL-TV. On a same station basis, local revenue decreased $23.0 million and national revenue decreased $63.6 million, offset by an increase in other broadcast revenue of $4.0 million. Other broadcast revenue increased by $2.5 million related to an increase in tower rental revenue and an increase in syndicator revenue. Political revenues declined $23.7 million to $2.3 million for the year ended December 31, 2001 compared to $26.0 million for the year ended December 30, 2000, or 91.2%, representing 1.5% of the decrease in local revenues and 4.6% of the decrease in national revenues. The decrease in political revenues was primarily the result of the Presidential election and numerous local elections during the 2000 period. The decrease in national and local revenues was primarily due to a soft advertising market resulting from a weak economy as well as increasing competition from other forms of advertising-based mediums, particularly network, cable television, direct satellite television, and Internet that have a direct impact on the distribution of advertising dollars in our markets. In addition, the events of September 11, 2001 had a direct impact on the revenues of media related businesses. The terrorist attacks led to the pre-emption and cancellation of advertisements, which caused a $5.4 million revenue loss during 2001.

Other revenue increased $2.4 million to $6.9 million for the year ended December 31, 2001 from $4.5 million for the year ended December 31, 2000, or 53.3%. The increase was comprised of a general increase in Internet consulting and development revenue generated by G1440, which represents sales of $1.9 million and an increase in sales of $1.5 million due to the 2000 acquisition of a software design company, an increase in sales related to the Builder software product division offset by a decrease of $1.2 million related to the reorganization of the San Francisco office of G1440.

Total operating costs decreased $9.3 million to $311.5 million for the year ended December 31, 2001 from $320.8 million for the year ended December 31, 2000, or 2.9%. The decrease in operating costs for the year ended December 31, 2001 as compared to the year ended December 31, 2000 was comprised of a decrease in programming and production expense of $6.4 million and a decrease in selling, general and administrative costs of $3.0 million. The decrease in selling, general and administrative costs related to an increase of $1.9 million in general and administrative costs for G1440, $0.7 million for health insurance, and $0.9 million in bad debt, offset by a decrease in sales expense of $4.2 million, and a decrease in salaries of $2.5 million. On a same station basis, operating costs decreased by $10.5 million offset by an increase of $5.7 million related to 2000 acquisitions and our outsourcing agreement with WTXL-TV.

Depreciation and amortization increased $29.6 million to $260.5 million for the year ended December 31, 2001 from $230.9 million for the year ended December 31, 2000. The increase in depreciation and amortization related to fixed asset, intangible asset, and program contract additions associated with the 2000 acquisitions and program contract additions related to our investment in programming.

Interest expense decreased $8.6 million to $143.6 million for the year ended December 31, 2001 from $152.2 million for the year ended December 31, 2000, or 5.7%. The decrease in interest expense for the year ended December 31, 2001 as compared to the year ended December 31, 2000 primarily resulted from the reduction of our indebtedness using the proceeds from the disposition of our radio broadcast assets in December 2000 and, during 2001, an overall lower interest rate market environment, offset by an increase in interest expense related to capital leases. Subsidiary trust minority interest expense of $23.9 million for the year ended December 31, 2001 is related to the private placement of the $200 million aggregate liquidation value 11.625% high yield trust offered preferred securities (HYTOPS) completed March 12, 1997.

Operating income decreased $117.9 million to $38.0 million for the year ended December 31, 2001 from $155.9 million for the year ended December 31, 2000. The net decrease in operating income for the year ended December 31, 2001 as compared to the year ended December 31, 2000 was primarily attributable to a decrease in net broadcast revenues, an increase in depreciation and amortization, an impairment and write down charge of $16.1 million, a restructuring charge of $2.3 million related to a reduction in our work force of 186 employees and a restructuring charge of $1.4 million related to the discontinuance of the news at our stations KDNL-TV, St. Louis, Missouri and WXLV-TV in Winston-Salem, North Carolina. These costs were offset by decreases in programming production costs as well as selling, general and administrative costs.

During June 2001, the San Francisco office of our Internet consulting and development subsidiary was reorganized. The office reduced staff due to a significant slow down of business activity in the San Francisco market. In addition, the focus of the San Francisco office has shifted toward marketing an existing product. As a result, management determined that the San Francisco office s goodwill was permanently impaired and, as such, recorded a charge to write-off goodwill in the amount of $2.8 million during June 2001. Also, during 2001, we wrote-off $4.2 million of fixed assets which represents the net book value of damaged, obsolete, or abandoned property. The impairment and write-down charge decreased operating income as noted above.

During February 2001, we offered a voluntary early retirement program to eligible employees and implemented a restructuring program to reduce operating and overhead costs. As a result, we reduced our staff by 186 employees and incurred a restructuring charge of $2.3 million, which is included in the accompanying Consolidated Statements of Operations. During September 2001, KDNL-TV in St. Louis, Missouri discontinued programming its local news broadcast. As a result, we incurred a restructuring charge of $1.1 million. During December 2001, WXLV-TV in Winston-Salem, North Carolina discontinued programming its local news broadcast. As a result, we incurred a restructuring charge of $0.3 million. The restructuring charges related to severance, operating contract termination costs, and legal costs. The restructuring charge decreased operating income for the year ended December 31, 2001.

During the third quarter of 2001, Sinclair terminated certain agreements and entered into new agreements with unrelated third parties. We incurred $5.1 million of contract termination costs and we received $21.4 million for entering the new contract. Both the amounts will be recognized as a reduction of selling, general and administrative expenses on a straight-line basis over the term of the contracts.

Loss related to investments decreased to $7.6 million for the year ended December 31, 2001 as compared to $16.8 million for the year ended December 31, 2000. The loss related to investments for the year ended December 31, 2001 primarily relates to a loss of $4.2 million recognized during 2001 as a result of our write-off of our loans to Acrodyne Communications, Inc. (Acrodyne), of which, as of December 31, 2001, we held approximately a 35% equity interest. We also recognized losses as a result of write-downs of our investments for How Stuff Works, Inc. of $0.9 million, Chatfish of $0.6 million and Synergy Brands, Inc. of $2.1 million. Our equity earnings for our investment in Allegiance Capital L.P.

increased by $0.2 million.

We recognized a loss from discontinued operations of $52,000 for the year ended December 31, 2001 as compared to $6.9 million for the year ended December 31, 2000.  The loss from discontinued operations for the year ended December 31, 2001 related to the sale of WTTV-TV in Indianapolis, Indiana.  Of the net income from discontinued operations, net of taxes for the year ended December 31, 2000, $2.0 million related to the sale of WTTV-TV, Indianapolis, Indiana and $4.9 million resulted from the disposition of our radio broadcast assets in December 1999 and during 2000.

As a result of the implementation of SFAS No. 133, one of our derivatives does not qualify for special hedge accounting treatment. Therefore, this derivative must be recognized in the balance sheet at fair market value and the changes in fair market value are reflected in earnings. As a result, we recognized $32.2 million of losses during 2001.

Broadcast cash flow decreased $74.4 million to $255.5 million for the year ended December 31, 2001 from $329.9 million for the year ended December 31, 2000, or 22.6%. The broadcast cash flow margin for the year ended December 31, 2001 decreased to 41.0% from 45.1% for the year ended December 31, 2000. The decrease in broadcast cash flow and margins for the year ended December 31, 2001 compared to the year ended December 31, 2000 was comprised of an $78.0 million, or 23.6%, decrease in broadcast cash flow on a same station basis, offset by an increase of $1.6 million related to the 2000 acquisitions and a decrease in operating expenses.

Adjusted EBITDA represents broadcast cash flow less corporate expenses. Adjusted EBITDA decreased $71.8 million to $235.8 million for the year ended December 31, 2001 from $307.6 million for the year ended December 31, 2000, or 23.3%. Adjusted EBITDA margin decreased to 37.8% for the year ended December 31, 2001 from 41.9% for the year ended December 31, 2000. The decrease in adjusted EBITDA and margins for the year ended December 31, 2001 as compared to the year ended December 31, 2000 resulted primarily from the circumstances affecting broadcast cash flow margins as noted above combined with a $2.6 million decrease in corporate expenses.

After tax cash flow decreased $54.2 million to $91.3 million for the year ended December 31, 2001 from $145.5 million for the year ended December 31, 2000, or 37.3%. The decrease in after tax cash flow for the year ended December 31, 2001 as compared to the year ended December 31, 2000 primarily resulted from a decrease in net broadcast revenues, offset by an increase in current tax benefit and a decrease in interest expense.

**Recent Accounting Pronouncements**

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

During the three months ended March 31, 2002, we tested our broadcast licenses for impairment in accordance with SFAS No. 142 based on the estimated fair value of such licenses in their respective markets. We estimated the fair values of our broadcast licenses using discontinued cash flow models. The estimated fair value was compared to the book value to determine whether any impairment had occurred. As a result of this analysis we incurred a pretax impairment charge of $64.0 million.

SFAS No. 142 requires that goodwill be tested for impairment at the reporting unit level at adoption and at least annually thereafter, utilizing a two-step methodology. The initial step required us to determine the fair value of each reporting unit and compare it to the carrying value, including goodwill, of such unit. If the fair value exceeded the carrying value, no impairment loss was recognized. However, if the carrying

value of the reporting unit exceeded its fair value, the goodwill of this unit might have been impaired. The amount, if any, of the impairment would then be measured in the second step. The second step requires us to calculate the fair value of goodwill by allocating the fair value of the reporting unit to each of the assets and liabilities of the reporting unit based on their fair values. This calculated goodwill is then compared to the book value of the goodwill and an impairment loss is recognized to the extent that the book value exceeds the fair value.

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

We performed the second step of the goodwill impairment test for those DMAs whose goodwill was found to be potentially impaired as a result of the first step. We performed the second step by allocating the estimated fair value of the reporting unit to each of the assets and liabilities of the reporting unit based on their estimated fair values. We

estimated the fair values of the assets and liabilities using a combination of observed prices paid for similar assets and liabilities, discounted cash flow models and appraisals.

As a result of such testing, we recorded a pre-tax impairment charge of $532.8 million related to nine of our DMAs and our software development and consulting company. The total impairment charge of $596.8 million related to our broadcast licenses and goodwill is reflected as a cumulative effect of a change in accounting principle on our consolidated statement of operations, net of the related tax benefit of $30.3 million.

SFAS 142 requires goodwill and definite lived intangible assets to be tested for impairment on an annual basis; therefore, we tested these assets for impairment as of October 1, 2002 by comparing their book values to their estimated fair values. There was no impairment charge recorded based on the results of such testing.

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133,* and SFAS No. 138*, Accounting for Derivative Instruments and Hedging Activities* requires that an entity recognize all derivative instruments and hedging activities as either assets or liabilities on the balance sheet measured at their fair values. Changes in fair value of all derivative instruments and hedging activities are required to be recognized through earnings unless specific hedge accounting criteria are met. We adopted SFAS No. 133 as of January 1, 2001.

In June 2001, the FASB approved SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002 and addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. We do not expect the adoption of SFAS No. 143 to have a material effect on our financial statements.

We adopted SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* on January 1, 2002. As a result of adopting SFAS No. 144, we classified the assets and liabilities of WTTV-TV as assets and liabilities held for sale on the balance sheet and reported the results of operations of WTTV-TV as discontinued operations on the accompanying statements of operations.

In April of 2002, the FASB approved SFAS No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections*. SFAS No. 145 will require us to record gains and losses on extinguishment of debt as a component of income from continuing operations rather than as an extraordinary item and to reclassify such items for all periods presented. We adopted this provision of SFAS No. 145 on January 1, 2003. We do not expect the other provisions of SFAS No. 145 to have a material effect on our consolidated financial statements.

In June 2002, the FASB approved SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 is effective after December 31, 2002, and addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity.* The primary difference between SFAS No. 146 and EITF 94-3 concerns the timing of liability recognition and we do not expect the adoption of SFAS No. 146 to have material effect on our consolidated financial statements.

In November 2002, the Emerging Issues Task Forces (EITF) reached a consensus on Issue 02-16, *Accounting by Reseller for Cash Consideration Received from a Vendor*, (EITF 02-16). EITF 02-16 requires us to treat our deferred commission credits as a reduction in selling expense when realized and not as broadcast revenue. We adopted EITF 02-16 on December 31, 2002. This adoption resulted in a reclassification of $3.9 million and $1.6 million for the years ended December 2002 and 2001, respectively.

As of December 2002, we adopted SFAS No. 148, *Accounting for Stock-Based Compensation-Transaction and Disclosure, an Amendment of FASB No. 123.* SFAS No. 148 revises the methods permitted by SFAS No. 123 of measuring compensation expense for stock-based employee compensation plans. We use the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, as permitted under SFAS No. 123. Therefore, this change did not have a material effect on our financial statements. SFAS No. 148 requires us to disclose pro forma information related to stock-based compensation, in accordance with SFAS No. 123, on a quarterly basis in addition to the current annual basis disclosure. We will report the pro forma information on an interim basis beginning with our March 31, 2003 Form 10-Q.

**Liquidity and Capital Resources**

Our primary source of liquidity is cash provided by operations and availability under our 2002 Bank Credit Agreement. As of December 31, 2002, we had $5.3 million in cash balances and working capital of approximately $88.5 million. We anticipate that cash flow from our operations and revolving credit facility will be sufficient to satisfy our debt service obligations, dividend requirements, capital expenditure requirements and operating cash needs for the next year. There can be no assurance that we will be successful in obtaining the required amount of funds for these items. As of February 14, 2003, the remaining balance available under the revolving credit facility was $173.0 million. Our ability to draw down our line of credit is based on pro forma trailing cash flow levels and for the twelve months ended December 31, 2002, we had approximately $173.0 million available of current borrowing capacity under our revolving credit facility.

In March 2002, we completed an issuance of $300.0 million aggregate principal amount of 8% Senior Subordinated Notes (the 2002 Notes), due 2012, generating net proceeds to us of $297.3 million. The gross proceeds of this offering were utilized to repay $300.0 million of the Term Loan Facility under our 1998 Bank Credit Agreement. We recognized an extraordinary loss of $0.7 million, net of a tax benefit of $0.4 million. The extraordinary loss represented a write-off of the deferred financing costs. Interest on the 2002 Notes is payable semiannually on March 15th and September 15th of each year beginning September 15, 2002. The 2002 Notes were issued under an indenture among SBG, its subsidiaries (the guarantors) and the trustee. Net costs associated with the offering totaled $3.4 million. These costs were capitalized and are being amortized to interest expense over the term of the 2002 Notes.

On July 15, 2002, we closed on a new Bank Credit Agreement (the 2002 Bank Credit Agreement), allowing us more operating capacity and liquidity. The proceeds of the 2002 Bank Credit Agreement were used to pay off the 1998 Bank Credit Agreement. The 2002 Bank Credit Agreement consists of a $225.0 million Revolving Credit Facility maturing on June 30, 2008 and a $375.0 million Term Loan B Facility repayable in consecutive quarterly installments, amortizing 0.25% per quarter, commencing June 30, 2004 and continuing through its maturity on December 31, 2009. The applicable interest rate on the Revolving Credit Facility is either LIBOR plus 1.25% to 2.25% or the alternative base rate plus 0.25% to 1.25% adjusted quarterly based on the ratio of total debt, net of cash, to four quarters trailing earnings before interest, taxes, depreciation and amortization, as adjusted in accordance with the 2002 Bank Credit Agreement. The applicable interest rate on the Term Loan B Facility is either LIBOR plus 2.25% or the alternative base rate plus 1.25%.

On November 8, 2002, the Company completed an add-on issuance of $125.0 million aggregate principal amount to the 8% Senior Subordinated Notes due 2012 at a premium of $0.6 million generating net proceeds of $125.8 million. We used the net proceeds together with available cash on hand and a draw down of $10.0 million on the revolving line of credit under the 2002 Bank Credit Agreement, to redeem our existing 9% Senior Subordinated Notes including an early redemption premium of $9.0 million and accrued interest of $7.2 million.

On December 31, 2002, we completed an add-on issuance of $125.0 million aggregate principal amount of 8% Senior Subordinated Notes due 2012 at a premium of $3.8 million. We received net proceeds of approximately $130.4 million from the sale of the notes. We used the net proceeds together with additional funding from our term loan of $125 million, a draw down of $7.0 million on the revolving line of credit under the 2002 Bank Credit Agreement and available cash on hand of $0.2 million to redeem our existing 8.75% Senior Subordinated Notes due 2007, including an early redemption premium of $10.9 million and costs associated with the offering totalling $1.7 million.

On April 19, 2002, we filed a $350.0 million universal shelf registration statement with the Securities and Exchange Commission which will permit us to offer and sell various types of securities from time to time. Offered securities may include common stock, debt securities, preferred stock, depositary shares or any combination thereof in amounts, prices and on terms to be announced when the securities are offered. If we determine it is in our best interest to offer any such securities, we intend to use the proceeds for general corporate purposes, including, but not limited to, the reduction or refinancing of debt or other obligations, acquisitions, capital expenditures, and working capital.

The weighted average interest rates for outstanding indebtedness relating to our Bank Credit Agreement during 2001 and as of December 31, 2001 were 6.57% and 5.85%, respectively. The weighted average interest rates of our Bank Credit Agreement during 2002 and as of December 31, 2002 were 5.14% and 4.12%, respectively. During 2002, the interest expense relating to the Bank Credit Agreements was $27.9 million.

Net cash flows from operating activities increased to $149.6 million for the year ended December 31, 2002 from $58.9 million for the year ended December 31, 2001. We received income tax refunds net of payments of $44.1 million for the year ended December 31, 2002 as compared to income tax payments, net of refunds of $1.2 million for the year ended December 31, 2001. We made interest payments on outstanding indebtedness and payments for subsidiary trust minority interest expense totaling $142.9 million for the year ended December 31, 2002 as compared to $173.6 million for the year ended December 31, 2001. Program rights payments increased to $106.3 million for the year ended December 31, 2002 from $102.3 million for the year ended December 31, 2001 or 3.9%. This increase in program rights payments was comprised of $8.7 million related to an increase in programming costs on a same station basis, offset by a decrease in payments related to the disposition of WTTV-TV. This increase in program rights payments resulted from our investment to upgrade our television programming.

Net cash flows from investing activities were $52.8 million for the year ended December 31, 2002 as compared to net cash flows used in investing activities of $33.3 million for the year ended December 31, 2001. This increase in net cash flows used in investing activities was primarily due to the sale of WTTV broadcast assets and repayments of notes receivable, offset by payments relating to the acquisition of broadcast assets, property and equipment expenditures and equity investments. For the year ended December 31, 2002, we received proceeds of $124.5 million from the sale of WTTV-TV, we made cash payments of approximately $21.2 million related to the acquisition of television broadcast assets and received cash proceeds of $0.7 million related to the sale of broadcast assets. During the year ended December 31, 2002, we made equity investments of approximately $25.8 million. During 2002, we made payments for property and equipment of $62.9 million of which $49.6 million, related to digital conversion costs.

For 2003, we anticipate to incur approximately $92.0 million of capital expenditures, of which $50.0 million relates to the completion of our digital television roll-out, approximately $10.0 million for improvements and $32.0 milllion for the news expansion program. In addition, we anticipate that future requirements for capital expenditures will include capital expenditures incurred during the ordinary course of business and additional strategic station acquisitions and equity investments if suitable investments can be identified on acceptable terms. We expect to fund such capital expenditures with cash generated from operating activities and funding from our Revolving Credit Facility.

Net cash flows used in financing activities decreased to $229.2 million for the year ended December 31, 2002 from net cash flows from financing activities of $2.4 million for the year ended December 31, 2001. During the year ended December 31, 2002, we repaid $1.5 billion under the Term Loan Facility and utilized borrowings under the Revolving Credit Facility of $1.3 billion. During the year ended December 31, 2002, we received $21.8 million related to the termination of two of our derivative instruments. During the year ended December 31, 2002, we repaid a net $229.5 million of indebtedness, whereas in the comparable period in 2001, we borrowed a net $4.3 million, offset by repurchases of Class A common stock of $4.4 million and payment of an equity put option premium of $7.7 million during 2001.

We closed on the sale of four radio stations in Kansas City, Missouri in July 2000 for a purchase price of $126.6 million. In October 2000, we closed on the sale of our radio stations in the St. Louis market for a purchase price of $220.0 million and on the purchase of the stock of Grant Television, Inc., including the non-license assets of WNYO-TV in Buffalo, New York together with a $3.2 million note receivable issued by Sinclair that holds the license assets, for a purchase price of $48.0 million. In November 2000, we closed on the sale of our radio station in Wilkes-Barre, Pennsylvania for a purchase price of $0.6 million. These transactions generated net after-tax proceeds of approximately $229.0 million.

**Income Taxes**

The income tax provision from continuing operations increased to $1.4 million for the year ended December 31, 2002 from a benefit of $51.9 million for the year ended December 31, 2001. For the year ended December 31, 2002, our pre-tax book income from continuing operations was $5.2 million and for the year ended December 31, 2001, our pre-tax book loss from continuing operations was $165.3 million.

As of December 31, 2002, we have a net deferred tax liability of $167.2 million as compared to a net deferred tax liability of $155.5 million as of December 31, 2001. The increase is primarily due to the adoption of SFAS No. 142. Our tax rate changed to a provision in 2002 from a benefit in 2001 because we reported net income in 2002 compared to a net loss in 2001. The effective tax rate from continuing operations decreased to 26.2% from the year ended December 31, 2002 from 31.3% for the year ended December 31, 2001. The decrease is primarily because (prior to the implementation of SFAS No. 142 for 2002) our reported income in 2001 was reduced by amortization of goodwill, which was non-deductible for tax purposes.

In December 2001, the Internal Revenue Service (IRS) completed its examination of our federal income tax returns filed through 1997. As a result of this settlement, our fiscal year 2001 benefit for income taxes reflects a $6.3 million reduction of taxes provided in prior periods. The IRS has initiated an examination of federal tax returns subsequent to 1998. We believe that adequate accruals have been provided for all years.

**Seasonality/Cyclicality**

Our results usually are subject to seasonal fluctuations, which usually cause fourth quarter operating income to be greater than first, second and third quarter operating income. This seasonality is primarily attributable to increased expenditures by advertisers in anticipation of holiday season spending and an increase in viewership during this period. In addition, revenues from political advertising and the Olympics are higher in even numbered years.

**Summary Disclosures about Contractual Cash Obligations and Commercial Commitments**

The following tables reflect a summary of our contractual cash obligations and other commercial commitments as of December 31, 2002:

| | | | Payments Due by Year | | |
|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006 and thereafter** | **Total** |
| | | | **(amounts in thousands)** | | |
| Notes payable, capital leases, and commercial bank financing (1) | $ 50,683 | $ 54,450 | $ 55,844 | $ 1,841,554 | $ 2,002,531 |
| Notes and capital leases payable to affiliates | 6,602 | 6,643 | 7,580 | 33,844 | 54,669 |
| HYTOPS | 23,250 | 23,250 | 23,250 | 274,594 | 344,344 |
| Fixed rate derivative instrument | 35,650 | 35,938 | 35,938 | 15,360 | 122,886 |
| Operating leases | 4,134 | 3,249 | 2,839 | 12,490 | 22,712 |
| Employment contracts | 6,965 | 2,367 | 450 | 42 | 9,824 |
| Film liability active | 121,396 | 66,530 | 45,853 | 12,279 | 246,058 |
| Film liability future (2) | 6,457 | 15,469 | 9,609 | 28,377 | 59,912 |
| Programming services | 18,978 | 8,814 | 2,914 | 1,439 | 32,145 |
| Maintenance and support | 4,600 | 2,343 | 1,526 | 916 | 9,385 |
| Other operating contracts | 1,900 | 1,045 | 934 | 3,125 | 7,004 |
| Total contractual cash obligations | $ 280,615 | $ 220,098 | $ 186,737 | $ 2,224,020 | $ 2,911,470 |

| | **2003** | **2004** | **2005** | **2006 and thereafter** | **Total Amounts Committed** |
|---|---|---|---|---|---|
| | | | **(amounts in thousands)** | | |
| **Other Commercial Commitments** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Letters of credit | $ 82 | $ 82 | $ 82 | $ 817 | $ 1,063 |
| Guarantees | 115 | 119 | 122 | 31 | 387 |
| Investments (3) | 10,015 | — | — | — | 10,015 |
| Network affiliation agreements | 12,041 | 12,358 | 6,972 | 2,847 | 34,218 |
| Purchase options (4) | — | — | 13,250 | 9,000 | 22,250 |
| LMA payments (5) | 5,589 | 5,589 | 3,471 | 25,164 | 39,813 |
| Total other commercial commitments | $ 27,842 | $ 18,148 | $ 23,897 | $ 37,859 | $ 107,746 |

(1) Includes interest on fixed rate debt.

(2) Future film liabilities reflect a license agreement for program material that is not yet available for its first showing or telecast. Per SFAS No. 63, *Financial Reporting for Broadcasters*, an asset and a liability for the

rights acquired and obligations incurred under a license agreement are reported on the balance sheet when the cost of each program is known or reasonably determinable, the program material has been accepted by the licensee in accordance with the conditions of the license agreement and the program is available for its first showing or telecast.

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

(4) We have entered into an agreement with a third party, whereby the third party may require us to purchase certain license and non-license broadcast assets at the option of the third party, no earlier than July 1, 2005. The contractual commitment for 2006 and beyond represents the increase in purchase option price should the exercise occur in 2006 or 2007.

(5) Certain LMAs require us to reimburse the licensee owner their operating costs. This amount will vary each month and, accordingly, these amounts were estimated through the date of LMA expiration based on historical cost experience.

**Risk Factors**

We cannot identify nor can we control all circumstances that could occur in the future that may adversely affect our business and results of operations. Some of the circumstances that may occur and may impair our business are described below. If any of the following circumstances were to occur, our business could be materially adversely affected.

**United States participation in a war could result in a decline in advertising revenues.**

Involvement in a war by the United States could cause television advertisers to reduce or cancel their advertising spots. Advertising revenues may decline as a result of uninterrupted news coverage or other economic dislocation. We cannot predict the amount of revenues that would be lost as a result.

**Our substantial indebtedness could adversely affect our operations and our ability to fulfill our obligations under our debt securities and HYTOPS.**

We have a high level of debt and other obligations compared to stockholders equity. Our obligations include the following:

*Indebtedness under the Bank Credit Agreement.* As of February 14, 2003, we owed $552.0 million under our 2002 Bank Credit Agreement and had a $173.0 million remaining balance available.

*Indebtedness under notes.* We have issued and outstanding two series of senior subordinated notes with aggregate principal amount issued and outstanding of $860.0 million.

*Obligations under High Yield Trust Offered Preferred Securities (HYTOPS).* Sinclair Capital, a subsidiary trust of Sinclair, has issued $200.0 million aggregate liquidation amount of HYTOPS. Aggregate liquidation amount means the amount Sinclair Capital must pay to the holders when it redeems the HYTOPS or upon liquidation. Sinclair Capital must redeem the HYTOPS in 2009. We are indirectly liable for the HYTOPS obligations because we issued $206.2 million liquidation amount of series C preferred stock to KDSM, Inc., our wholly owned subsidiary, to support $200.0 million aggregate principal amount of 11.625% notes that KDSM, Inc. issued to Sinclair Capital to support the HYTOPS.

*Series D Convertible Exchangeable Preferred Stock.* We have issued 3,450,000 shares of series D convertible exchangeable preferred stock with an aggregate liquidation preference of approximately $172.5 million. The liquidation preference means we would be required to pay the holders of series D convertible exchangeable preferred stock $172.5 million before we paid holders of common stock (or any other stock that is junior to the series D convertible exchangeable preferred stock) in any liquidation of Sinclair. We are not obligated to buy back or retire the series D convertible exchangeable preferred stock, but may do so at our option at a conversion rate of $22.8125 per share. In some circumstances, we may also exchange the series D convertible exchangeable preferred stock for 6% subordinated debentures due 2012 with an aggregate principal amount of $172.5 million.

*Program Contracts Payable and Programming Commitments.* Total current and long-term program contracts payable at December 31, 2002 were $121.4 million and $124.7 million, respectively. In addition, we enter into commitments to purchase future programming. Under these commitments, we were obligated on December 31, 2002 to make future payments totaling $59.9 million.

*Other.* Our commitments also include capital leases, operating leases, sports programming, personnel contracts and other liabilities. The amount of these commitments may be material.

Our relatively high level of debt poses the following risks to you and to Sinclair, particularly in periods of declining revenues:

We use a significant portion of our cash flow to pay principal and interest on our outstanding debt and to pay dividends on preferred stock. This will limit the amount available for other purposes. For the twelve months ended December 31, 2002, we were required to pay $153.3 million in interest and preferred dividends (including dividend payments on the HYTOPS).

Our lenders may not be as willing to lend additional amounts to us for future working capital needs, additional acquisitions, or other purposes.

The interest rate under our bank credit agreement is a floating rate, and will increase if general interest rates increase. This will increase the portion of our cash flow that must be spent on interest payments.

We may be more vulnerable to adverse economic conditions than less leveraged competitors and thus less able to withstand competitive pressures.

Our ability to pay our obligations as they come due could become more difficult.

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.

Any of these events could have a material adverse effect on us.

**We depend on advertising revenue, which is below historical averages as a result of a number of conditions.**

Our main source of revenue is sales of advertising time. Our ability to sell advertising time depends on:

- the health of the economy in the areas where our 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,
- pricing fluctuations in local and national advertising,
- the activities of our competitors, including increased competition from other forms of advertising-based mediums, particularly network, cable television, direct satellite television, Internet and radio,
- the decreased demand for political advertising in non-election years, and
- other factors that may be beyond our control.

There was a dramatic decline in advertising revenue generally in 2001. Although advertising revenue generally increased in 2002 over 2001 levels, it still remains below levels prior to 2001. As a result of the foregoing factors, our advertising revenue has decreased significantly from levels prior to 2001.

**Our flexibility is limited by promises we have made to our lenders.**

Our existing financing agreements prevent us from taking certain actions and require us to meet certain tests. 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 of asset sales,

restrictions on mergers and other acquisitions, satisfaction of conditions for acquisitions, and a limit on the total amount of acquisitions without consent of bank lenders,

restrictions on the type of businesses we and our subsidiaries may be in,

restrictions on the type and amounts of investments we and our subsidiaries may make, and

financial ratio and condition tests including the ratio of earnings before interest, taxes, depreciation and amortization as adjusted (adjusted EBITDA) to total interest expense, the ratio of adjusted EBITDA to certain of our fixed expenses, and the ratio of indebtedness to adjusted EBITDA.

Future financing arrangements may contain additional restrictions and tests. These restrictions and tests may 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 continues to soften and thereby reduces our advertising revenues). If we default on our obligations, creditors could require immediate payment of the obligations or foreclose on collateral. If this happened, we could be forced to sell assets or take other action that would reduce significantly the value of our securities.

**Key officers and directors have financial interests that are different and sometimes opposite to those of Sinclair.**

Some of our officers and directors 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. 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 have a majority of the voting power. The Smiths own the television station WTTA-TV in St. Petersburg, Florida, which is programmed pursuant to an LMA with us. The Smiths also own businesses that lease real property and tower space to us, buy advertising time from us, and engage in other transactions with us. David D. Smith, our President and Chief Executive Officer has a controlling interest in and is a member of the Board of Directors of Summa Holdings, Ltd.; a company in which we hold a 17.5% equity interest and have significant influence by holding a board seat. In addition, Cunningham Broadcasting Corporation (formerly Glencairn, Ltd.) is a corporation owned by Carolyn C. Smith, the mother of the controlling stockholders and certain trusts established by Carolyn C. Smith for the benefit of her grandchildren (which own non-voting stock). Cunningham holds the licenses for certain television stations that we program under local marketing agreements. We have an option to acquire the equity interests in Cunningham for a price based on the purchase price of Cunningham s stations and have agreed that if we exercise the option, we would either pay any liability under Cunningham s bank credit agreement or take any equity interests subject to the security interest held by the lender under that agreement.

Maryland law and our financing agreements limit the extent to which our officers, directors and majority stockholders may transact business with us and pursue business opportunities that Sinclair might pursue. These limitations do not, however, prohibit all such transactions. Officers, directors and majority stockholders may therefore transact some business with us even when there is a conflict of interest.

**The Smiths exercise control over all matters submitted to a stockholder vote, and may have interests that differ from yours.**

David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith are brothers and control the outcome of all matters submitted to a vote of stockholders (the controlling stockholders). The Smiths hold class B common stock, which generally has 10 votes per share. Our class A common stock has only one vote per share. Our other series of preferred stock generally do not have voting rights. We describe in detail the voting rights of shares of our capital stock in portions of Sinclair s proxy statement for the 2002 annual meeting of shareholders under the heading Security Ownership of Certain Beneficial Owners and Management . As of February 14, 2003, the Smiths held shares representing 49.2% of the vote on most matters and representing 89.4% of the vote on the few matters for which class B shares have only one vote per share. The Smiths have agreed with each other that until 2005 they will vote to elect each of them as a director of Sinclair.

**Certain features of our capital structure may deter others from attempting to acquire Sinclair.**

The control the Smiths have over stockholder votes may discourage other companies from trying to acquire us. In addition, our board of directors can issue additional shares of preferred stock with rights that might further discourage other companies 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 market trades at the time of the offer. If the voting rights of the Smiths or the right to issue preferred stock discourage such takeover attempts, stockholders 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 be if these deterrents to takeovers did not exist.

**We must purchase television programming in advance but cannot predict if a particular show will be popular enough to cover its cost. In addition, our business is subject to the popularity of the network we are affiliated with.**

One of our most significant costs is television programming. If a particular program is not popular in relation to its costs, we may not be able to sell enough advertising time to cover the costs of the program. Since we purchase programming content from others rather than produce it ourselves, we also have little control over the costs of 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 accounted fully for the costs on our books for financial reporting purposes. 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 affiliation agreements or which provide us programming. Each of our affiliation groups experienced revenue increases in 2002, except for UPN affiliates, but this trend may not continue in the future.

**We may lose a large amount of programming if a network terminates its affiliation with us.**

The affiliation agreements of the three ABC stations (WEAR-TV in Pensacola, Florida, WCHS-TV in Charleston, West Virginia and WXLV-TV in Greensboro/Winston-Salem/Highpoint, North Carolina) have expired. In general, we continue to operate these stations as ABC affiliates and we do not believe ABC has any current plans to terminate the affiliation of any of these stations.

We have received a notice from NBC that prevented what would have otherwise been an automatic 5-year extension of the affiliation agreement for WICS/WICD (Champaign/Springfield, Illinois), which expired on June 30, 2002. Recently, we extended the term of the affiliation agreement for WICS/WICD to April 1, 2003. The agreement for WKEF (TV) (Dayton, Ohio), another NBC affiliate, is also due to expire on April 1, 2003. We have no reason to believe that NBC has any current plans to terminate the affiliation agreements of either of these stations.

If we do not enter into affiliation agreements to replace the expired or expiring agreements, we may no longer be 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.

**Competition from other broadcasters and other sources may cause our advertising sales to go down and/or our costs to go up.**

We face intense competition in our industry and markets from the following:

*New Technology and the Subdivision of Markets.* New technologies enable our competitors to tailor their programming for specific segments of the viewing public to a degree not possible before. As a result, the overall market share of broadcasters, including ourselves, whose approach or equipment may not permit such a discriminating approach is under new pressures. In addition, emerging technologies that allow viewers to digitally record and play back television programming may decrease viewership of commercials and, as a result, lower our advertising revenues. The new technologies and approaches include:

- cable,
- satellite-to-home distribution,
- pay-per-view,

home video and entertainment systems, and

personal video recorders (PVR s).

*Future Technology under Development.* Cable providers and direct broadcast satellite companies are developing new techniques that allow them to transmit more channels on their existing equipment. These so-called video compression techniques will reduce the cost of creating channels, and may lead to the division of the television industry into ever more specialized niche markets. Video compression is available to us as well, but competitors who target programming to such sharply defined markets may gain an advantage over us for television advertising revenues. Lowering the cost of creating channels may also encourage new competitors to enter our markets and compete with us for advertising revenue.

*In-Market Competition.* We also face more conventional competition from rivals that may be larger and have greater resources than we have. These include:

other local free over-the-air broadcast stations, and

other media, such as newspapers, periodicals, and cable systems.

*Deregulation.* Changes in law have also increased competition. The Telecommunications Act of 1996 and subsequent actions by the FCC have created greater flexibility and removed some limits on station ownership. Telephone, cable and some other companies are also free to provide video services in competition with us. In addition, the FCC has reallocated the spectrum occupied by television channels 52-59 for new services including fixed and mobile wireless services and digital broadcast services. Among the potential new uses envisioned by the FCC for this reallocated spectrum are digital broadcast services, based on coded orthogonal frequency division multiplex (COFDM) technology, including mobile television broadcasting services. As a result of these changes, new companies are able to enter our markets and compete with us.

**The phased introduction of digital television will increase our operating costs and may expose us to increased competition.**

DTV channels are generally located in the range of channels from channel 2 through channel 51. The FCC required that affiliates of ABC, CBS, FOX and NBC in the top 10 television markets begin digital broadcasting by May 1, 1999 and that affiliates of these networks in markets 11 through 30 begin digital broadcasting by November 1999. All other commercial stations were required to begin digital broadcasting by May 1,

2002.

Of the television stations that we own and operate, as of February 24, 2003, five are operating at their full DTV power and thirty-five are operating their DTV facilities at low power as permitted by the FCC pursuant to special temporary authority. Six stations have applications for digital construction permits pending before the FCC, including one of the stations which is operating at low power. Three stations have received extensions of their digital construction permits because equipment deliveries have delayed completion of construction and one station has recently received its DTV permit. Of the Cunningham stations we LMA, four stations are operating their DTV facilities at low power pursuant to special temporary authority, one station has a DTV construction permit that does not expire until November 2003, and one station has a pending DTV application. Of the other LMA stations, WTTA and WDBB are operating at low power pursuant to special temporary authority, WDKA has been granted special temporary authority to operate at low power. WFGX has received an extension of time to construct its digital facility pending FCC action on a petition for rulemaking that it filed requesting a substitute DTV channel, and WNYS has a digital application pending. On May 24, 2002, the FCC issued an Order and Notice of Proposed Rule Making which proposes a series of graduated sanctions to be imposed upon licensees who do not meet the FCC s DTV build-out schedule. If the rules are adopted, the stations could face monetary fines and possible loss of any digital construction permits that are not in compliance with the schedule announced in the rules. After completion of the transition period, the FCC will reclaim the non-digital channels.

The FCC s plan calls for the DTV transition period to end in the year December 31, 2006, at which time the FCC expects that television broadcasters will cease non-digital broadcasting and return one of their two channels to the government, allowing that spectrum to be recovered for other uses. During the transition period, each existing analog television station will be permitted to operate a second station that will broadcast using the digital standard. The FCC has been authorized by Congress to extend the 2006 deadline for reclamation of a television station s non-digital channel if, in any given case:

one or more television stations affiliated with ABC, CBS, NBC or FOX in a market is not broadcasting digitally, and the FCC determines that each such station has exercised due diligence in attempting to convert to digital broadcasting and satisfies the conditions for an extension of the FCC s applicable construction deadlines for DTV service in that market;

digital-to-analog converter technology is not generally available in such market; or

15% or more of the television households in such market do not subscribe to a multichannel video service (cable, wireless cable or direct to home broadcast satellite television) that carries at least one digital channel from each of the local stations in that market, and cannot receive digital signals using either a television receiver capable of receiving digital signals or a receiver equipped with a digital-to-analog converter.

On January 27, 2003, the FCC initiated its second periodic review of its rules on the conversion to digital television, releasing a notice of proposed rulemaking. The notice invited comments on the difficulties broadcasters face in building their DTV stations and on the interpretation of the statutory language concerning the 2006 deadline. There is considerable uncertainty about the final form of the FCC digital regulations. Even so, we believe that these new developments may have the following effects on us:

*Reclamation of analog channels.* Congress directed the FCC to begin auctioning analog channels 60 69 in 2001, even though the FCC is not to reclaim them until 2006. The channel 60-69 auction was scheduled to be held in January 2003 but has been delayed, and no new auction date has been established. Congress further permitted broadcasters to bid on the non-digital channels in cities with populations over 400,000. If the channels are owned by our competitors, they may exert increased competitive pressure on our operations. In addition, the FCC reallocated the spectrum band, currently comprising television channels 52-59, to permit both wireless services and certain new broadcast operations. The FCC completed an auction for part of this spectrum in September 2002 and has scheduled an auction for another portion of this spectrum in May 2003. With respect to the remaining spectrum, the FCC has not yet established an auction date. Analog broadcasters are required to cease operation on this spectrum by the end of 2006 unless the FCC extends the end of the digital transition. The FCC envisions that this band will be used for a variety of broadcast-type applications including two-way interactive services and services using COFDM technology. We cannot predict how the development of this spectrum will affect our television operations.

*Signal Quality Issues.* Our tests have indicated that the digital standard mandated by the FCC, 8-level vestigial sideband (8-VSB), is currently unable to provide for reliable reception of a DTV signal through a simple indoor antenna. Absent improvements in DTV receivers, or an FCC ruling allowing us to use an alternative standard, continued reliance on the 8-VSB digital standard may not allow us to provide the same reception coverage with our digital signals as we can with our current analog signals. Furthermore, the FCC generally has made available much higher power allocations to digital stations that will replace stations on existing channels 2 through 13 than digital stations that will replace existing channels 14 through 69. The majority of our analog facilities operate between channels 14 through 69. This power disparity could put us at a disadvantage to our competitors that now operate on channels 2 through 13.

In August 2002, the FCC adopted regulations requiring new television receivers to include over-the-air DTV tuners. In November 2002, we filed a petition for further reconsideration requesting that the FCC ensure that these over-the-air DTV tuners are capable of adequately receiving digital television signals. If DTV tuners are not able to receive digital television signals adequately, we may be forced to rely on cable television or other alternative means of transmission to deliver our digital signals to all of the viewers we are able to reach with our current analog signals.

*Digital must carry*. While the FCC ruled that cable companies are required to carry the signals of digital-only television stations, the agency has tentatively concluded, subject to additional inquiry in a pending rulemaking proceeding, that cable companies should not be required to carry both the analog and digital signals of stations during the transition period when stations will be broadcasting in both modes. If the FCC does not require this, cable customers in our broadcast markets may not receive our digital signal, which could negatively impact our stations.

*Capital and operating costs.* We will 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 converting to digital operations. We cannot be certain we will be able to increase revenues to offset these additional costs.

*Subscription fees.* The FCC has determined to assess a fee in the amount of 5% of gross revenues on digital television subscription services. If we are unable to pass this cost through to our subscribers, this fee will reduce our earnings from any digital television subscription services we implement in the future.

*Conversion and programming costs.* We expect to incur approximately $150.0 million in costs of which we have incurred $98.0 million through December 31, 2002 to convert our stations from the current analog format to digital format. However, our costs may be higher than this estimate. In addition, we may incur additional costs to obtain programming for the additional channels made available by digital technology. Increased revenues from the additional channels may not make up for the conversion cost and additional programming expenses. Also, multiple channels programmed by other stations could increase competition in our markets.

Given this climate of market uncertainty and regulatory change, we cannot be sure what impact the FCC s actions might have on our plans and results in the area of digital television.

**Federal regulation of the broadcasting industry limits our operating flexibility.**

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, or assign, or modify a license, purchase a new 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.

Federal legislation and FCC rules have changed significantly in recent years and can be expected to continue to change. These changes may limit our ability to conduct our business in ways that we believe would be advantageous and may thereby affect our operating results.

**The FCC s ownership restrictions limit our ability to operate multiple television stations, and changes in these rules may threaten our existing strategic approach to certain television markets.**

*General limitations.* The FCC s ownership rules limit us from having attributable interests in television stations that reach more than 35% (using a calculation method specified by the FCC) of all television households in the U.S. We reach approximately 24% of U.S. television households on an actual basis or, under the FCC s current method for calculating this limit, approximately 14%. Our ability to expand through the acquisition of additional stations in new markets is limited by these rules. In September 2002, the FCC commenced a broad-based rulemaking proceeding to review all of its broadcast multiple ownership rules, including the 35% national ownership cap and the method to calculate a licensee s percentage reach of television households.

*Changes in the rules on television ownership and local marketing agreements.* A number of television stations, including certain of our stations, have entered into what have commonly been referred to as local marketing agreements or LMAs. While these agreements may take varying forms, one typical type of LMA is a programming agreement between two separately owned television stations serving the same market, whereby the licensee of one station programs substantial portions of the broadcast day and sells advertising time during such program segments on the other licensee s station subject to ultimate editorial and other controls being exercised by the latter licensee. The licensee of the station which is being substantially programmed by another entity must maintain complete responsibility for and control over the programming, financing, personnel and operations of its broadcast station and is responsible for compliance with applicable FCC rules and policies.

In the past, a licensee could own one station and program and provide other services to another station pursuant to an LMA in the same market because LMAs were not considered attributable interests. However, under the duopoly rules adopted in August 1999, LMAs are attributable where a licensee owns a television station and programs more than 15% of the weekly broadcast time of another television station in the same market. The rules provide that LMAs entered into on or after November 5, 1996 had until August 5, 2001 to come into compliance with the 1999 duopoly rules. LMAs entered into before November 5, 1996 are grandfathered until the conclusion of the FCC s 2004 biennial review. In certain cases, parties with grandfathered LMAs, may be able to rely on the circumstances at the time the LMA was entered into in advancing any proposal for co-ownership of the station. We currently program 11 television stations pursuant to LMAs. Of these 11 stations, three of the LMAs are not subject to divestiture because they involve stations which we could own under the 1999 duopoly rules, but either have decided not to acquire at this time or have no right to acquire, four LMAs (including an LMA with a station we have filed an application to acquire) were entered into before November 5, 1996, and four LMAs were entered into on or

after November 5, 1996 (although we believe a valid position exists that one of these four LMAs was effectively entered into prior to November 5, 1996).

We filed a Petition for Review of the Report and Order adopting the 1999 duopoly rules in the U.S. Court of Appeals for the D.C. Circuit. In June 2001, the U.S. Court of Appeals for the D.C. Circuit granted our motion for stay of the requirement that we divest the four LMAs entered into on or after November 5, 1996 by August 5, 2001, which stay is still pending. In April 2002, the Court held that the eight voices test of the duopoly rules was arbitrary and capricious and remanded the rules to the FCC for further consideration. In September 2002, the FCC commenced a broad-based rulemaking proceeding to review all of its broadcast multiple ownership rules, including the duopoly rules. The FCC has publicly stated that it intends to conclude this proceeding in the Spring of 2003.

Terminating or modifying our LMAs could affect our business 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 our LMA arrangements are no longer permitted, we would be forced to sell these assets, or find another use for them. If LMAs are prohibited, the market for such assets may not be as good as when we purchased them and we would need to sell the assets to the owner or a purchaser of the related license assets. Therefore, we cannot be certain we will recoup our investments.

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

Outsourcing Agreements. In addition to our LMAs and duopolies, we have entered into four (and intend to seek opportunities for additional) outsourcing agreements in which our stations provide or are provided various non-programming services such as sales, operational and managerial services to or by other stations.

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 the stations with which we have LMAs or outsourcing agreements can exert control over their stations in ways that may be counter to our interests, including the right to preempt or terminate programming in certain instances.

These preemption and termination rights cause us some uncertainty that we will be able to air all of the programming that we have purchased, and therefore uncertainty about the advertising revenues 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 the license.

Any one of these scenarios might affect our financial results, especially the revocation of or denial of renewal of a license. In addition, penalties might also affect our qualifications to hold FCC licenses, and thus place those licenses at risk.

**We have lost money in three of the last five years, and may continue to do so indefinitely.**

We have suffered net losses in three of the last five years. In 1999 and 2000, we reported earnings, but this was largely due to a gain on the sale of our radio stations. Our losses are due to a variety of cash and non-cash expenses including, in particular:

| | |
|---|---|
| Cash Expenses: | Interest |
| Restructuring Costs: | During the year ended December 31, 2001, we incurred a restructuring charge of $3.7 million as a result of a voluntary early retirement program and cancelation of local news programs. |
| Non-cash Expenses: | Depreciation, amortization (primarily of programming and intangibles), and deferred compensation. |
| Impairment: | During the year ended December 31, 2001, we incurred impairment charges totaling $16.2 million due to reorganizing |

| | |
|---|---|
| | an office of our internet consulting and development subsidiary, damaged, obsolete or abandoned fixed assets and write-off of goodwill at one of our stations.<br><br>During 2002 and under the provision of SFAS No. 142, we evaluated our intangible assets for impairment. As a result of such testing, we recorded a pre-tax write-off of goodwill and broadcast licenses of $596.8 million as of January 1, 2002.<br><br>As a result of implementing SFAS No. 133, one of our derivatives does not qualify for special hedge accounting treatment. Therefore, this derivative must be recognized in the balance sheet at fair market value and the changes in fair market value are reflected in earnings or losses each quarter. We recognized $30.9 million of losses during the year ended December 31 2002. |
| Loss on Derivatives: | Depreciation, amortization (primarily of programming and intangibles), and deferred compensation. |
| Extraordinary Loss: | For the year ended December 31, 2002, we reported a $9.8 million extraordinary expense item related to the call premium and write-off of deferred financing costs and interest, net of taxes, resulting from the repayment of our $300.0 million Term Loan Facility and 1998 Bank Credit Agreement and the early redemption of our 9% senior subordinated notes due 2007 and our 8.75% senior subordinate notes due 2007.<br><br>For the year ended December 31, 2001, we reported a $14.2 million extraordinary expense item related to the call premium and write-off of deferred financing costs and interest, net of taxes, resulting from the early redemption of our 10% senior subordinated notes due 2005, and amendments to our bank credit agreement. |

Our net losses may continue indefinitely for these or other reasons.

**Our investments in other businesses may not deliver the value we ascribe to them on our financial statements or reach our strategic objectives.**

Our strategy includes investing in and working with other businesses, including technology and Internet-related businesses. In pursuit of this strategy, we made several investments in internet-related businesses in 1999 and 2000. The stock prices of publicly-traded technology and internet-related companies generally declined dramatically since 2000, and specific businesses we have invested in have experienced substantial impairment of their value. As a result, we have written-off a substantial portion of our investments in these businesses. These write-offs include all of our $10.1 million investment in Acrodyne Communications, Inc., a manufacturer of television transmitters and other broadcast equipment. We cannot assure you that these investments will be worth the amount we currently ascribe to them on our financial statements, or that we will be able to develop services that are profitable for Sinclair or the businesses in which we have invested. If the businesses in which we have invested fail to succeed, we may lose as much as all of our remaining investment in the businesses. We may also spend additional funds and devote additional resources to these businesses (we have recently invested an additional $1.0 million in Acrodyne), and these additional investments may also be lost.

In addition, we recently invested $20.0 million, representing approximately a 17.5% equity interest, in Summa Holdings, Ltd., a holding company that owns automobile dealerships, retail tire franchises and a leasing company, in which David D. Smith, our President and Chief Executive Officer, has a controlling interest and is on the Board of Directors. In contemplating the investment, we considered the historic and potential returns on equity. Additionally, under the terms of the agreement, Summa in committed to maintaining a certain amount of advertising with our stations. We will not be involved in the day-to-day management or operations of Summa, however, we will hold one board seat. There can be no assurances as to the future value of our investment in Summa. We may also invest additional funds and devote additional resouorces to Summa and these additional investments may also be lost.

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Set forth below is certain information relating to our executive officers, directors and nominees, and certain key employees.

| Name | Age | Title |
|---|---|---|
| David D. Smith | 52 | President, Chief Executive Officer, Director and Chairman of the Board |
| Frederick G. Smith | 53 | Vice President and Director |
| J. Duncan Smith | 49 | Secretary and Director |
| David B. Amy | 50 | Executive Vice President and Chief Financial Officer |
| Lawrence McCanna | 59 | Director |
| Basil A. Thomas | 87 | Director |
| Robert E. Smith | 39 | Director |
| Daniel C. Keith | 48 | Director |
| Martin R. Leader | 62 | Director |
| Steven M. Marks | 46 | Chief Operating Officer/ Television Group |
| David R. Bochenek | 40 | Chief Accounting Officer/Corporate Controller |
| M. William Butler | 50 | Vice President / Group Programming and Promotions |
| Barry M. Faber | 41 | Vice President / General Counsel |
| Lawrence M. Fiorino | 41 | Founder and CEO / G1440, Inc. |
| Mark E. Hyman | 45 | Vice President / Corporate Relations |
| Leonard Ostroff | 35 | Chief Operating Officer of Sinclair Ventures, Inc. |
| Nat Ostroff | 62 | Vice President / New Technology |
| Delbert R. Parks III | 50 | Vice President / Operations and Engineering |
| Lucy A. Rutishauser | 38 | Vice President / Corporate Finance / Treasurer |
| Jeffrey W. Sleete | 48 | Vice President / Marketing |
| Gregg Seigel | 42 | Vice President / National Sales |
| Darren Shapiro | 42 | Vice President / Sales |
| Donald H. Thompson | 36 | Vice President / Human Resources |
| Tom I. Waters III | 34 | Vice President / Purchasing |

Members of the board of directors are elected for one-year terms and serve until their successors are duly elected and qualified. Executive officers are appointed by the board of directors annually to serve for one-year terms and until their successors are duly appointed and qualified. The Smiths have agreed with each other that until 2005 they will vote to elect each of them as a director of Sinclair.

**Director and Officer Profiles**

In 1978, David D. Smith founded Comark Communications, Inc., a company engaged in the manufacture of high power transmitters for UHF television stations, and was an officer and director of Comark until 1986. He also was a principal in other television stations prior to serving as a General Manager of WCWB from 1984 until 1986. In 1986, David was instrumental in the formation of Sinclair Broadcast Group, Inc. He has served as President and Chief Executive Officer since 1988 and as Chairman of the Board of Sinclair Broadcast Group, Inc. since September 1990. David Smith is currently a member of the Board of Directors of Sinclair Ventures, Inc., Acrodyne Communications, Inc., G1440, Inc., Summa Holdings, Ltd., KDSM, Inc., and Safe Waterways in Maryland.

Frederick G. Smith has served as Vice President of Sinclair since 1990 and Director since 1986. Prior to joining Sinclair in 1990, Mr. Smith was an oral and maxillofacial surgeon engaged in private practice and was employed by Frederick G. Smith, M.S., D.D.S., P.A., a professional corporation of which Mr. Smith was the sole officer, director and stockholder. Mr. Smith is currently a member of the board of directors of Sinclair Ventures, Inc., the Freven Foundation, Safe Waterways in Maryland, and Gerstell Academy.

J. Duncan Smith has served as Secretary and as a Director of Sinclair since 1986. Prior to that, he worked for Comark Communications, Inc. installing UHF transmitters. In addition, he also worked extensively on the construction of WCWB in Pittsburgh, WTTE in Columbus, WIIB in Bloomington and WTTA in Tampa / St. Petersburg, the renovation of the studio, offices and news facility for WBFF in Baltimore and construction of the Sinclair headquarters building in Hunt Valley, MD. J. Duncan Smith is currently a member of the board of directors of Sinclair Ventures, Inc., the Boys Latin School, High Rock Foundation, and Safe Waterways in Maryland.

David B. Amy has served as Executive Vice President and Chief Financial Officer (CFO) since March 2001. Prior to that, he served as Executive Vice President since September 1999 and as Vice President and CFO from September 1998 to September 1999. Prior to that, he served as CFO since 1994. In addition, he serves as Secretary of SCI, the Sinclair subsidiary that owns and operates the broadcasting operations. Mr. Amy has over 19 years of broadcast experience, having joined Sinclair as a Business Manager for WCWB-TV in Pittsburgh. Mr. Amy received his MBA degree from the University of Pittsburgh in 1981. Mr. Amy is currently a member of the board of directors of Acrodyne Communications, Inc., G1440, Inc., and KDSM, Inc., and an advisor to Allegiance Capital, L.P.

Lawrence E. McCanna has served as a Director of Sinclair since July 1995. Mr. McCanna has been a shareholder of the accounting firm of Gross, Mendelsohn & Associates, P.A. since 1972 and has served as its managing director since 1982. Mr. McCanna has served on various committees of the Maryland Association of Certified Public Accountants and was chairman of the Management of the Accounting Practice Committee. He is also a former member of the Management of an Accounting Practice Committee of the American Institute of Certified Public Accountants. Mr. McCanna is a former member of the board of directors of Maryland Special Olympics.

Basil A. Thomas has served as a Director of Sinclair since November 1993. He is of counsel to the Baltimore law firm of Thomas & Libowitz, P.A. and has been in the private practice of law since 1983. From 1961 to 1968, Judge Thomas served as an Associate Judge on the Municipal Court of Baltimore City and, from 1968 to 1983, he served as an Associate Judge of the Supreme Bench of Baltimore City. Judge Thomas is a trustee of the University of Baltimore and a member of the American Bar Association and the Maryland State Bar Association. Judge Thomas attended the College of William & Mary and received his L.L.B. from the University of Baltimore. Judge Thomas is the father of Steven A. Thomas, a senior attorney and founder of Thomas & Libowitz, counsel to Sinclair.

Robert E. Smith has served as a Director of Sinclair since 1986. He served as Vice President and Treasurer of Sinclair from 1988 to June 1998, at which time he resigned from his position as Vice President and Treasurer. Prior to that time, he assisted in the construction of WTTE-TV and also worked for Comark Communications, Inc. installing UHF transmitters. Mr. Smith is currently a member of the board of directors of Sinclair Ventures, Inc., Nextgen Foundation Charitable Trust, Garrison Forest School, Safe Waterways in Maryland, and Gerstell Academy.

Daniel C. Keith has served as a Director of Sinclair since May 2001. Mr. Keith is the President and Founder of the Cavanaugh Group, Inc., a Baltimore based investment advisory firm founded in October 1995. Prior to establishing the Cavanaugh Group, Inc., Mr. Keith was Vice President, Senior Portfolio Manager, and Director of the Investment Management division of a local financial services company since 1985. During this time, he served as chairman of the Investment Advisory Committee and was a member of the Board of Directors. Mr. Keith has been advising clients since 1979 and is currently a member of the Boards of Trustees of The High Rock Foundation, Safe Waterways in Maryland and The Boy s Latin School of Maryland.

Martin R. Leader has served as a Director of Sinclair since May 2002. Mr. Leader is a retired partner of the law firm ShawPittman in Washington, D.C. where he specialized in communications law matters. Prior to his service at ShawPittman, Mr. Leader was a senior partner with the law firm of Fisher Wayland Cooper Leader & Zaragoza in Washington, D.C. from 1973 to 1999. He is currently a director of Star Scientific, Inc. (NASDAQ: STSI) where he serves on the Audit and Compensation Committees. Mr. Leader has served on the staff of the Office of Opinions and Review of the Federal Communications Commission. He is a member of the District of Columbia Bar. Mr. Leader graduated from Tufts University and Vanderbilt University Law School.

Steven M. Marks has served as Chief Operating Officer of the Television Group since February 2003. Prior to that he was Vice President/Regional Director of SCI from March 2002. As a Vice President/Regional Director, Mr. Marks was responsible for the Baltimore, Columbus, Pittsburgh, Flint, Tallahassee, Charleston, WV, Portland, Springfield, Minneapolis, Tampa, Syracuse, Norfolk, Richmond, Buffalo and Rochester markets. Prior to his appointment as Vice President/Regional Director, Mr. Marks served as Regional Director since October 1994. Prior to his appointment as Regional Director, Mr. Marks served as General Manager for WBFF, Baltimore since July 1991. From 1986 until joining WBFF in 1991, Mr. Marks served as General Sales Manager at WTTE, Columbus. Prior to that time, he was national sales manager for WFLX-TV in West Palm Beach, Florida.

David R. Bochenek has served as Chief Accounting Officer/Controller since November 2002. Mr. Bochenek joined Sinclair in March 2000 as the Corporate Controller. Prior to joining Sinclair, Mr. Bochenek was Vice President, Corporate Controller for Prime Retail, Inc. since 1993. From 1990 to 1993, Mr. Bochenek served as Assistant Vice President for MNC Financial, Inc. and prior to that held various positions in the audit department of Ernst & Young, LLP since 1983. Mr. Bochenek received his Bachelor of Business Administration in Accounting and Master of Science in Finance from Loyola College in Maryland. Mr. Bochenek is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountant, the Maryland Association of Certified Public Accountants and the Financial Executives Institute.

M. William Butler has served as Vice President/Group Programming and Promotions of SCI since July 1999 and prior to that as Vice President/Group Program Director, SCI since 1997. From 1995 to 1997, Mr. Butler served as Director of Programming at KCAL in Los

Angeles, California. From 1991 to 1995, he was Director of Marketing and Programming at WTXF in Philadelphia, Pennsylvania and prior to that he was the Program Director at WLVI in Boston, Massachusetts. Mr. Butler attended the Graduate Business School of the University of Cincinnati from 1975 to 1976.

Barry M. Faber has served as Vice President/General Counsel of SBG since February 2003 and Vice President/General Counsel of SCI since August 1999 and prior to that as Associate General Counsel from 1996 to 1999. Prior to that time, he was associated with the law firm of Fried, Frank, Harris, Shiver, & Jacobson in Washington, D.C. Mr. Faber is a graduate of the University of Virginia and the University of Virginia School of Law.

Lawrence Fiorino founded G1440 in April 1998. From 1994 to 1998, he was vice president of systems and technology for The Ryland Group, Inc. Mr. Fiorino is a Certified Public Accountant, has a BA in Accounting, an MBA in MIS, and is a regular contributing writer for Maryland s Daily Record newspaper. Mr. Fiorino appears weekly on Fox-45 s Web Sightings technology segment on Sinclair s Fox Affiliate station in Baltimore, MD and has recently been named to Baltimore s 40 under 40.

Mark E. Hyman has served as Vice President/Corporate Relations since July 1999 and prior to that as Director of Government Relations since February 1997. He also hosts The Point with Mark Hyman, a daily commentary broadcast on Sinclair s TV stations. Prior to joining Sinclair, he worked for the Office of Naval Intelligence, the U.S. On-Site Inspection Agency as a foreign weapons inspector and he was a Congressional Fellow. A 1981 U.S. Naval Academy graduate, he served on active duty and is currently a captain in the Naval Reserve s Space & Network Warfare Program. He is an officer and director of the Maryland-DC-Delaware Broadcasters Association and he is active in community and non-profit organizations. He has been awarded several military and Intelligence Community awards and he is a Who s Who for 2001 and 2002.

Leonard Ostroff has served as Chief Operating Officer of Sinclair Ventures, Inc., a wholly owned subsidiary of Sinclair Broadcast Group, Inc., since August 1999. From 1994 to 1999, Mr. Ostroff served as Vice President of Information Systems for Prudential Securities, Inc., a global securities firm based in New York City. From 1991 to 1994, Mr. Ostroff served as a Senior Imaging Consultant at VIPS, a boutique technology consulting firm in Towson, Maryland. From 1989 to 1991, Mr. Ostroff worked for Andersen Consulting in New York City as a Senior Consultant. He currently serves on or advises the boards of Agentsmith, Appforge, Sterling Ventures and G1440, Inc. and is an advisor to the Pearl Street Group. Mr. Ostroff graduated from Lafayette College with a degree in Business and Economics.

Nat Ostroff has served as Vice President/New Technology since joining Sinclair in January 1996. From 1984 until joining Sinclair, he was the President and CEO of Comark Communications, Inc., a leading manufacturer of UHF transmission equipment. While at Comark, Mr. Ostroff was nominated and awarded a Prime Time Emmy Award for outstanding engineering achievement for the development of new UHF transmitter technologies in 1993. In 1968, Mr. Ostroff founded Acrodyne Industries Inc., a manufacturer of TV transmitters and a public company and served as its first President and CEO. Mr. Ostroff holds a BSEE degree from Drexel University and an MEEE degree from New York University. He is a member of several industry organizations, including AFCCE, IEEE and SBE. Mr. Ostroff also serves as Chief Executive Officer and Chairman of the Board for Acrodyne Communications, Inc. in which Sinclair has an investment.

Delbert R. Parks III has served as Vice President/Operations and Engineering of SCI since 1996. Prior to that time, he was Director of Operations and Engineering for WBFF-TV and Sinclair since 1985. He has held various operations and engineering positions with Sinclair for the last 28 years. He is responsible for planning, organizing and implementing operational and engineering policies and strategies as they relate to television operations, web activity, information management systems, and infrastructure. Mr. Parks is a member of the Society of Motion Picture and Television Engineers and the Society of Broadcast Engineers. Mr. Parks is also a retired Army Lieutenant Colonel who has held various commands during his 26-year reserve career.

Lucy A. Rutishauser has served as Vice President/Corporate Finance and Treasurer since November 2002. From March 2001, she served as Treasurer and, prior to that, she served as Assistant Treasurer. From 1992 to 1997, Ms. Rutishauser was the Assistant Treasurer for Treasure Chest Advertising Company (currently Vertis) and Integrated Health Services, Inc. From 1988 to 1992, Ms. Rutishauser held various treasury positions with Laura Ashley, Inc. and Black and Decker Corporation. Ms. Rutishauser graduated magna cum laude from Towson University with a Bachelor of Science degree in Economics and Finance and received her M.B.A., with honors from the University of Baltimore. Ms. Rutishauser is a member of the National Institute of Investor Relations and the Association of Finance Professionals and is a past Board member for Mid-Atlantic Treasury Management Association. Ms. Rutishauser currently serves on the University of Maryland Baltimore County Department of Economics Visitors Council.

Jeffrey W. Sleete has served as VP of Marketing since August 2001. Prior to that time he served as a Regional Director and as Regional Sales Counselor for Sinclair s television stations. From 1996 to 1999, he was the Vice President of Sales & Marketing for Sinclair s radio division. Prior to that and from 1985, he served as General Manager of radio stations in Detroit, Houston and West Palm Beach. From 1980 to 1985, Mr. Sleete headed a national sales representation firm office in Detroit and was a General Sales Manager for two radio stations. Prior to that, he was an account executive for both local and national sales. Mr. Sleete holds a Bachelor of Science degree from Eastern Michigan University.

Gregg L. Siegel has served as Vice President of National Sales since June 2001. Prior to that time, he worked as Director of Business Development, Strategic Sales Manager and a regional Sales Manager on a regional basis since starting with Sinclair in 1994. He started his television sales career in 1982 with Avery-Knodel as a Marketing Associate. Mr. Siegel holds a Bachelors degree in Communications and Marketing from the University of Arizona.

Darren J. Shapiro has served as Vice President of Sales since August 2001. From 2000 to 2001, he served as Director of Internet Sales. From 1999 to 2000, he served as New Business Development Manager and, prior to that and from 1993, he served as General Sales Manager and Local Sales Manager for WBFF-TV, Sinclair s FOX affiliate in Baltimore, Maryland. From 1989 to 1993, Mr. Shapiro served as Corporate National Sales Manager. Prior that he was a Senior Account Executive for Seltel Inc. in New York City. Mr. Shapiro holds a bachelors degree in Economics from the University of Rochester.

Donald H. Thompson has served as Vice President of Human Resources since November 1999 and prior to that as Director of Human Resources since September 1996. Prior to joining Sinclair, Mr. Thompson was Human Resources Manager for NASA at the Goddard Space Flight Center near Washington, D.C. Mr. Thompson holds a Bachelor s Degree in Psychology and a Certificate in Personnel and Industrial Relations from University of Maryland and a Masters of Science in Business/Human Resource & Behavioral Management from Johns Hopkins University. Mr. Thompson is a member of the Society for Human Resource Management.

Tom I. Waters, III has served as Vice President/Purchasing since November 2002. Prior to that, he served as Director of Purchasing & Administration since 2000. From 1996, Mr. Waters was Director of Purchasing. Before joining Sinclair, Mr. Waters served as the Purchasing Manager for NaturaLawn of America. Mr. Waters holds a Bachelor of Science degree in Business Administration from the University of Baltimore and is a member of the Baltimore-Washington Business Travelers Association.

**SECTION 16(a) BENFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act) requires our officers (as defined in the SEC regulations) and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

Based solely on a review of copies of such reports of ownership furnished to us, or written representations that no forms were necessary, we believe that during the past fiscal year our officers, directors and greater than ten percent beneficial owners complied with all applicable filing requirements.

**ITEM 11. EXECUTIVE COMPENSATION**

**Executive Compensation Table**

The following table sets forth certain information regarding annual and long-term compensation for services rendered in all capacities during the year ended December 31, 2002 by the Chief Executive Officer and the five most highly compensated executive officers other than the Chief Executive Officer, who are collectively referred to as the named executive officers.

**Summary Compensation Table**

| | Annual Compensation | | | Long-term Compensation Securities Underlying | All Other |
|---|---|---|---|---|---|
| **Name and Principal Position** | **Year** | **Salary** | **Bonus (a)** | **Options Granted (#)** | **Compensation (b)** |
| David D. Smith<br>President and Chief Executive Officer | 2002 | $ 1,000,000 | | | $ 7,063 |
| | 2001 | 1,000,000 | | | 4,713 |
| | 2000 | 1,000,000 | | 150,000 | 6,659 |
| Frederick G. Smith<br>Vice President | 2002 | 190,000 | | | 5,035 |
| | 2001 | 190,000 | | | 4,381 |
| | 2000 | 190,000 | | | 4,877 |
| J. Duncan Smith<br>Vice President and Secretary | 2002 | 190,000 | | | 4,891 |
| | 2001 | 190,000 | | | 4,081 |
| | 2000 | 190,000 | | | 4,877 |
| David B. Amy<br>Executive Vice President and Chief Financial Officer | 2002 | 300,000 | $ 100,000 | 10,000 | 9,753 |
| | 2001 | 300,000 | | 10,000 | 4,713 |
| | 2000 | 300,000 | | 100,000 | 6,659 |
| Steven Marks<br>Chief Operating Officer of Television | 2002 | 340,000 | 522,640 | 10,000 | 6,919 |
| | 2001 | 322,000 | 284,827 | 6,000 | 11,310 |
| | 2000 | 300,000 | 51,563 | 5,000 | 13,346 |
| Barry M. Faber<br>Vice President General Counsel | 2002 | 230,000 | 30,000 | 5,000 | 4,832 |
| | 2001 | 230,000 | | 5,000 | 4,547 |
| | 2000 | 210,000 | 36,000 | 15,000 | 7,223 |

(a) The bonuses reported in this column represent amounts awarded and paid during the fiscal years noted but relate to the fiscal year immediately prior to the year noted.

(b) All other compensation consists of income deemed received for personal use of Sinclair-leased automobiles, the Sinclair 401(k) contribution and life insurance.

**Stock Options**

The following table shows the number of stock options granted during 2002 and the 2002 year-end value of the stock options held by the named executive officers:

| Name | Number of Securities Underlying Options Granted | Percent of Total Options Granted to Employees in Fiscal Year | Exercise Price per Share | Market Price on Date of Grant | Expiration Date | Potential Realizable Value At Assumed Annual Rates Of Stock Price Appreciation for Option Term | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | 0% | 5% | 10% |
| **David D. Smith** | | | | | | | | |
| **Frederick G. Smith** | | | | | | | | |
| **J. Duncan Smith** | | | | | | | | |
| **David B. Amy** | 10,000 | 3.84% | $ 11.63 | $ 11.63 | 3/1/12 | | $ 73,140 | $ 185,352 |
| **Steve Marks** | 10,000 | 3.84% | 11.63 | 11.63 | 3/1/12 | | 73,140 | 185,352 |
| **Barry Faber** | 5,000 | 1.92% | 11.63 | 11.63 | 3/1/12 | | 36,570 | 92,676 |

**Aggregated Option Exercises in Last Fiscal Year and December 31, 2002 Option Values**

The following table shows information regarding options exercised during 2002, the number of securities underlying unexercised options, and the value of in the money options outstanding on December 31, 2002.

| Name | Shares Acquired On Exercise | Value Realized | Number of Securities Underlying Unexercised Options at December 31, 2002 | | Value of Unexercised In-the-Money Options at December 31, 2002 (a) | |
|---|---|---|---|---|---|---|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| **David D. Smith** | | | 112,500 | 37,500 | $ 267,750 | $ 89,250 |
| **Frederick G. Smith** | | | | | | |
| **J. Duncan Smith** | | | | | | |
| **David B. Amy** | | | 215,000 | 105,000 | 209,550 | 14,100 |
| **Steve Marks** | | | 80,250 | 47,750 | 34,335 | 11,435 |
| **Barry Faber** | | | 55,000 | 30,000 | 33,825 | 15,975 |

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(a) An in-the-money option is an option for which the option price of the underlying stock is less than the market price at December 31, 2002, and all of the value shown reflects stock price appreciation since the granting of the option.

**Director Compensation**

Sinclair directors who also are Sinclair employees serve without additional compensation. Independent directors receive $15,000 annually. These independent directors also receive $1,000 for each meeting of the board of directors attended and $500 for each committee meeting, special meeting, unanimous consent and informal action attended. In addition, the independent directors are reimbursed for any expenses incurred in connection with their attendance at such meetings.

**Employment Agreements**

We do not have an employment agreement with David D. Smith and do not currently anticipate entering into an agreement. The compensation committee has set David Smith s base salary for 2003 at $1,000,000.

In June 1998, we entered into an employment agreement with Frederick G. Smith, Vice President of Sinclair. The agreement does not have any specified termination date, and we have the right to terminate the employment of Frederick Smith at any time, with or without cause, subject to the payment of severance payments for termination without cause. The severance payment due upon termination without cause is equal to one month s base salary in effect at the time of termination times the number of years of continuous employment by Sinclair or its predecessor. Frederick Smith receives a base salary of $190,000 and is entitled to annual incentive bonuses payable based on the attainment of certain cash flow objectives by Sinclair, as well as discretionary bonuses. The incentive bonus takes the form of stock options to acquire shares of our class A common stock pursuant to our non-qualified stock option long-term incentive plan. The agreement also contains non-competition and confidentiality restrictions on Frederick Smith.

In June 1998, we entered into an employment agreement with J. Duncan Smith, Vice President and Secretary of Sinclair. The agreement does not have any specified termination date, and we have the right to terminate the employment of Duncan Smith at any time, with or without cause, subject to the payment of severance payments for termination without cause. The severance payment due upon termination without cause is equal to one month s base salary in effect at the time of termination times the number of years of continuous employment by Sinclair or its predecessor. Duncan Smith receives a base salary of $190,000 and is entitled to annual incentive bonuses payable based on the attainment of certain cash flow objectives by Sinclair, as well as discretionary bonuses. The incentive bonus takes the form of stock options to acquire shares of our class A common stock pursuant to our non-qualified stock option long-term incentive plan. The agreement also contains non-competition and confidentiality restrictions on Duncan Smith.

In September 1998, we entered into an employment agreement with David B. Amy, Executive Vice President and Chief Financial Officer of Sinclair. The agreement does not have any specified termination date, and we have the right to terminate the employment of Mr. Amy at any time, with or without cause. The severance payment due upon termination without cause is equal to one month s base salary in effect at the time of termination times the number of years of continuous employment by Sinclair or its predecessor. Mr. Amy receives a base salary of $300,000 and may receive an annual bonus based on performance. The agreement also contains non-competition and confidentiality restrictions on Mr. Amy.

In February 2000, we entered into an employment agreement with Barry M. Faber, Vice President and General Counsel of Sinclair. The agreement does not have any specified termination date, and we have the right to terminate the employment of Mr. Faber at any time, with or without cause. The agreement also contains non-competition and confidentiality restrictions on Mr. Faber.

In February 1997, we entered into an employment agreement with Steven M. Marks, Chief Operating Officer of the Television Group at Sinclair. The agreement does not have any specified termination date, and we have the right to terminate the employment of Mr. Marks at any time, with or without cause. The agreement also contains non-competition and confidentiality restrictions on Mr. Marks.

**Compensation Committee Interlocks and Insider Participation**

Other than as follows, no named executive officer is a director of a corporation that has a director or executive officer who is also a director of Sinclair. Each of David D. Smith, Frederick G. Smith and J. Duncan Smith, all of whom are executive officers and directors of Sinclair, is a director and/or executive officer of each of various other corporations controlled by them. David D. Smith is a director and executive officer of Acrodyne Communications Inc., Sinclair Ventures, Inc., Summa Holdings, Ltd., and G1440 Inc., and a director and executive officer of Sinclair. Frederick G. Smith is a director and executive officer of Sinclair and a director of Sinclair Ventures, Inc. J. Duncan Smith is a director and executive officer of Sinclair and a director of Sinclair Ventures, Inc. David B. Amy, an executive officer of the Company, is a director of Acrodyne Communications, Inc. and G1440, Inc.

During 2002, none of the named executive officers participated in any deliberations of our compensation and stock option committee relating to compensation of the named executive officers.

The members of the compensation and stock option committee are Messrs. Thomas, Keith and McCanna. Mr. Thomas is of counsel to the law firm of Thomas & Libowitz, and is the father of Steven A. Thomas, a senior attorney and founder of Thomas & Libowitz, P.A. During 2002, we paid Thomas & Libowitz, P.A., approximately $643,000 in fees and expenses for legal services.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

There were 85,747,352 shares of common stock of Sinclair issued and outstanding on March 15, 2003 consisting of 43,996,674 shares of class A common stock and 41,705,678 shares of class B common stock. The following table shows how many shares were owned by the following categories of persons as of that date:

persons who own more than 5% of the shares;

each director and each officer described on the Summary Compensation Table ;

all directors and executive officers as a group.

| | Shares of class B Common stock Beneficially owned | | | Shares of class A Common stock Beneficially owned | | | Percent of Total Voting | |
|---|---|---|---|---|---|---|---|---|
| Name | Number | Percent | | Number | Percent (a) | | Power (b) | |
| David D. Smith (c)(d) | 11,700,926 | 28.1 | % | 11,882,802 | 21.3 | % | 25.4 | % |
| Frederick G. Smith (c)(e) | 8,843,831 | 21.2 | % | 9,435,691 | 17.9 | % | 19.3 | % |
| J. Duncan Smith (c)(f) | 11,809,800 | 28.3 | % | 11,811,593 | 21.2 | % | 25.6 | % |
| Robert E. Smith (c)(g) | 8,786,763 | 21.1 | % | 8,813,206 | 16.7 | % | 19.1 | % |
| David B. Amy (h) | | | | 292,196 | | * | | * |
| Martin R. Leader | | | | 2,000 | | | | |
| Steven M. Marks (i) | | | | 119,051 | | * | | * |
| Barry M. Faber (j) | | | | 76,640 | | * | | * |
| Basil A. Thomas | | | | 3,000 | | * | | * |
| Daniel C. Keith | | | | | | * | | * |
| Lawrence E. McCanna | | | | 600 | | * | | * |
| Barry Baker (k)<br>28 Merry Hill Ct.<br>Baltimore, MD 21208 | | | | 2,764,870 | 6.3 | % | * | |
| Neuberger Berman, LLC (l)<br>605 Third Avenue<br>New York, NY 10158 | | | | 6,148,400 | 14.0 | % | 1.3 | % |
| T. Rowe Price Associates, Inc. (m)<br>100 E. Pratt St<br>Baltimore, MD 21202 | | | | 2,375,100 | 5.4 | % | * | |
| Putnam Investments, LLC. (n)<br>One Post Office Square<br>Boston, MA 02109 | | | | 4,247,457 | 9.7 | % | * | |
| | | | | 2,189,227 | 5.0 | % | * | |

| | | | | | |
|---|---|---|---|---|---|
| Dimensional Fund Advisors<br>1299 Ocean Avenue, 11th Floor<br>Santa Monica, CA 90401 (o) | | | | | |
| Earnest Partners, LLC<br>74 Fourteenth Street, Suite 2300<br>Atlanta, GA 30309 (p) | | | 2,261,195 | 5.1 | % * |
| All directors and executive officers<br>as a group (11 persons) (q) | 41,141,320 | 98.6 | % 42,436,779 | 49.8 | % 89.5 % |

*Less than 1%

(a) Percent of class A common stock beneficially owned is calculated by taking the number of shares of class A common stock beneficially owned divided by the number of shares of class A common stock outstanding plus any class B common stock individually held.

(b) Holders of class A common stock are entitled to one vote per share and holders of class B common stock are entitled to ten votes per share except for votes relating to going private and certain other transactions. The class A common stock and the class B common stock vote altogether as a single class except as otherwise may

be required by Maryland law on all matters presented for a vote. Holders of class B common stock may at any time convert their shares into the same number of shares of class A common stock.

(c) Shares of class A common stock beneficially owned includes shares of class B common stock beneficially owned, each of which is convertible into one share of class A common stock.

(d) Includes 150,000 shares of class A common stock that may be acquired upon exercise of options.

(e) Includes 401,158 shares held in irrevocable trusts established by Frederick G. Smith for the benefit of his children and as to which Mr. Smith has the power to acquire by substitution of trust property. Absent such substitution, Mr. Smith would have no power to vote or dispose of the shares.

(f) Includes 510,000 shares held in irrevocable trusts established by J. Duncan Smith for the benefit of his children and as to which Mr. Smith has the power to acquire by substitution of trust property. Absent such substitution, Mr. Smith would have no power to vote or dispose of the shares.

(g) Includes 773,499 shares held in irrevocable trusts established by Robert E. Smith for the benefit of his children and as to which Mr. Smith has the power to acquire by substitution of trust property. Absent such substitution, Mr. Smith would have no power to vote or dispose of the shares.

(h) Includes 281,250 shares of class A common stock that may be acquired upon exercise of options.

(i) Includes 106,000 shares of class A common stock that may be aquired upon exercise of options.

(j) Includes 72,500 shares of class A common stock that may be acquired upon exercise of options.

(k) Mr. Baker s 2,764,870 shares of class A common stock may be acquired upon the exercise of options.

(l) As set forth in the Schedule 13G/A filed by Neuberger Berman, Inc. with the SEC on February 13, 2003, Neuberger Berman Inc., through its wholly-owned subsidiaries Neuberger Berman LLC and Neuberger Berman Management Inc., is deemed to be the beneficial owner of 6,148,400 shares of class A common stock and has sole voting discretion with respect to 4,198,270 of those shares. Neuberger Berman, LLC acts as an investment advisor and broker/dealer with discretion for individual securities for various unrelated clients. Neuberger Berman Management, Inc. acts as investment advisor to a series of public mutual funds.

(m) As set forth in the schedule 13G/A filed by T. Rowe Price Associates, Inc. with the SEC on February 10, 2003, T. Rowe Price Associates, Inc. is deemed to be the beneficial owner of 2,375,100 shares and has sole voting discretion with respect to 664,700 of those shares as a result of acting as investment advisor to various investment companies.

(n) As set forth in the schedule 13G/A filed by Putnam Investments, LLC with the SEC on February 14, 2003, Putnam Investments, LLC is deemed to be the beneficial holder of 4,247,457 shares.

(o) As set forth in the schedule 13G filed by Dimensional Fund Advisors, Inc. with the SEC on February 7, 2003, Dimensional Fund Advisors is deemed to be the beneficial holder of 2,189,227 shares and has sole voting discretion with respect to 2,189,227 shares.

(p) As set forth in the schedule 13G filed by Earnest Partners, LLC. with the SEC on February 12, 2003, Earnest Partners, LLC is deemed to be the beneficial holder of 2,261,195 shares and has sole voting discretion with respect to 664,700 of those shares.

(q) Includes shares of class A common stock that may be acquired upon the exercise of options.

The equity compensation plan information as of 12/31/02 was as follows:

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights as of 12/31/02 | Weighted-average exercise price of outstanding options, warrants and rights as of 12/31/02 | Number of securities remaining available for future issuance under equity compensation plans (excluding securities to be issued upon exercise of outstanding options, warrants and rights as of 12/31/02) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 6,575,258 | $ 16.64 | 8,003,810 |
| Equity compensation plans not approved by security holders | — | $ — | — |
| Total | 6,575,258 | $ 16.64 | 8,003,810 |

Further disclosure of stock option plans as of December 31, 2002 is reported on Footnote 17, Stock Based Compensation Plans, in the Accompanying Consolidated Financial Statements.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

During the fiscal year ended December 31, 2002, we engaged in the following transactions with the following persons:

directors, nominees for election as directors, or executive officers;

beneficial owners of 5% or more of our common stock;

immediate family members of any of the above; and

entities in which the above persons have substantial interests.

Gerstell LP, an entity wholly owned by the controlling stockholders, was formed in April 1993 to acquire certain of our personal and real property interests in Pennsylvania. In a transaction that was completed in September 1993, Gerstell LP acquired the WPGH office/studio, transmitter and tower site for an aggregate purchase price of $2.2 million. The purchase price was financed in part by a $2.1 million note from Gerstell LP bearing interest at 6.18% with principal payments beginning on November 1, 1994 and a final maturity date of October 1, 2013. The note bears interest at 6.18%, with principal payments beginning on November 1, 1994, and a final maturity date of October 1, 2013. As of December 31, 2002 and 2001, the balance outstanding was approximately $1.5 million and $1.6 million, respectively.

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

Principal and interest payments on the founders   notes is payable, in various amounts, each April and October, beginning October 1991 until October 2005, with a balloon payment due at maturity in the amount of $1.5 million. Additionally, monthly interest payments commenced April 1993 and continued until December 1996.  Principal and interest paid on this founders   note was $1.6 million for the year ended December 31, 2002 and, $1.7 million for each of the years ended December 31, 2001, and 2000. At December 31, 2002,  $4.2 million of this founders   note remained outstanding.  The Carolyn C. Smith note was fully paid as of December 31, 2002.

Relationship with Cunningham Broadcasting Corporation (Cunningham).  Cunningham (formerly Glencairn) is a corporation owned by

- Carolyn C. Smith, the mother of the controlling stockholders (10%), and
- certain trusts established by Carolyn C. Smith for the benefit of her grandchildren (the Cunningham Trusts) (90%).

The 90% equity interest in Cunningham owned by the Cunningham Trusts is held through the ownership of non-voting common stock.  The 10% equity interest in Cunningham owned by Carolyn C. Smith is held through the ownership of all of the issued and outstanding voting stock of Cunningham.  Mrs. Smith is Vice-President of Cunningham.

Concurrently with our initial public offering, we acquired options from certain stockholders of Cunningham that grants us the right to acquire, subject to applicable FCC rules and regulations, 100% of the capital stock of Cunningham.  The Cunningham option exercise price is based on a formula that provides a 10% annual return to Cunningham. Cunningham is the owner-operator and FCC licensee of WNUV-TV in Baltimore, WRGT-TV in Dayton, WVAH-TV in Charleston, WV, WTAT-TV in Charleston, SC, WBSC-TV in  Asheville/Greenville/Spartanburg and WTTE-TV in Columbus.  We have entered into five-year LMA agreements  (with five-year renewal terms at the Company  s option) with Cunningham pursuant to which we provide programming to Cunningham for airing on WNUV-TV, WRGT-TV, WVAH-TV, WTAT-TV, WBSC-TV and WTTE-TV.  During the years ended December 31, 2002, 2001 and 2000, we made payments of  $4.0 million, $11.8 million and $11.3 million, respectively, to Cunningham under these LMA agreements.

On November 15, 1999, the Company entered into five separate plans and agreements of merger, pursuant to which it would acquire through merger with subsidiaries of Cunningham, television broadcast stations WAMB-TV, Birmingham, Alabama, KRRT-TV, San Antonio, Texas, WVTV-TV, Milwaukee, Wisconsin, WRDC-TV, Raleigh, North Carolina and WBSC-TV (formerly WFBC-TV), Anderson, South Carolina. The consideration for these mergers is the issuance to Cunningham of shares of Class A Common voting Stock of the Company. In December 2001, the Company received FCC approval on all the transactions except for WBSC-TV. Accordingly, on February 1, 2002, the Company closed on the purchase of the FCC license and related assets of WAMB-TV, KRRT-TV, WVTV-TV and WRDC-TV. The total value of the shares issued in consideration for the approved mergers was $7.7 million.

In January 1999, SCI entered into a Local Marketing Agreement with Bay Television, Inc., which owns the television station WTTA-TV in Tampa, Florida. The controlling stockholders own a substantial portion of the equity of Bay Television, Inc. The Local Marketing Agreement provides that we deliver television programming to Bay Television, Inc., which broadcasts the programming in return for a monthly fee to Bay Television, Inc. of $143, 500. We must also make an annual payment equal to 50% of the annual broadcast cash flow, as defined in the Local Marketing Agreement of the station which is in excess of $1.7 million. This additional payment is reduced by 50% of the broadcast cash flow, as defined in the Local Marketing Agreement, that was below zero in prior calendar years. During 2002 we made payments of approximately $1.7 million related to the Local Marketing Agreement. No payment was made in 2002 related to the broadcast cash flow that exceeded $1.7 million for the year ended December 31, 2002 as it was offset by the negative broadcast cash flows of prior years.

In connection with our sale of WCWB in Pittsburgh to WPTT, Inc., WPTT, Inc. issued to us a 15-year senior secured term note of $6.0 million (the WPTT Note). We subsequently sold the WPTT Note to the late Julian S. Smith and Carolyn C. Smith, the parents of the controlling stockholders and both former stockholders of Sinclair, in exchange for the payment of $50,000 and the issuance of a $6.6 million note receivable, which bears interest at 7.21% per annum. During the year ended December 31, 2001, we received $0.5 million in interest payments on this note. At December 31, 2001, the balance on this note was $6.6 million. We acquired the assets of WCWB-TV and the note was paid in full on January 7, 2002.

During the years ended December 31, 2002, 2001 and 2000, we from time to time entered into charter arrangements to lease aircraft owned by certain controlling stockholders. During the years ended December 31, 2002, 2001 and 2000, we incurred expenses of approximately $200,000, $41,000 and $200,000 related to these arrangements, respectively.

In 1997, we entered into a lease transaction with Cunningham Communications, Inc. (CCI), a corporation wholly owned by the controlling stockholders, to lease space on a broadcast tower from CCI. In January 1991, we entered into a 10-year capital lease with Keyser Investment Group (KIG), a corporation wholly owned by the controlling stockholders, pursuant to which we lease both an administrative facility and studios for station WBFF. Additionally, in June 1991, we entered into a one-year renewable lease with KIG pursuant to which we lease parking facilities at the administrative facility. In June 1999, Sinclair entered into a ten-year capital lease with Beaver Dam LLC, a corporation wholly owned by three of the controlling stockholders, pursuant to which Sinclair leases office space for its corporate headquarters. Lease payments made to these entities were $3.6 million, $3.1 million, and $2.8 million for the years ended December 31, 2002, 2001 and 2000, respectively.

On December 30, 2002, we invested $20 million in Summa Holdings, Ltd. (Summa), resulting in a 17.5% equity interest. Summa is a holding company, which owns automobile dealerships, retail tire franchises and a leasing company. David D. Smith, our President and Chief Executive Officer, has a controlling interest in Summa and is a member of the Board of Directors. We will have significant influence by holding a board seat (in addition to the board seat held by David D. Smith). We sold advertising time to Summa on WBFF-TV and WNUV-TV and received payments totaling $0.3 million during the twelve months ended December 31, 2002 and $0.2 million during each of the twelve months ended December 31, 2001 and 2000.

In August 1999, Allegiance Capital Limited Partnership (Allegiance), with the controlling stockholders, our Chief Financial Officer and Executive Vice President and Allegiance Capital Management Corporation (ACMC), the general partner, established a small business investment company. ACMC, as the general partner, controls all decision making, investing, and management of operations in exchange for a monthly management fee based on actual expenses incurred which currently averages approximately $35,600 paid by the limited partners. We, along with the other limited partners, have committed to investing up to a combined total of $15.0 million of which $ 7.5 million was invested as of December 31, 2002.

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**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8 K**

(a) (1) Financial Statements

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

**Sinclair Broadcast Group, Inc. Financial Statements:**

Report of Independent Public Accountants

Consolidated Balance Sheets as of December 31, 2002 and 2001

Consolidated Statements of Operations for the Years Ended December 31, 2002, 2001 and 2000

Consolidated Statements of Stockholders Equity for the Years Ended December 31, 2002, 2001 and 2000

Consolidated Statements of Cash Flows for the Years Ended December 31, 2002, 2001 and 2000

Notes to Consolidated Financial Statements

**Acrodyne Communications, Inc. Financial Statements:**

Consolidated Balance Sheets as of December 31, 2002 and 2001

Consolidated Statements of Operations for the Years Ended December 31, 2002 and 2001

Consolidated Statements of Stockholders Equity for the Years Ended December 31, 2002 and 2001

Consolidated Statements of Cash Flows for the Years Ended December 31, 2002, and 2001

Notes to Consolidated Financial Statements

Report of Independent Public Accountants

Consolidated Balance Sheets as of December 31, 2001 and 2000

Consolidated Statements of Operations for the Years Ended December 31, 2001, and 2000

Consolidated Statements of Stockholders Equity for the Years Ended December 31, 2001 and 2000

Consolidated Statements of Cash Flows for the Years Ended December 31, 2001 and 2000

Notes to Consolidated Financial Statements

(a) (2) Financial Statements Schedules

The following financial statements schedules required by this item are submitted on pages S-1 through S-3 of this Report.

Index to Schedules

Report of Independent Public Accountants

Schedule II-Valuation and Qualifying Accounts

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

(a) (3) Exhibits

The exhibit index in Item 15(c) is incorporated by reference in this report.

(b) Reports on Form 8-K

| | |
|---|---|
| October 24, 2002 | Sinclair Broadcast Group, Inc. Press Release (Dated October 24, 2002) Announcing Private Securities Offering. |
| November 8, 2002 | Sinclair Broadcast Group, Inc. Press Release (Dated November 8, 2002) Sinclair Completes Debt Offering; Announces Redemption Of 9% Notes Due 2007 |
| December 3, 2002 | Sinclair Broadcast Group, Inc. Press Release (Dated December 3, 2002) Sinclair Broadcast Group Announces Intent to Issue Securities in a Private Offering |
| December 16, 2002 | Sinclair Broadcast Group, Inc. Press Release (Dated December 16, 2002) Sinclair Broadcast Group Announces Private Securities Offering |
| December 24, 2002 | Sinclair Broadcast Group, Inc. Press Release (Dated December 24, 2002) Sinclair Invests $20 Million in Summa Holdings |
| December 31, 2002 | Sinclair Broadcast Group, Inc. Press Release (Dated December 31, 2002) Sinclair Completes Debt Financings; Tenders and Announces Redemption of 8.75% Notes Due 2007 |
| January 2, 2003 | Sinclair Broadcast Group, Inc. Press Release (Dated January 2, 2003) Sinclair Makes $18 Million Deposit on Non-License Assets of WNAB-TV in Nashville |
| January 24, 2003 | Sinclair Broadcast Group, Inc. Press Release (Dated February 24, 2003) Sinclair to Exceed Fourth Quarter Estimates |
| February 13, 2003 | Sinclair Broadcast Group, Inc. Press Release (Dated February 13, 2003) Sinclair Reports Fourth Quarter and Full Year 2002 Results |

(c) Exhibits

The following exhibits are filed with this report:

| **EXHIBIT NO.** | **EXHIBIT DESCRIPTION** |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation (1) |
| 3.2 | By laws (2) |

| | |
|---|---|
| 3.3 | Informal Action of the Board of Directors of Sinclair Broadcast Group, Inc., dated March 31, 2003. |
| 4.1 | Indenture, dated as of December 9, 1993, among Sinclair Broadcast Group, Inc., its wholly-owned subsidiaries and First Union Nation Bank of North Carolina, as trustee. (2) |
| 4.2 | Indenture, dated as of August 28, 1995, among Sinclair Broadcast Group, Inc., its wholly-owned subsidiaries and the United States Trust Company of New York as trustee. (2) |
| 4.3 | First Supplemental Indenture, dated as of December 17, 1997, among Sinclair Broadcast Group, Inc., the Guarantors named therein and First Union National Bank, as trustee, including Form of Note. (3) |
| 4.4 | Indenture, dated as of December 10, 2001, among Sinclair Broadcast Group, Inc., the Guarantors named therein, and First Union National Bank as trustee. |
| 4.5 | Indenture, dated as of March 14, 2002, among Sinclair Broadcast Group, Inc., the Guarantors named therein, and First Union National Bank as trustee. |

| | |
|---|---|
| 10.1 | Stock Option Agreement, dated April 10, 1996 by and between Sinclair Broadcast Group, Inc. and Barry Baker. (4) |
| 10.2 | Termination Agreement by and between Sinclair Broadcast Group, Inc., and Barry Baker, dated February 8, 1999. (6) |
| 10.3 | Registration Rights Agreement, dated as of May 31, 1996, by and between Sinclair Broadcast Group Inc. and River City Broadcasting, L.P. (5) |
| 10.4 | Letter Agreement, dated August 20, 1996, between Sinclair Broadcast Group, Inc., and River City Broadcasting, L.P. and FOX Broadcasting Company. (7) |
| 10.5 | Term Note, dated as of September 30, 1990, in the principal amount of $7,515,000 between Sinclair Broadcast Group, Inc. (as borrower) and Julian S. Smith (as lender). (9) |
| 10.6 | Replacement Term Note, dated as of September 30, 1990 in the principal amount of $6,700,000 between Sinclair Broadcast Group, Inc. (as borrower) and Carolyn C. Smith (as lender). (2) |
| 10.7 | Term Note, dated August 1, 1992 in the principal amount of $900,000 between Frederick G. Smith, David D. Smith, J. Duncan Smith and Robert E. Smith (as borrowers) and Commercial Radio Institute, Inc. (as lender). (8) |
| 10.8 | Promissory Note, dated as of December 28, 1986 in the principal amount of $6,421,483.53 between Sinclair Broadcast Group, Inc. (as maker) and Frederick H. Himes, B. Stanley Resnick and Edward A. Johnson (as representatives for the holders). (8) |
| 10.9 | Restatement of Stock Redemption Agreement by and among Sinclair Broadcast Group, Inc. and Chesapeake Television, Inc., et al., dated June 19, 1990. (8) |
| 10.10 | Corporate Guaranty Agreement, dated as of September 30, 1990 by Chesapeake Television, Inc., Commercial Radio, Inc., Channel 63, Inc. and WTTE, Channel 28, Inc. (as guarantors) to Julian S. Smith and Carolyn C. Smith (as lenders). (8) |
| 10.11 | Security Agreement, dated as of September 30, 1999 among Sinclair Broadcast Group, Inc., Chesapeake Television, Inc., Commercial Radio Institute, Inc., WTTE, Channel 28, Inc. and Channel 63, Inc. (as borrowers and subsidiaries of the borrower) and Julian S. Smith and Carolyn C. Smith (as lenders). (8) |
| 10.12 | Term Note, dated as of September 22, 1993, in the principal amount of $1,900,000 between Gerstell Development Limited Partnership (as maker-borrower) and Sinclair Broadcast Group, Inc. (as holder-lender). (8) |
| 10.13 | Credit Agreement, dated as of May 28, 1998, by and among Sinclair Broadcast Group, Inc., Certain Subsidiary Guarantors, Certain Lenders, the Chase Manhattan Bank as Administrative Agent, Nations Bank of Texas, N.A. as Documentation Agent and Chase Securities Inc. as Arranger. (1) |
| 10.14 | Incentive Stock Option Plan for Designated Participants. (2) |
| 10.15 | Incentive Stock Option Plan of Sinclair Broadcast Group, Inc. (2) |
| 10.16 | First Amendment to Incentive Stock Option Plan of Sinclair Broadcast Group, Inc., adopted April 10, 1996. (4) |
| 10.17 | Second Amendment to Incentive Stock Option Plan of Sinclair Broadcast Group, Inc., adopted May 31, 1996. (4) |
| 10.18 | 1996 Long Term Incentive Plan of Sinclair Broadcast Group, Inc. (4) |
| 10.19 | First Amendment to 1996 Long Term Incentive Plan of Sinclair Broadcast Group, Inc. (10) |

| | |
|---|---|
| 10.20 | Primary Television Affiliation Agreement, dated as of March 24, 1997 by and between American Broadcasting Companies, Inc., River City Broadcasting, L.P. and Chesapeake Television, Inc. (11) |
| 10.21 | Primary Television Affiliation Agreement, dated as of March 24, 1997 by and between American Broadcasting Companies, Inc., River City Broadcasting, L.P. and WPGH, Inc. (11) |
| 10.22 | Stock Purchase Agreement by and among the sole stockholders of Montecito Broadcasting Corporation, Montecito Broadcasting Corporation and Sinclair Communications, Inc. dated as of February 3, 1998. (12) |
| 10.23 | Agreement and Plan of Merger among Sullivan Broadcasting Company II, Inc., Sinclair Broadcast Group, Inc., and ABRY Partners, Inc. Effective as of February 23, 1998. (11). |

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|---|---|
| 10.24 | Agreement and Plan of Merger among Sullivan Broadcasting Holdings, Inc., Sinclair Broadcast Group, Inc., and ABRY Partners, Inc. Effective as of February 23, 1998. (11). |
| 10.25 | Employment Agreement by and between Sinclair Broadcast Group, Inc. and Frederick G. Smith, dated June 12, 1998. (12) |
| 10.26 | Employment Agreement by and between Sinclair Broadcast Group, Inc. and J. Duncan Smith, dated June 12, 1998. (12) |
| 10.27 | Employment Agreement by and between Sinclair Broadcast Group, Inc. and David B. Amy, dated September 15, 1998. (12) |
| 10.28 | Employment Agreement by and between Sinclair Communications, Inc. and Barry Drake, dated February 21, 1997. (12) |
| 10.29 | First Amendment to Employment Agreement, by and between Sinclair Broadcast Group, Inc. and Barry Baker, dated May 1998. (6) |
| 10.30 | Purchase Agreement by and between Sinclair Communications, Inc. and STC Broadcasting, Inc. dated as of March 5, 1999. (6) |
| 10.31 | Second Modification Agreement dated April 30, 1999 by and between Guy Gannett Communications and Sinclair Communications, Inc., to modify the Purchase Agreement dated September 4, 1998 by and between Guy Gannett Communications and Sinclair Communications Inc., as thereafter amended and modified. (13) |
| 10.32 | Asset Purchase Agreement dated August 18, 1999 by and between Sinclair Communications, Inc. and certain of its affiliates named therein and Entercom Communications Corp. (13) |
| 10.33 | Asset Purchase Agreement dated August 20, 1999 among Sinclair Communications, Inc., Sinclair Media III, Inc., Sinclair Radio of Kansas City Licensee, LLC and Entercom Communications Corp. (13) |
| 10.34 | Amendment to Purchase Agreement, dated March 16, 1999, to amend Purchase Agreement dated as of September 4, 1998 by and between Guy Gannett Communications and Sinclair Communications, Inc. (13) |
| 10.35 | Modification Agreement dated April 12, 1999 by and between Guy Gannett Communications and Sinclair Communications, Inc., to modify the Purchase Agreement dated September 4, 1998 by and between Guy Gannett Communications and Sinclair Communications, Inc., as thereafter amended. (13) |
| 10.36 | Purchase Agreement dated March 16, 1999, by and between Sinclair Communications, Inc. and STC Broadcasting, Inc. (13) |
| 10.37 | Amended and Restated Purchase Agreement dated August 20, 1999 among Sinclair Communications, Inc. and certain of its affiliates named therein and Entercom Communications Corp. (13) |
| 10.38 | Asset Purchase Agreement among Sinclair Broadcast Group, Inc. and Sinclair Radio of St. Louis, Inc. and Sinclair Radio of St. Louis Licensee, LLC as Sellers, and Emmis Communications Corporation as Buyer dated June 21, 2000. (14) |
| 10.39 | Amendment and Restatement Credit Agreement, dated May 9, 2001. (15) |
| 10.40 | Amendment No. 1-1998 Bank Credit Agreement Amendment dated October 31, 2001. (16) |
| 10.41 | Asset Purchase Agreement dated April 18, 2002 among Sinclair Broadcast Group, Inc., Sinclair Communications, Inc., Sinclair Media II, Inc., and SCI-Indiana Licensee, LLC, as sellers and Tribune Broadcasting Company as buyer. (17) |
| 10.42 | Credit Agreement dated as of July 15, 2002, between Sinclair Broadcast Group, Inc., the Subsidiary Guarantors Party Hereto, the Lenders Party Hereto, JP Morgan Chase Bank, as Administrative Agent. (18) |

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| 10.43 | Registration Rights Agreement, dated as of November 8, 2002, by and among Sinclair Broadcast Group, Inc., the Guarantors, and Deutsche Bank Securities Inc., Wachovia Securities, Inc., J.P. Morgan Securities Inc., BNP Paribas Securities Corp., LehmanBrothers Inc., and UBS Warburg LLC. (19) |
| 10.44 | Registration Rights Agreement, dated as of December 31, 2002, by and among Sinclair Broadcast Group, Inc., the Guarantors, and J.P. Morgan Securities Inc., Deutsche Bank Securities Inc., Wachovia Securities, Inc. and UBS Warburg LLC. (19) |
| 10.45 | Series A-1 Incremental Loan Amendment dated as of December 31, 2002 to the Credit Agreement, between Sinclair Broadcast Group, Inc., the Series A 1 Incremental Lenders party hereto and to said |

| | |
|---|---|
| | Credit Agreement (including each Person that becomes a Series A-1 Incremental Lender pursuant to a Lender Addendum), and JPMorgan Chase Bank, as Administrative Agent. (19) |
| 10.46 | Subscription Agreement, effective as of January 1, 2003 by and between Acrodyne Communications, Inc., a Delaware corporation, and Sinclair Broadcast Group, Inc., a Maryland corporation. (20) |
| 10.47 | Modification Agreement dated as of January 2, 2003, by and among Nashville Broadcasting Limited Partnership, a Tennessee limited partnership, Nashville License Holdings, LLC, a Delaware limited liability company, and Sinclair Television of Nashville, Inc., a Tennessee corporation. (19) |
| 10.48 | Series A Preferred Stock Purchase Agreement dated as of December 23, 2002 is entered into by and among Summa Holdings, Ltd., a Maryland corporation, and Sinclair Broadcast Group, Inc., a Maryland corporation. (19) |
| 10.49 | Employment Agreement dated as of February 28, 2000, between Sinclair Communications, Inc., a Maryland corporation, and Barry M. Faber. (19) |
| 10.50 | Employment Agreement dated as of February 21, 1997, between Sinclair Communications, Inc., a Maryland corporation, and Steven Marks. (19) |
| 10.51 | Form of Fox Broadcasting Company Station Affiliation Agreement. (19) |
| 11 | Statement re computation of per share earnings (19) |
| 12 | Computation of Ratio of Earnings to Fixed Charges (19) |
| 21 | Subsidiaries of the Registrant (19) |
| 23 | Consent of Independent Public Accountants (Sinclair Broadcast Group, Inc.) |
| 99.1 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the CEO. |
| 99.2 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the CFO. |

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

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

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

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

(5) Incorporated by reference from Sinclair s Report on Form 10 Q for the quarter ended June 30, 1996.

(6) Incorporated by reference from Sinclair s Report on Form 10 K for the year ended December 31, 1998.

(7) Incorporated by reference from Sinclair s Report on Form 10 Q for the quarter ended September 30, 1996.

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

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

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

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

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

(13) Incorporated by reference from Sinclair s Report on Form 10 Q for the quarter ended September 20, 1999.

(14) Incorporated by reference from Sinclair s Report on Form 10-K for the year ended December 31, 2000.

(15) Incorporated by reference from Sinclair s Report on Form 8-K filed on September 26, 2001.

(16) Incorporated by reference from Sinclair s Report on Form 10-Q for the quarter ended September 30, 2001.

(17) Incorporated by reference from Sinclair s Report on Form 10-Q for the quarter ended March 31, 2002.

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

(19) Previously filed.

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

(d) Financial Statements Schedules

The financial statement schedules required by this Item are listed under Item 15 (a) (2).

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10 K/A to be signed on its behalf by the undersigned, thereunto duly authorized on this 31st day of March 2003.

SINCLAIR BROADCAST GROUP, INC.

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

**POWER OF ATTORNEY**

I, David D. Smith, certify that:

1. I have reviewed this annual report on Form 10-K/A of Sinclair Broadcast Group, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

A) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

B) evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

C) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of registrant s board of directors (or persons performing the equivalent functions):

A) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

B) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls; and

6. The registrant s other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weakness.

Date: March 31, 2003

/s/ David D. Smith

Signature: David D. Smith,<br>President & Chief Executive Officer

I, David B. Amy, certify that:

1. I have reviewed this annual report on Form 10-K/A of Sinclair Broadcast Group, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

A) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

B) evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

C) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of registrant s board of directors (or persons performing the equivalent functions):

A) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

B) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls; and

6. The registrant s other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weakness.

Date: March 31, 2003

/s/ David B. Amy

Signature: David B. Amy,
ExecutiveVice President & Chief Financial Officer

**SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES**

## INDEX TO FINANCIAL STATEMENTS

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

Report of Independent Public Accountants

Consolidated Balance Sheets as of December 31, 2002 and 2001

Consolidated Statements of Operations for the Years Ended December 31, 2002, 2001 and 2000

Consolidated Statements of Stockholders   Equity for the Years Ended December 31, 2002, 2001 and 2000

Consolidated Statements of Cash Flows for the Years Ended December 31, 2002, 2001 and 2000

Notes to Consolidated Financial Statements

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Stockholders of

Sinclair Broadcast Group, Inc.:

We have audited the accompanying consolidated balance sheets of Sinclair Broadcast Group, Inc. (a Maryland corporation) and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders equity and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sinclair Broadcast Group, Inc. and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

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

As discussed in note 8 to the notes to the consolidated financial statements, the Company changed its method of accounting for derivative transactions effective January 1, 2001.

/s/ ERNST & YOUNG LLP

Baltimore, Maryland
February 10, 2003

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**SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**(in thousands)**

| | As of December 31, | |
|---|---|---|
| | **2002** | **2001** |
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 5,327 | $ 32,063 |
| Accounts receivable, net of allowance for doubtful accounts of $5,946 and $6,222, respectively | 147,002 | 143,811 |
| Current portion of program contract costs | 76,472 | 82,850 |
| Taxes receivable | 38,906 | 44,789 |
| Prepaid expenses and other current assets | 20,807 | 18,050 |
| Deferred barter costs | 2,539 | 3,026 |
| Assets held for sale | — | 128,394 |
| Deferred tax assets | 6,001 | 2,014 |
| Total current assets | 297,054 | 454,997 |
| | | |
| PROGRAM CONTRACT COSTS, less current portion | 51,229 | 63,167 |
| LOANS TO OFFICERS AND AFFILIATES | 1,489 | 7,916 |
| PROPERTY AND EQUIPMENT, net | 337,250 | 281,651 |
| OTHER ASSETS | 91,119 | 105,894 |
| GOODWILL | 1,122,982 | 1,656,868 |
| BROADCAST LICENSES | 429,928 | 421,914 |
| DEFINITE-LIVED INTANGIBLE ASSETS, net | 275,722 | 297,019 |
| Total Assets | $ 2,606,773 | $ 3,289,426 |
| | | |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 15,573 | $ 29,316 |
| Accrued liabilities | 64,165 | 63,623 |
| Notes payable, capital leases, and commercial bank financing | 292 | 182 |
| Notes and capital leases payable to affiliates | 4,157 | 7,086 |
| Current portion of program contracts payable | 121,396 | 111,069 |
| Deferred barter revenues | 2,971 | 3,548 |
| Liabilities held for sale | — | 20,823 |
| Total current liabilities | 208,554 | 235,647 |
| | | |
| LONG-TERM LIABILITIES: | | |
| Notes payable, capital leases, and commercial bank financing, less current portion | 1,518,690 | 1,645,138 |
| Notes and capital leases payable to affiliates, less current portion | 28,831 | 33,224 |
| Program contracts payable, less current portion | 124,658 | 127,958 |
| Deferred tax liabilities | 173,209 | 157,474 |

| | | | | |
|---|---|---|---|---|
| Other long-term liabilities | | 138,905 | | 113,691 |
| | | | | |
| Total liabilities | | 2,192,847 | | 2,313,132 |
| MINORITY INTEREST IN CONSOLIDATED ENTITIES | | 2,746 | | 4,334 |
| COMMITMENTS AND CONTINGENCIES | | | | |
| COMPANY OBLIGATED MANDATORILY REDEEMABLE SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY KDSM SENIOR DEBENTURES | | 200,000 | | 200,000 |
| | | | | |
| STOCKHOLDERS EQUITY: | | | | |
| Series D Preferred Stock, $.01 par value, 3,450,000 shares authorized, issued and outstanding; liquidation preference of $172,500,000 | | 35 | | 35 |
| Class A Common Stock, $.01 par value, 500,000,000 shares authorized and 43,866,259 and 41,088,992 shares issued and outstanding, respectively | | 439 | | 411 |
| Class B Common Stock, $.01 par value, 140,000,000 shares authorized and 41,705,678 and 43,219,035 shares issued and outstanding, respectively | | 417 | | 432 |
| Additional paid-in capital | | 760,478 | | 748,353 |
| Additional paid-in capital deferred compensation | | (551) | | (1,452) |
| Retained (deficit) earnings | | (547,958) | | 26,886 |
| Accumulated other comprehensive loss | | (1,680) | | (2,705) |
| Total stockholders equity | | 211,180 | | 771,960 |
| Total Liabilities and Stockholders Equity | $ | 2,606,773 | $ | 3,289,426 |

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

**SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000**

**(in thousands, except per share data)**

| | 2002 | 2001 | 2000 |
|---|---|---|---|
| REVENUES | | | - |
| Station broadcast revenues, net of agency commissions of $104,409, $96,932 and $111,435, respectively | $ 670,534 | $ 623,837 | $ 699,422 |
| Revenues realized from station barter arrangements | 60,911 | 53,889 | 54,595 |
| Other revenue | 4,344 | 6,925 | 4,494 |
| Total revenues | 735,789 | 684,651 | 758,511 |
| OPERATING EXPENSES: | | | |
| Program and production | 140,060 | 142,696 | 149,048 |
| Selling, general and administrative | 169,194 | 168,798 | 171,769 |
| Expenses recognized from station barter arrangements | 54,567 | 48,159 | 48,543 |
| Amortization of program contract costs and net realizable value adjustments | 125,264 | 110,265 | 89,123 |
| Stock-based compensation | 1,399 | 1,559 | 1,762 |
| Depreciation and amortization of property and equipment | 41,219 | 37,802 | 37,081 |
| Amortization of definite-lived intangible assets and other assets | 19,456 | 112,459 | 104,685 |
| Impairment and write down charge of long-lived assets | — | 16,075 | |
| Restructuring costs | — | 3,700 | |
| Contract termination costs | — | 5,135 | |
| Cumulative adjustment for change in assets held for sale | — | | 619 |
| Total operating expenses | 551,159 | 646,648 | 602,630 |
| Operating income | 184,630 | 38,003 | 155,881 |
| OTHER INCOME (EXPENSE): | | | |
| Interest and amortization of deferred financing costs and debt discount | (126,500) | (143,574) | (152,219) |
| Subsidiary trust minority interest expense | (23,890) | (23,890) | (23,890) |
| Net gain (loss) on sale of broadcast assets | (478) | 204 | |
| Loss on derivative instrument | (30,939) | (32,220) | (296) |
| Interest income | 1,485 | 2,643 | 2,644 |
| Loss related to investments | (1,189) | (7,616) | (16,764) |
| Other income | 2,100 | 1,115 | 168 |
| Income (loss) before income taxes | 5,219 | (165,335) | (34,476) |
| (PROVISION) BENEFIT FOR INCOME TAXES | (1,369) | 51,875 | (3,355) |
| Net income (loss) from continuing operations | 3,850 | (113,460) | (37,831) |
| DISCONTINUED OPERATIONS: | | | |
| Income (loss) from discontinued operations, net of related income tax provision of $347, $193 and $4,711 respectively | 372 | (52) | 6,932 |
| Gain on disposal of discontinued operations, net of taxes of $8,175, $0, and $69,870, respectively | 7,519 | | 108,264 |
| EXTRAORDINARY ITEM: | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Loss on early extinguishment of debt, net of related income taxbenefit of $5,531 and $7,800 respectively | | (9,831) | | (14,210) | | |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, net of tax benefit of $30,383 | | (566,404) | | — | | — |
| NET (LOSS) INCOME | | (564,494) | | (127,722) | | 77,365 |
| PREFERRED STOCK DIVIDENDS | | 10,350 | | 10,350 | | 10,350 |
| NET (LOSS) INCOME AVAILABLE TO COMMON SHAREHOLDERS | $ | (574,844) | $ | (138,072) | $ | 67,015 |
| | | | | | | |
| BASIC EARNINGS (LOSS) PER SHARE: | | | | | | |
| Loss per share from continuing operations | $ | (0.08) | $ | (1.47) | $ | (0.53) |
| Earnings per share from discontinued operations | $ | 0.09 | $ | | $ | 1.26 |
| Loss per share from extraordinary item | $ | (0.12) | $ | (0.17) | $ | |
| Loss per share from cumulative effect of change in accounting principle | $ | (6.64) | $ | | $ | |
| (Loss) income per common share | $ | (6.74) | $ | (1.64) | $ | 0.73 |
| Weighted average common shares outstanding | | 85,337 | | 84,352 | | 91,405 |
| DILUTED EARNINGS (LOSS) PER SHARE: | | | | | | |
| Earnings (loss) per share from continuing operations | $ | (0.08) | $ | (1.47) | $ | (0.53) |
| Earnings per share from discontinued operations | $ | 0.09 | $ | | $ | 1.26 |
| Loss per share from extraordinary item | $ | (0.12) | $ | (0.17) | $ | |
| Loss per share from cumulative effect of change in accounting principle | $ | (6.64) | $ | | $ | |
| (Loss) income per common share | $ | (6.74) | $ | (1.64) | $ | 0.73 |
| Weighted average common and common equivalent shares outstanding | | 85,580 | | 84,624 | | 92,487 |

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

**SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000**

**(in thousands)**

| | Series D Preferred Stock | Class A Common Stock | Class B Common Stock | Additional Paid-In Capital | Additional Paid-In Capital -Equity Put Options | Additional Paid-In Capital -Deferred Compensation | Retained Earnings (Accumulated Deficit) | Other Comprehnsive Loss | Total Stockholders Equity |
|---|---|---|---|---|---|---|---|---|---|
| BALANCE, December 31, 1999 | $ 35 | $ 491 | $ 476 | $ 834,393 | $ 46,068 | ($4,489) | $ 97,943 | — | $ 974,917 |
| Class B Common Stock converted into Class A Common Stock | — | 21 | (21) | — | — | — | — | | |