Spreading the news

2002 annual report

SINCLAIR BROADCAST GROUP

Letter to Our Shareholders

In the past, I have used the Chairman's Letter as an opportunity to highlight significant company and industry events occurring during the year and, although we once again had many highlights for you in 2002, I thought it would be more valuable if I used this time to talk about my vision for the Company. However, as I write this letter, U.S. troops have been engaged in war in Iraq, an effort known as Operation Iraqi Freedom. As a major news broadcaster, we are proud to have brought the American people the unfolding of this historic event and the valiant efforts of our troops, and we thank them for protecting our own freedoms.

As broadcasters, we will be at a crossroad, faced with the decision in what direction to take our companies. Technological advances, deregulation of the broadcast ownership rules, and cash flow generation implore us to explore new ways to grow market share and to utilize free cash flow to generate higher returns. We believe the road to future growth lies in the local markets and our ability to better access local advertising dollars and to build dominant local businesses that interact with our television platform. This has been our charge over the past couple of years and this will continue to be our charge in the future.

One such initiative we are implementing involves the roll-out of local news programming. It is our belief that 25% to 30% of local advertising dollars are earmarked for commercial spots in news programming. We estimate that in our markets where we currently do not have the news, there is approximately $400 to $500 million of revenues for which we can not compete. To further complicate matters, in smaller markets, market revenues may not be sufficient to support the high costs of producing a newscast. For us, producing news in 26 markets, many of those costs, such as news gathering, weather, graphics and national news reporting are redundant and costly.

In an effort to tap into the additional market revenues, but at a modest cost structure that can support a profitable and high quality newscast, we created News Central, a centralized news service, located at our headquarters in Baltimore. Launched in October at WSMH-TV (FOX 66) in Flint, Michigan, News Central produces and distributes national and regional news, sports and weather to our stations using current technology that allows repetitive efforts to be eliminated or reduced. This structure allows the local station to focus completely on reporting local news stories that affect their community.

Under this model, repetitive costs are eliminated and the News Central costs are spread over the entire news platform thereby enabling us to produce a quality newscast at an estimated 50% reduction compared to the cost of a traditional or stand-alone news structure. From the revenue side, expanding news into our non-news markets allows us to compete for the news advertising and should enable us to capture a portion of the political advertising dollars, which typically flow into news programming. Longer-term, additional cost benefits should be realized as our news content replaces our need for syndicated programming. Our goal for this year is to add news in eight markets, convert five existing markets, and add additional news dayparts in nine existing markets, all using the News Central format.

According to research, the total advertising dollars spent annually across all forms of media is about $231 billion, with broadcast television receiving approximately $21 billion, or 9%. We believe that there are significant growth opportunities from converting non-television advertisers to our medium. Initially, we intend to focus on converting direct mail advertisers, which is approximately a $45 billion local market business. Last year, we generated almost $7 million in new business from advertisers who had never advertised on television. This year, we expect to more than double that amount and that's with using our existing sales force. We estimate we can produce 60% to 70% margins on this business and, with meaningful growth potential, we intend to aggressively pursue this initiative.

As many of you are aware, the television broadcasting business produces significant amounts of free cash flow; amounts which are expected to grow as we complete our digital television investment and implement our new product initiatives. Yes, we expect deregulation of the broadcast ownership rules and industry consolidation to occur and, yes, our intent is to duopolize our single station markets and exit those markets that do not necessarily conform to our long term view, but once consolidation is over, we are still faced with the question of how best to put our cash flow to work.

There are many financial alternatives available to us. We could buyback stock, pay down debt, pay dividends or do nothing and pay a significant portion of our free cash flow to the government in the form of taxes, but those who have followed our company over the years know that we are consolidators and builders of businesses. Don't get us wrong, we have done many financial transactions in the past and will continue to evaluate them in the future, and in the end, how we deploy our cash will depend in part on which financial or investment alternatives may yield higher rates of returns.

That's part of the reason why we invested $20 million in Summa, the largest automobile retailer in the Baltimore marketplace. I have personally invested in them since 1997, realizing high returns on my investment and over the years have become educated in and comfortable with the space. The auto sector represents broadcasters' largest advertising category. Through our investment, we can now potentially impact the flow of Summa's advertising dollars as it relates to our television stations in markets where we overlap. In addition, our investment provides them initial financial backing to consolidate other markets, similar to what we have done in television. We believe there is significant opportunity for us to invest in such ventures and build value. The auto retail space is an extremely fragmented business that hasn't even begun to reap the benefits of consolidation. And, when you consider that auto dealers can currently be acquired at prices that are 2 to 4 times less than what a television station costs in order to get the same cash flow, then it economically makes sense for us to further explore such investments.

As we look out over the next five years, we see meaningful opportunities for us to tap into the local advertising universe through our news and direct mail conversion initiatives. But, we also recognize that those cash flows need to be reinvested in assets that generate acceptable rates of return and long term stability.

We thank you for your continued support and look forward to our future successes.

David D. Smith

David Smith

Chairman, President and CEO

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TELEVISION BROADCASTING

Markets and Stations

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

Market	Market Rank (a)	Stations	Status (b)	Channel	Affiliation	Number of Commercial Stations in the Market (c)	Station Rank (d)	Digital Broadcast Status (m)	Expiration Date of FCC License
Tampa, Florida	13	WTTA	LMA	38	WB	9	6	D	2/1/05
Minneapolis/St. Paul, Minnesota	14	KMWB	O&O	23	WB	7	6	D	4/1/06
Sacramento, California	19	KOVR	O&O	13	CBS	6	2	D	12/1/06
Pittsburgh, Pennsylvania	21	WPGH	O&O	53	FOX	7	4	D	8/1/07
		WCWB	O&O	22	WB		5	D	8/1/07
St. Louis, Missouri	22	KDNL	O&O	30	ABC	5	5	D	2/1/06
Baltimore, Maryland	24	WBFF	O&O	45	FOX	6	4	D	10/1/04
		WNUV	LMA	54	WB		5	D	10/1/04
Raleigh-Durham, North Carolina	29	WLFL	O&O	22	WB	7	6	D	12/1/04
		WRDC	O&O	28	UPN		5	D	12/1/04
Nashville, Tennessee	30	WZTV	O&O	17	FOX	6	4	D	8/1/05
		WUXP	O&O	30	UPN		5	D	8/1/05
		WNAB	OSA(e)	58	WB		6	D	8/1/05
Milwaukee, Wisconsin	31	WCGV	O&O	24	UPN	7	5	D	12/1/05
		WVTV	O&O	18	WB		6	D	12/1/05
Cincinnati, Ohio	32	WSTR	O&O	64	WB	6	5	D	10/1/05
Kansas City, Missouri	33	KSMO	O&O	62	WB	7	5	D	2/1/06
Columbus, Ohio	34	WSYX	O&O	6	ABC	5	4	D	10/1/05
		WTTE	LMA	28	FOX		3	D	10/1/05
Asheville, North Carolina and Greenville/Spartanburg/ Anderson, South Carolina	35	WBSC	LMA (f)	40	WB	7	6	D	12/1/04
		WLOS	O&O	13	ABC		3	D	12/1/04
San Antonio, Texas	37	KABB	O&O	29	FOX	7	4	D	8/1/06
		KRRT	O&O	35	WB		5	D	8/1/06
Birmingham, Alabama	40	WTTO	O&O	21	WB	7	5	D	4/1/05
		WABM	O&O	68	UPN		6	D	4/1/05
		WDBB	LMA (g)	17	WB		5	D	4/1/05
Norfolk, Virginia	41	WTVZ	O&O	33	WB	7	6	D	10/1/04
Buffalo, New York	44	WUTV	O&O	29	FOX	6	4	P	6/1/07
		WNYO	O&O	49	WB		5	P	6/1/07
Oklahoma City, Oklahoma	45	KOCB	O&O	34	WB	8	5	D	6/1/06
		KOKH	O&O	25	FOX		4	D	6/1/06
Greensboro/Winston-Salem, Highpoint, North Carolina	46	WXLV	O&O	45	ABC	7	4	D	12/1/04
		WUPN	O&O	48	UPN		6	D	12/1/04
Las Vegas, Nevada	52	KVWB	O&O	21	WB	7	5	D	10/1/06
		KFBT	O&O	33	IND (h)		7	D	10/1/06
Dayton, Ohio	58	WKEF	O&O	22	NBC	6	3	D	10/1/05
		WRGT	LMA	45	FOX		4	D	10/1/05
Richmond, Virginia	59	WRLH	O&O	35	FOX	5	4	D	10/1/04
Charleston and Huntington, West Virginia	61	WCHS	O&O	8	ABC	5	3	D	10/1/04
		WVAH	LMA	11	FOX		4	D	10/1/04
Mobile, Alabama and Pensacola, Florida	62	WEAR	O&O	3	ABC	7	4	D	2/1/05
		WFGX	LMA	35	IND (h)		7	P	2/1/05

Market	Market Rank (a)	Stations	Status (b)	Channel	Affiliation	Number of Commercial Stations in the Market (c)	Station Rank (d)	Digital Broadcast Status (m)	Expiration Date of FCC License
Flint/Saginaw/Bay City, Michigan	64	WSMH	O&O	66	FOX	4	4	P	10/1/05
Lexington, Kentucky	65	WDKY	O&O	56	FOX	5	4	D	8/1/05
Des Moines, Iowa	72	KDSM	O&O	17	FOX	5	4	D	2/1/06
Cape Girardeau, Missouri/ Paducah, Kentucky	75	KBSI	O&O	23	FOX	5	4	D	2/1/06
		WDKA	LMA	49	WB		5	D	8/1/05
Portland, Maine	76	WGME	O&O	13	CBS	5	2	D	4/1/07
Rochester, New York	77	WUHF	O&O	31	FOX	5	4	P	6/1/07
Syracuse, New York	80	WSYT	O&O	68	FOX	5	4	D	6/1/07
		WNYS	LMA	43	WB		5	P	6/1/07
Springfield/Champaign, Illinois	82	WICS	O&O	20	NBC	6	2	D	12/1/05
		WICD	O&O	15	NBC		2(i)	D	12/1/05
Madison, Wisconsin	86	WMSN	O&O	47	FOX	5	4	D	12/1/05
Cedar Rapids, Iowa	88	KGAN	O&O(j)	2	CBS	5	3	D	2/1/06
Tri-Cities, Tennessee	90	WEMT	O&O	39	FOX	6	3	D	8/1/05
Charleston, South Carolina	105	WMMP	O&O	36	UPN	5	5	D	12/1/04
		WTAT	LMA	24	FOX		4	D	12/1/04
Springfield, Massachusetts	106	WGGB	O&O	40	ABC	2	2	D	4/1/07
Tallahassee, Florida	107	WTWC	O&O	40	NBC	5	3	D	2/1/05
		WTXL	OSA (k)	27	ABC		2	D	2/1/05
Peoria/Bloomington, Illinois	117	WYZZ	O&O (l)	43	FOX	5	4	D	12/1/05

(a) Rankings are based on the relative size of a station's designated market area (DMA) among the 210 generally recognized DMAs in the United States as estimated by Nielsen as of February 2003.

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

(c) Represents the estimated number of television stations designated by Nielsen as "local" to the DMA, excluding public television stations and stations that do not meet the minimum Nielsen reporting standards (weekly cumulative audience of at least 0.1%) for the Monday-Sunday, 7:00 a.m. to 1:00 a.m. time period as of February 2003.

(d) The rank of each station in its market is based upon the February 2003 Nielsen estimates of the percentage of persons tuned to each station in the market from 7:00 a.m. to 1:00 a.m., Monday-Sunday.

(e) Sinclair has entered into a five-year outsourcing agreement with the unrelated third party owner of WNAB-TV to provide certain non-programming related sales, operational and administrative services to WNAB-TV.

(f) The license assets for this station are currently owned by Cunningham Broadcasting Corporation (formerly Glencairn, Ltd.) or one of its subsidiaries and we intend to acquire these assets upon FCC approval. The FCC denied our application to acquire the license of this station and we have filed a motion for reconsideration of that decision.

(g) WDBB-TV simulcasts the programming broadcast on WTTO-TV pursuant to a local marketing agreement.

(h) "IND" or "Independent" refers to a station that is not affiliated with any of ABC, CBS, NBC, Fox, WB, or UPN.

(i) WICD-TV, a satellite of WICS-TV, under FCC rules, simulcasts all of the programming aired on WICS-TV and the station rank applies to the combined viewership of these stations.

(j) Sinclair has entered into a five-year outsourcing agreement with an unrelated third party under which the unrelated third party provides certain non-programming related sales, operational and managerial services to KGAN-TV. Sinclair continues to own all of the assets of KGAN-TV and to program and control the station's operations.

(k) Sinclair has entered into a five-year outsourcing agreement with the unrelated third party owner of WTXL-TV to provide certain non-programming related sales, operational and managerial services for WTXL-TV.

(l) Sinclair has entered into a seven-year outsourcing agreement with an unrelated third party, under which the unrelated third party provides certain non-programming related sales, operational and managerial services to WYZZ-TV. Sinclair continues to own all of the assets of WYZZ-TV and to program and control the station's operations.

(m) All stations currently broadcast an analog signal. In addition, many stations broadcast a digital signal. "D" refers to stations that currently broadcast a digital signal. "P" refers to stations which have not commenced digital operations because they are awaiting grant of a construction permit from the FCC, or are awaiting delivery of equipment, or are awaiting approval from the FCC to operate at low power.

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
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
Station production expenses	**140,060**	142,696	149,048	140,651	106,206
Station selling, general and administrative expenses	**149,399**	149,048	149,464	116,795	90,393
Expenses from barter arrangements	**54,567**	48,159	48,543	54,463	49,805
Depreciation and amortization (b)(c)	**185,939**	260,526	230,889	204,612	158,653
Corporate general and administrative expenses	**19,795**	19,750	22,305	18,646	16,593
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 (c)	**(126,500)**	(143,574)	(152,219)	(181,569)	(141,704)
Subsidiary trust minority interest expense (d)	**(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)
Income (loss) from continuing operations	**3,850**	(113,460)	(37,831)	(44,823)	(29,079)
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)
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)**	---	---	---	$ ---

Years Ended December 31,	**2002**	2001	2000	1999	1998
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	$ 3,324,435	$ 3,543,305	$ 3,776,547
Total debt (e)	**$ 1,551,970**	$ 1,685,630	$ 1,616,426	$ 1,792,339	$ 2,327,221
HYTOPS (f)	**$ 200,000**	$ 200,000	$ 200,000	$ 200,000	$ 200,000
Total stockholders' equity	**$ 211,180**	$ 771,960	$ 912,530	$ 974,917	$ 816,043

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

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

(c) 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.

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

(e) "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.

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

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 news-gathering 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. A valuation allowance has been provided for deferred tax assets relating to various state net operating loss ("NOL") carryforwards based on historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences. Although realization is not assured for the remaining deferred tax assets, we believe that it is more likely than not that they will be realized through future taxable earnings or alternative tax strategies. If we are unable to generate sufficient taxable income, if there is a material change in our projected future taxable income, or if there is a change in the ability to utilize the state NOL carryforwards due to changes in state laws, we will make any necessary adjustments to the valuation allowance. This may result 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 "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
Station production expenses	**140,060**	142,696	149,048
Station selling, general and administrative expenses	**149,399**	149,048	149,464
Expenses from barter arrangements	**54,567**	48,159	48,543
Depreciation and amortization	**185,939**	260,526	230,889
Corporate general and administrative expenses	**19,795**	19,750	22,305
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

Results of Operations

Years ended December 31, 2002 and 2001

During 2002, we continued to see strengthening in our broadcast business even without regard to the significant inflow of political advertising revenues. Net broadcast revenues, excluding political, grew despite the economy not being in a full recovery and a threat of war looming. The growth came from both the local and national markets. Throughout 2002, our quarterly revenues, excluding political, grew at successively higher growth rates. During 2003, we expect our revenue, excluding political, to grow in the low single digits on a year over year basis. During 2003, we will continue to roll-out our News Central product with the goal of capturing a larger share of 2004 political revenues and to further drive our stations' competitive positions and grow market share. We will also focus on increasing our sales efforts to convert non-traditional television advertisers to our television stations, primarily through our direct mail promotion campaign. We await the FCC's industry deregulation decisions and expect to participate in potential ensuing transactions. In addition to strengthening our television portfolio, we will continue to evaluate our capital structure and how best to utilize our cash flow.

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.

As a result of adopting SFAS No. 142, we recorded an impairment charge of $566.4 million related to our broadcast licenses and goodwill reflected as a cumulative effect of a change in accounting principle on our consolidated statement of operations, net of the related tax benefit of $30.4 million during the first quarter 2002. This was a non-cash charge which had no effect on our liquidity or capital resources currently or prospectively. Without this charge, our net loss available to shareholders during the year ended December 31, 2002 would have been $8.4 million. (See "Note 1, Summary of Significant Accounting Policies, Recent Accounting Pronouncements.")

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. During the year ended December 31, 2002, we had increased revenue of $6.6 million related to our direct mail initiative, $2.2 million related to the Super Bowl, and $1.0 million related to the Olympics. During the year ended December 31, 2001 we had decreased revenues of $5.4 million related to the terrorist attacks of September 11th.

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. Comparing results on a "same stations basis" enhances the understanding of our business and revenue growth because we are able to disclose our ability to grow revenue at television stations owned and operated during the two most recent fiscal years. This enables us to eliminate the impact of partial year activity of acquisitions and dispositions occurring during the two most recent fiscal years. While reporting actual historical results for all stations owned and operated during the fiscal year is vital to understanding our performance, we believe that it is important to analyze stations owned during the past two fiscal years as a measure of our operating performance. 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.

Station production expenses decreased $2.6 million to $140.1 million for the year ended December 31, 2002 from $142.7 million for the year ended December 31, 2001. The decrease in operating costs related to a decrease of $6.5 million related to our LMA fees, due to the acquisition of 15 television broadcast licenses during the three months ended March 31, 2002. Our results of operations from LMA stations are typically lower than they would have been if we had owned the televisions stations. The results of operations of our LMA stations are lower because of higher programming and production expenses due to the incurrence of the LMA fees. We cannot currently expand the number of stations that we operate pursuant to LMAs nor can we acquire such stations because of current FCC regulations. News costs decreased by $3.5 million related to the discontinuation of news at our stations KDNL-TV, St. Louis, Missouri and WXLV-TV, Winston-Salem, North Carolina. In addition, other miscellaneous production expense decreased by $0.4 million. These decreases were offset by increases of $2.1 million in engineering costs, $1.7 million related to music license fees, $1.5 million in programming fees related to increased costs for affiliate agreements, $1.3 million in rating service fees, and $1.2 million related to increased promotional spending during the May Sweeps.

Station selling, general and administrative expenses increased $0.4 million to $149.4 million for the year ended December 31, 2002 from $149.0 million for the year ended December 31, 2001. Sales commissions increased by $3.3 million as a result of improved sales. This increase was offset by decreases of $1.6 million related to a decrease in national representation commissions, $1.2 million related to a reduction in bad debt expense, and $0.1 million related to traffic costs.

Corporate general and administrative expenses were $19.8 million for each of the years ended December 31, 2002 and 2001. Corporate general and administrative expense represents the cost to operate our corporate headquarters location. Such costs include corporate departmental salaries, bonuses and fringe benefits, officers' life insurance, rent, telephone, consulting fees, legal and accounting fees and director fees. Corporate departments include executive committee, treasury, finance and accounting, human resources, technology, corporate relations, legal, sales, operations, purchasing and centralized news.

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. Amortization of intangible assets decreased by $93.0 million, offset by an increase aggregating $15.0 million related to amortization of our program contract costs and net realizable value adjustments related to our addition of new programming primarily consisting of Dharma & Greg and Will & Grace as well as write downs primarily related to additional seasons for Frasier, Drew Carey, Spin City, Just Shoot Me, and Third Rock from the Sun and an increase in fixed asset depreciation of $3.4 million 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 as discussed above. 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 as a result of a voluntary early retirement program and cancellation of local news programs 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.

For the year ended December 31, 2002, we reported a $9.8 million extraordinary loss 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 subordinated notes due 2007.

For the year ended December 31, 2001, we reported a $14.2 million extraordinary loss 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.

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 and $30.9 million of losses during 2002.

Years ended December 31, 2001 and 2000

Revenue declined $75.6 million for the year ended December 31, 2001 compared to the year ended December 31, 2000. This was primarily the result of decreased advertising expenditures resulting from the economic recession, terrorist acts and increased competition for national advertising. Our sales force continued to aggressively sell, despite the negative environment. This strong sales effort, combined with our focus on the local markets helped us to minimize our revenue declines. We continued to manage our costs during this economic slowdown.

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.

Station production expenses decreased $6.3 million to $142.7 million for the year ended December 31, 2001 from $149.0 million for the year ended December 31, 2000. Promotional spending decreased $3.8 million, news costs were down $3.4 million and other production costs decreased $1.7 million. These were offset by increases of $1.2 million for rating service costs, $0.9 million for LMA fees and $0.5 million for programming costs.

Station selling, general and administrative expenses decreased $0.5 million to $149.0 million for the year ended

December 31, 2001 from $149.5 million for the year ended December 31, 2000. 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 expense, and an increase of $0.5 million in traffic costs, offset by a decrease in sales expense of $4.5 million.

Corporate general and administrative expenses decreased $2.5 million to $19.8 million for the year ended December 31, 2001 from $22.3 million for the year ended December 31, 2000. The decrease of $2.5 million related to decreased salaries. Corporate general and administrative expense represents the cost to operate our corporate headquarters location. Such costs include corporate departmental salaries, bonuses and fringe benefits, officers' life insurance, rent, telephone, consulting fees, legal and accounting fees and director fees. Corporate departments include executive committee, treasury, finance and accounting, human resources, technology, corporate relations, legal, sales, operations, purchasing and centralized news.

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 for the year ended December 31, 2001 compared to the year ended December 31, 2000, related to the additions associated with the 2000 acquisitions and program contract additions related to our investment in programming. The program contract amortization increased by $21.1 million, the amortization of intangible assets increased by $7.8 million, and depreciation of fixed assets increased by $0.7 million.

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 had 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.

For the year ended December 31, 2001, we reported a $14.2 million extraordinary loss 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.

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.

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. 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.

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 No. 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 $30.4 million.

SFAS No. 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.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin (ARB) No. 51* (FIN No 46). FIN No. 46 introduces the variable interest consolidation model, which determines control and consolidation based on potential variability in gains and losses of the entity being evaluated for consolidation. We believe that Cunningham Broadcasting is the only entity that would be considered a variable interest entity under FIN No. 46. We commenced consolidating Cunningham on February 1, 2002; therefore, we do not expect FIN No. 46 to have a material impact on our financial statements.

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, we had borrowed $500 million on our Term Loan B Facility and $52.0 million on our revolving credit facility. The remaining balance available under the revolving credit facility was $173.0 million as of February 14, 2003. 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.

The guarantors of the registered securities above are 100% owned by the parent and are comprised of certain of our subsidiaries whose guarantees are full and unconditional and joint and several. Those subsidiaries who are not guarantors of the securities (non-guarantors) are minor and our parent company has no independent assets or operations as defined by SEC rules. Neither the parent nor the guarantors have any significant restrictions on their ability to obtain funds from their subsidiaries in the form of dividends or loans.

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 $44.2 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 and $0.7 million related to the sale of broadcast assets. During 2002, we made payments for property and equipment of $62.9 million of which $49.6 million, related to digital conversion costs.

During the year ended December 31, 2002, we made cash payments of $21.2 million for the acquisition of broadcast assets and $25.8 million for the purchase of equity investments. Further discussion related to these acquisitions can be found in Notes 1 and 12 in the Notes to Consolidated Financial Statements. We funded these acquisitions using cash provided by operating activities and borrowings under our Revolving Credit Facility.

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 or issuance of securities pursuant to our universal shelf-registration statement described above.

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 $43.0 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. For the year ended December 31, 2002, we paid $10.4 million of quarterly dividends on our Series D Preferred Stock and $23.3 million of distributions related to HYTOPS and we expect to incur these payments in each of our future quarters. We expect to fund these dividends and distributions with cash generated from operating activities and borrowings under our 2002 Bank Credit Agreement and Revolving Credit Facility.

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.

As a result of adopting SFAS No. 142, during the first quarter 2002, we recorded an impairment charge of $566.4 million related to our broadcast licenses and goodwill reflected as a cumulative effect of a change in accounting principle on our consolidated statement of operations, net of the related tax benefit of $30.4 million. Without this charge, our net loss available to stockholders in the first quarter of 2002 would have been $3.9 million. This was a non-cash charge which had no effect on our liquidity or capital resources currently or prospectively. (See "Note 1, Summary of Significant Accounting Policies, Recent Accounting Pronouncements" in the Notes to Consolidated Financial Statements.)

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.

Indebtedness and Other Commitments

Indebtedness under the bank credit agreement, as amended. As of December 31, 2002, we owed $552.0 million under the bank credit agreement, as amended, 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 5/8% 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.

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 (amounts in thousands)	2003	2004	2005	2006 and thereafter	Total
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	34,213	34,213	34,213	14,622	117,261
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	45,852	12,276	246,054
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	$ 279,178	$ 218,373	$ 185,011	$ 2,223,279	$ 2,905,841

(amounts in thousands)	2003	2004	2005	2006 and thereafter	Total Amounts Committed
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	5,258	19,907
Total other commercial commitments	$ 27,842	$ 18,148	$ 23,897	$ 17,953	$ 87,840

(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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates. To manage our exposure to changes in interest rates, we enter into interest rate derivative hedging agreements. Additionally, we have entered into put and call option derivative instruments relating to our class A common stock in order to hedge against the possible dilutive effects of employees exercising stock options pursuant to our stock option plans.

Interest Rate Risks

We are exposed to market risk from changes in interest rates, which arises from the floating rate debt. As of December 31, 2002, we were obligated on $552.0 million of indebtedness carrying a floating interest rate. We enter into interest rate derivative agreements to reduce the impact of changing interest rates on our floating rate debt.

As of December 31, 2002, we had one floating-to-fixed interest rate swap agreement, which expires on June 5, 2006. The swap agreement effectively sets fixed rates on our floating rate debt in the range of 5.95% to 7.00%. Floating interest rates are based upon the three month LIBOR, and the measurement and settlement is performed quarterly. Settlements of this agreement are recorded as adjustments to interest expense in the relevant periods. The notional amount related to this agreement was $575.0 million at December 31, 2002. In addition, as of December 31, 2002, we had two fixed-to-floating rate derivatives with notional amounts of $180.0 million and $120.0 million. At December 31, 2002, we had $552.0 million of floating rate debt all which was effectively converted to fixed rate debt by way of a swap. Additionally, we had $860.0 million of fixed rate debt at December 31, 2002 of which $300.0 million was converted to floating rate debt by way of a swap. Consequently, we had $300.0 million of floating rate debt at December 31, 2002 and a 1% increase in LIBOR rate would result in annualized interest expense of approximately $3.0 million.

We are also exposed to risk from a change in interest rates to the extent we are required to refinance existing fixed rate indebtedness at rates higher than those prevailing at the time the existing indebtedness was incurred. As of December 31, 2002, we had senior subordinated notes totaling $310.0 million and $550.0 million expiring in the years 2011 and 2012, respectively. Based upon the quoted market price, the fair value of the notes was $907.3 million as of December 31, 2002. Generally, the fair market value of the notes will decrease as interest rates rise and increase as interest rates fall. We estimate that a 1% increase from prevailing interest rates would result in a decrease in fair value of the notes by approximately $55.9 million as of December 31, 2002.

We are exposed to market risk from changes in interest rates related to one of our derivative instruments. Our $575.0 million notional amount interest rate swap agreement does not qualify for hedge accounting treatment under SFAS No. 133; therefore, changes in its fair market value are reflected currently in earnings as gain (loss) on derivative instruments. We incurred losses of $30.9 million and $34.4 million during the years ended December 31, 2002 and December 31, 2001, respectively. We estimate that a 1% increase in interest rates would result in a gain of $20.9 million, while a 1% decrease would result in a loss of $21.7 million.

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 ASSESTS, 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.

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 tax benefit 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 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 and common equivalent shares outstanding	**85,580**	84,624	92,487

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

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 Comprehensive 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)	---	---	---	---	---	---
Repurchased and retirement of 20,000 shares of Class A Common Stock	---	(126)	---	(123,174)	---	---	---	---	(123,300)
Dividends payable on Series D Preferred Stock	---	---	---	---	---	---	(10,350)	---	(10,350)
Stock option: grants	---	---	---	558	---	(558)	---	---	---
Stock options exercised	---	---	---	53	---	---	---	---	53
Class A Common Stock issued pursuant to employee benefit plans	---	4	---	2,655	---	---	---	---	2,659
Reclassification due to adoption of EITF No. 00-19	---	---	---	---	(7,811)	---	---	---	(7,811)
Equity put options	---	---	---	38,257	(38,257)	---	---	---	---
Amortization of deferred compensation	---	---	---	---	---	92	---	---	92
Income tax benefit related to deferred compensation	---	---	---	(33)	---	---	---	---	(33)
Deferred compensation adjustment related to forfeited stock options	---	---	---	(2,337)	---	2,337	---	---	---
Net income	---	---	---	---	---	---	77,365	---	77,365
Unrealized loss on investments, net of tax of $695	---	---	---	---	---	---	---	(1,062)	(1,062)
Comprehensive income	---	---	---	---	---	---	---	---	76,303
BALANCE, December 31, 2000	**$ 35**	**$ 390**	**$ 455**	**$ 750,372**	**$ ---**	**$ (2,618)**	**$ 164,958**	**$ (1,062)**	**$912,530**

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

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 – Deferred Compensation	Retained Earnings	Accumulative Other Comprehensive Loss	Total Stockholders' Equity
BALANCE, December 31, 2000	$ 35	$ 390	$ 455	$ 750,372	$ (2,618)	$ 164,958	$ (1,062)	$912,530
Repurchase and retirement of 618,600 shares of Class A Common Stock	---	(6)	---	(4,391)	---	---	---	(4,397)
Stock options exercised	---	1	---	582	---	---	---	583
Class B Common Stock converted into Class A Common Stock	---	23	(23)	---	---	---	---	---
Dividends payable on Series D Preferred Stock	---	---	---	---	---	(10,350)	---	(10,350)
Termination of equity put options	---	---	---	78	---	---	---	78
Class A Common Stock issued pursuant to employee benefit plans	---	3	---	2,643	---	---	---	2,646
Amortization of deferred compensation	---	---	---	---	865	---	---	865
Deferred compensation adjustment related to forfeited stock options	---	---	---	(931)	301	---	---	(630)
Net loss	---	---	---	---	---	(127,722)	---	(127,722)
Other comprehensive loss:								
Reclass of derivative instruments upon implementation of SFAS No. 133, net of tax benefit of $1,509	---	---	---	---	---	---	(2,777)	(2,777)
Amortization of derivative instruments	---	---	---	---	---	---	225	225
Unrealized loss on investment, net of tax benefit of $231	---	---	---	---	---	---	(345)	(345)
Realized loss on investments, net of tax benefit of $825	---	---	---	---	---	---	1,254	1,254
Comprehensive loss	---	---	---	---	---	---	---	(129,365)
BALANCE, December 31, 2001	**$ 35**	**$ 411**	**$ 432**	**$ 748,353**	**$ (1,452)**	**$ 26,886**	**$ (2,705)**	**$771,960**

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(in thousands)

	Series B Preferred Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Additional Paid-in Capital - Deferred Compensation	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
BALANCE, December 31, 2001	$ 35	$ 411	$ 432	$ 748,353	$ (1,452)	$ 26,886	$ (2,705)	$771,960
Class B Common Stock converted into Class A Common Stock	---	15	(15)	---	---	---	---	---
Dividends payable on Series D Preferred Stock	---	---	---	---	---	(10,350)	---	(10,350)
Stock Options Exercised	---	3	---	2,803	---	---	---	2,806
Class A Common Stock pursuant to employee benefit plans	---	2	---	1,754	---	---	---	1,756
Class A Common Stock issued to acquire broadcast licenses	---	8	---	7,695	---	---	---	7,703
Issuance of Shares under ESPP	---	---	---	338	---	---	---	338
Amortization of deferred compensation	---	---	---	---	730	---	---	730
Deferred Compensation adjustment related to forfeited stock options	---	---	---	(465)	171		---	(294)
Net Income	---	---	---	---	---	(564,494)	---	(564,494)
Other comprehensive loss:								
Amortization of derivative instruments	---	---	---	---	---	---	871	871
Realized loss on investment, net of tax benefit of $101	---	---	---	---	---	---	154	154
Comprehensive loss	---	---	---	---	---	---	---	(563,469)
BALANCE, December 31, 2002	**$ 35**	**$ 439**	**$ 417**	**$760,478**	**$ (551)**	**$ (547,958)**	**$ (1,680)**	**$211,180**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(in thousands)

	2002	2001	2000
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:			
Net (loss) income	$ (564,494)	$ (127,722)	$ 77,365
Adjustments to reconcile net (loss) income to net cash flows from operating activities-			
Amortization of debt discount	98	98	131
Depreciation of property and equipment	41,513	38,848	40,101
Recognition of deferred revenue	(4,942)	---	---
Loss from equity investments	1,519	7,616	16,764
Gain on sale of broadcast assets related to discontinued operations	(12,413)	---	(178,134)
(Gain) loss on sale property	478	(204)	---
Impairment and write-down of long-lived assets	---	16,229	---
Contract termination costs	---	5,135	---
Unrealized loss on derivative instrument	30,939	32,220	296
Amortization of definite-lived intangible broadcast assets and other assets	19,581	116,383	114,895
Amortization of program contract costs and net realizable value adjustments	130,832	119,437	100,655
Amortization of deferred financing costs	3,954	4,071	3,313
Amortization of deferred compensation	435	235	92
Long term assets written off to extraordinary loss	12,307	5,601	---
Cumulative effect of change in accounting principle	596,787	---	---
Cumulative adjustment for change in assets held for sale	---	---	(1,237)
Amortization of derivative instruments	1,409	763	---
Deferred tax (benefit) provision related to operations	49,490	(10,595)	11,760
Deferred tax benefit related to sale of broadcast assets from discontinued operations	(11,582)	---	(5,342)
Deferred tax provision (benefit) related to extraordinary loss	649	(97)	---
Deferred tax benefit related to change in accounting principle	(30,383)	---	---
Net effect of change in deferred barter revenues and deferred barter costs	(571)	(345)	(497)
Changes in assets and liabilities, net of effects of acquisitions and dispositions-			
Decrease (increase) in accounts receivable, net	(2,871)	22,102	31,529
Decrease (increase) in taxes receivable	7,244	(43,395)	---
(Increase) decrease in prepaid expenses and other current assets	(2,680)	(8,051)	2,019
Decrease in other long-term assets	3,173	---	---
Increase (decrease) in accounts payable and accrued liabilities	(12,926)	7,941	(344)
Decrease in income taxes payable	---	(42,126)	(60,909)
Increase in other long-term liabilities	58	17,643	11,864
Payments on program contracts payable	(106,327)	(102,256)	(94,303)
Decrease in minority interest	(1,662)	(643)	(891)
Net cash flows from operating activities	149,615	58,888	69,127

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(in thousands)

	2002	2001	2000
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:			
Acquisition of property and equipment	**(62,909)**	(29,017)	(33,256)
Payments relating to the acquisition of broadcast assets	**(21,178)**	(490)	(89,936)
Distributions from investments	**654**	408	408
Contributions in investments	**(25,820)**	(1,500)	(13,873)
Proceeds from sale of property	**694**	983	---
Proceeds from sale of broadcast assets	**124,472**	---	346,439
Repayment of note receivable	**30,257**	---	---
Deposits received on future sale of broadcast assets	---	125	---
Loans to officers and affiliates	**(104)**	(4,078)	(639)
Proceeds from loans to officers and affiliates	**6,756**	231	677
Net cash flows from (used in) investing activities	**52,822**	(33,338)	209,820
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES:			
Proceeds from commercial bank financing and notes payable	**1,263,075**	1,334,000	707,500
Repayments of notes payable, commercial bank financing and capital leases	**(1,492,548)**	(1,291,000)	(879,500)
Repurchases of Class A Common Stock	---	(4,397)	(107,322)
Proceeds from exercise of stock options	**2,807**	583	53
Proceeds from termination of derivative instruments	**21,849**	---	4,434
Payments for deferred financing costs	**(10,503)**	(11,993)	---
Payment from equity put options premium	---	(7,733)	---
Dividends paid on Series D Convertible Preferred Stock	**(10,350)**	(10,350)	(10,350)
Repayments of notes and capital leases to affiliates	**(3,503)**	(6,688)	(6,079)
Net cash flows (used in) from financing activities	**(229,173)**	2,422	(291,264)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(26,736)**	27,972	(12,317)
CASH AND CASH EQUIVALENTS, beginning of period	**32,063**	4,091	16,408
CASH AND CASH EQUIVALENTS, end of period	**$ 5,327**	$ 32,063	$ 4,091

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Sinclair Broadcast Group, Inc., and all other consolidated subsidiaries, which are collectively referred to hereafter as "the Company, Companies, We or SBG." We own and operate, provide sales services, or provide programming and operating services pursuant to local marketing agreements to 62 television stations in 39 designated marketing areas (DMAs) throughout the United States. SBG owns equity interests in Internet companies including G1440, Inc., an Internet consulting and development company. SBG has an equity interest in and a strategic alliance with Acrodyne Communications, Inc., a manufacturer of transmitters and other television broadcast equipment. SBG has an equity interest in Summa Holdings, Ltd., a holding company that owns automobile dealerships, retail tire franchises and a leasing company.

Cunningham Broadcasting Corporation (Cunningham) owns the license assets of WNUV-TV, WTTE-TV, WRGT-TV, WVAH-TV, WTAT-TV and WBSC-TV. Cunningham owns, operates and controls the television stations. We do not own or control the television stations, but we have entered into local marketing agreements (LMA) with Cunningham to program each of these stations. Effective February 1, 2002, we restructured our LMA relationship with Cunningham and, as a result, Cunningham now meets the definition of a special purpose entity and pursuant to Emerging Issues Task Force Topic D-14, "Transactions Involving Special Purpose Entities," for accounting purposes only, the financial statements of Cunningham have been consolidated. The operating results of WTTV-TV are not included in our consolidated results from continuing operations for the years ended December 31, 2002, 2001 and 2000. Since this agreement met all of the criteria for a qualifying plan of sale, the assets and liabilities disposed of by this sale have been classified as "held for sale" on the accompanying balance sheet presented. See Note 11. Related Party Transactions and Note 12. Acquisitions and Dispositions.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all its wholly owned and majority-owned subsidiaries and a company that fits the definition of a special purpose entity. Minority interest represents a minority owner's proportionate share of the equity in certain of the Company's consolidated entities. All significant intercompany transactions and account balances have been eliminated in consolidation.

Use of Estimates

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

Recent Accounting Pronouncements

In 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 commencing January 1, 2002; however, we are 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 No. 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 $30.4 million.

SFAS No. 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.

The following table shows the effect on net income (loss) available to common shareholders and income (loss) per share, had we adopted SFAS No. 142 on January 1, 2000 (in thousands, except per share data).

For the Twelve Months ended December 31,	**2002**	2001	2000
Reported net (loss) income available to common stockholders	**$ (574,844)**	$ (138,072)	$ 67,015
Add: goodwill amortization	---	56,501	54,761
Add: broadcast license amortization	---	15,133	12,254
Adjusted net (loss) income	**$ (574,844)**	$ (66,438)	$ 134,030
Basic and diluted (loss) earnings per share:			
Reported net (loss) income available to common stockholder	**$ (6.74)**	$ (1.64)	$ 0.73
Goodwill amortization	---	0.67	0.60
Broadcast license amortization	---	0.18	0.14
Adjusted net (loss) income	**$ (6.74)**	$ (0.79)	$ 1.47

The following table shows the effect on income (loss) from continuing operations and income (loss) from continuing operations per share had we adopted SFAS 142 on January 1, 2000 (in thousands, except per share data):

For the Twelve Months ended December 31,	2002	2001	2000
Reported net income (loss) from continuing operations	$ **3,850**	$ (113,460)	$ (37,831)
Add: goodwill amortization	---	55,049	53,623
Add: broadcast license amortization	---	14,353	11,475
Adjusted net earnings (loss) from continuing operations	$ **3,850**	$ (44,058)	$ 27,267
Basic earnings (loss) per share:			
Reported net loss from continuing operations	$ **(0.08)**	$ (1.47)	$ (0.53)
Goodwill amortization	---	0.65	0.59
Broadcast license amortization	---	0.17	0.13
Adjusted net (loss) earnings from continuing operations	$ **(0.08)**	$ (0.65)	$ 0.19
Diluted earnings (loss) per share:			
Reported net loss from continuing operations	$ **(0.08)**	$ (1.47)	$ (0.53)
Goodwill amortization	---	0.65	0.58
Broadcast license amortization	---	0.17	0.13
Adjusted net (loss) earnings from continuing operations	$ **(0.08)**	$ (0.65)	$ 0.18

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 in the accompanying balance sheet and reported the results of operations of WTTV-TV as discontinued operations in the accompanying statements of operations. Discontinued operations have not been segregated in the Statement of Consolidated Cash Flows and, therefore, amounts for certain captions will not agree with the accompanying consolidated statements of operations. See Note 12 - Acquisitions and Dispositions.

In April 2002, the FASB approved SFAS No. 145, *Rescission of FASB Statements Nos. 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 will be required to adopt 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 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 a material effect on our 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 early 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 Option 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.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin (ARB) No. 51* (FIN No. 46). FIN No. 46 introduces the variable interest consolidation model, which determines control and consolidation based on potential variability in gains and losses of the entity being evaluated for consolidation. We believe that Cunningham Broadcasting is an entity that would be considered a variable interest entity under FIN No. 46. We commenced consolidating Cunningham on February 1, 2002; therefore, do not expect FIN No. 46 to have a material impact on our financial statements.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

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

Programming

The Company has 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 accompanying consolidated balance sheets.

The rights to program materials are reflected in the accompanying consolidated balance sheets at the lower of unamortized cost or estimated net realizable value. Estimated net realizable values are based upon management's expectation of future advertising revenues net of sales commissions to be generated by the program material. Amortization of program contract costs is generally computed using either a four year accelerated method or based on usage, whichever method 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.

Barter Arrangements

Certain program contracts provide for the exchange of advertising airtime in lieu of cash payments for the rights to such programming. These contracts are recorded as the programs are aired at the estimated fair value of the advertising airtime given in exchange for the program rights. Network programming is excluded from these calculations.

The Company broadcasts certain customers' advertising in exchange for equipment, merchandise and services. The estimated fair value of the equipment, merchandise or services received is recorded as deferred barter costs and the corresponding obligation to broadcast advertising is recorded as deferred barter revenues. The deferred barter costs are expensed or capitalized as they are used, consumed or received. Deferred barter revenues are recognized as the related advertising is aired.

Other Assets

Other assets as of December 31, 2002 and 2001 consisted of the following (in thousands):

	2002	2001
Notes and other receivables	$ 405	$ 51,864
Unamortized costs relating to securities issuances	19,691	25,003
Investments	35,400	13,331
Fair value of derivative instrument	26,309	6,431
Deposits and other costs relating to future acquisitions	3,123	2,637
Other	6,191	6,628
	$ 91,119	$ 105,894

Investments

The Company uses the equity method of accounting for investments in which it has a 20% to 50% ownership interest or when the Company exercises significant influence over the operating and financial policies of the investee. For investments in which it has less than a 20% interest and does not exercise significant influence over the operating and financial policies of the investee, the Company uses the lower of cost or fair market value method of accounting.

As of December 31, 2002, the Company had a 35% ownership interest in Acrodyne Communications, Inc. (Acrodyne). Acrodyne designs, manufactures, and markets digital and analog television broadcast transmitters for domestic and international television stations, broadcasters, government agencies, not-for-profit organizations, and educational institutions. The Company accounts for its investment in Acrodyne under the equity method of accounting. During August 2000, Acrodyne announced that it would be restating its financial statements for the year ended December 31, 1999 and the three months ended March 31, 2000 due to an overstatement of revenue, inventory and gross profits. The impact of the 1999 restatement, which would have increased the Company's equity share of Acrodyne's losses from $0.5 million to $2.3 million, was not material to the Company's 1999 net income. As a result of the restatement, Acrodyne was unable to fulfill its quarterly reporting requirements with the Securities and Exchange Commission (SEC) for the quarters ended June 30, 2000 and September 30, 2000 on a timely basis. During September 2000, Acrodyne was delisted from the National Association of Securities Dealers Automatic Quotation (NASDAQ). As a result, in 2000 the Company wrote-off its investment in Acrodyne to zero and recorded a loss of $6.9 million, including its equity in the revised 2000 losses described above and the 2001 losses through the write-off date, which has been reflected in the accompanying consolidated statements of operations as loss related to investments.

During 2001 and 2000, the Company advanced and guaranteed loans to Acrodyne under various credit facilities which were fully reserved as of December 31, 2001 and 2000, respectively. Accordingly, the Company incurred a loss of $4.2 million and $3.2 million during 2001 and 2000, respectively, which has also been reflected in the accompanying consolidated statements of operations as loss related to investments.

On January 1, 2003, the Company forgave indebtedness owed to them by Acrodyne in the aggregate amount of $9.0 million in exchange for 20.3 million additional shares of Acrodyne common stock. The terms of the agreement also committed the Company to an additional investment of $1.0 million, which we funded on January 1, 2003. As a result of the agreement, the Company will own an 82.5% interest in Acrodyne and beginning January 1, 2003, the Company will consolidate the financial statements of Acrodyne Communications, Inc., rather than account for the investment under the equity method of accounting.

The Company owns a 77.0% interest in Allegiance Capital, Limited Partnership, (Allegiance). Allegiance is a private mezzanine venture capital fund, which invests in the subordinated debt and equity of privately held companies. The partnership is structured as a debenture Small Business Investment Company (SBIC) and is a federally licensed SBIC. Since the company does not have significant control but only significant influence, the Company accounts for its investment in Allegiance under the equity method of accounting.

The condensed balance sheets of our significant unconsolidated subsidiaries as of December 31, 2002 and 2001 and their condensed statements of operations for the years ended December 31, 2002, 2001, and 2000 are summarized as follows (in thousands):

	2002	2001
Current assets	$ **25,705**	$ 14,796
Long-term assets	**1,114**	1,297
Property, plant and equipment and license agreement	**3,480**	3,772
Total assets	$ **30,299**	$ 19,865
Current liabilities	**18,153**	15,127
Long-term liabilities	**17,698**	13,679
Total liabilities	**35,851**	28,806
Equity	**(5,552)**	(8,941)
Total liabilities and equity	$ **30,299**	$ 19,865

	2002	2001	2000
Net sales	$ **26,208**	$ 13,895	$ 6,896
Net investment income	**(387)**	283	97
Cost of sales	**(18,989)**	(9,801)	(8,730)
Operating expenses	**(5,481)**	(5,980)	(10,383)
Interest expense	**(792)**	(855)	(775)
Other income	**59**	171	8
Realized gains and losses	---	(1,700)	---
Changes in unrealized gains and losses	---	(230)	---
Net income (loss)	$ **618**	$ (4,217)	$ (12,887)

In 1999, the Company made a $2.0 million investment, representing a 30% ownership interest, in Channel 23 LLC, a start-up entity created to purchase a Federal Communication Commission (FCC) license and retransmit a signal in the Tuscaloosa, Alabama market. Channel 23 LLC had no operations and was abandoned by the Company during 2000 resulting in a loss of $2.2 million which has also been reflected in the accompanying Consolidated Statements of Operations as loss related to investments.

We recorded our investment in Synergy Brands, Inc. in accordance with Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, (SFAS No. 115), whereby we recorded changes in the fair market value of our investment as other comprehensive income. During 2002 we sold this investment and recorded a loss of $159,000.

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 on 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); therefore we will account for this investment under the equity method of accounting.

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

Impairment of Long-lived Assets

During June 2001, the San Francisco office of the Company's 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 had 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 write-off of goodwill in the amount of $2.8 million during June 2001. Under the provisions of SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, the Company evaluated its long-lived assets for financial impairment, and will continue to evaluate them as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. The Company evaluates the recoverability of long-lived assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. Based on these evaluations, the Company determined that its station KBSI-TV in Paducah, Kentucky had an impairment to goodwill and, in accordance with SFAS No. 121, recorded a charge to write off goodwill in the amount of $9.2 million during December 2001. As of December 31, 2002, management believes that the carrying amounts of the remainder of the Company's tangible and intangible assets have not been impaired under SFAS No. 144.

During 2002 and 2001, the Company wrote-off $0.8 million and $4.2 million, respectively of fixed assets which represents the net book value of damaged, obsolete, or abandoned property.

Accrued Liabilities

Accrued liabilities consist of the following as of December 31, 2002 and 2001 (in thousands):

	2002	2001
Compensation	$ 17,383	$ 19,984
Interest	21,457	18,464
Other accruals relating to operating expenses	25,325	25,175
	$ 64,165	$ 63,623

Supplemental Information – Statement of Cash Flows

During 2002, 2001 and 2000, the Company incurred the following transactions (in thousands):

	2002	2001	2000
Capital lease obligations incurred	$ 29,526	$ 27,878	$ 5,319
Income taxes paid from operations	$ 2,879	$ 3,593	$ 6,294
Income taxes paid related to sale of discontinued operations	$ 111	$ 31,876	$ 115,143
Income tax refunds received	$ 47,077	$ 2,405	$ 3,598
Subsidiary trust minority interest payments	$ 23,250	$ 23,250	$ 23,250
Interest paid	$ 119,669	$ 150,312	$ 139,833
Payments related to extraordinary loss	$ 2,411	$ 16,409	$ ---
Stock issued to acquire broadcast licenses	$ 7,703	$ ---	$ ---

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

Local Marketing Agreements

The Company generally enters into local marketing agreements (LMA) and similar arrangements with stations located in markets in which the Company already owns and operates a station, and in connection with acquisitions, pending regulatory approval of transfer of license assets. Under the terms of these agreements, the Company makes specific periodic payments to the owner-operator in exchange for the grant to the Company of the right to program and sell advertising on a specified portion of the station's inventory of broadcast time. Nevertheless, as the holder of the FCC license, the owner-operator retains control and responsibility for the operation of the station, including responsibility over all programming broadcast on the station.

Included in the accompanying consolidated statements of operations for the years ended December 31, 2002, 2001 and 2000, are net revenues of $111.6 million, $235.8 million and $253.9 million, respectively, that relate to LMAs.

Outsourcing Agreements

The Company has entered into outsourcing agreements in which our stations provide or are provided various non-programming related services such as sales, operational and managerial services to or by other stations.

Broadcast Assets Held For Sale

In March 1999, the Company entered into an agreement to sell to Sunrise Television Corporation (STC) the television stations WICS/WICD-TV in the Springfield/Champaign, Illinois market and KGAN-TV in the Cedar Rapids, Iowa market. In April 1999, the Justice Department requested additional information in response to STC's filing under the Hart-Scott-Rodino Antitrust Improvements Act. Pursuant to the agreements, if the transaction did not close by March 16, 2000, either STC or the Company had the option to terminate the agreement at that time. On March 15, 2000, the Company entered into an agreement to terminate the STC transaction. As a result of its termination, the Company recorded a cumulative accounting adjustment during the first quarter of 2000 as the Company previously recorded the assets and liabilities related to these stations as "Broadcast Assets Held for Sale" and deferred the losses related to these stations until they were sold.

On April 18, 2002, we entered into an agreement to sell the television station of WTTV-TV in Bloomington, Indiana and its satellite station, WTTK-TV in Kokomo, Indiana (collectively referred to as WTTV-TV) to a third party. On July 24, 2002, WTTV-TV had net assets and liabilities held for sale of $108.8 million, and we completed such sale for $124.5 million and recognized a gain, net of taxes, of $7.5 million.

The operating results of WTTV-TV are not included in our consolidated results from continuing operations for the years ended December 31, 2002, 2001 and 2000. We recorded income from discontinued operation of $7.9 million, which includes a gain on sale of $7.5 million, for the year ended December 31, 2002 and a loss of $52,000 and income of $2.1 million for the years ended December 31, 2001 and 2000, respectively. Since this agreement met all of the criteria for a qualifying plan of sale, the assets and liabilities disposed of by this sale have been reclassified as "held for sale" on the accompanying 2001 balance sheet presented.

Revenue Recognition

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

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. The 2001 consolidated balance sheet has been reclassified to reflect a reduction of deferred tax liabilities, and an equal reduction of goodwill totaling $76.2 million resulting from adjustments made to acquisition accounting.

Pro Forma Information Related To Stock-Based Compensation

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

Had compensation cost for the Company's 2002, 2001 and 2000 grants for stock-based compensation plans been determined consistent with SFAS No. 123, the Company's net (loss) income available to common shareholders for these years would approximate the pro forma amounts below (in thousands, except per share data):

	2002		2001		2000	
	As Reported	Pro-Forma	As Reported	Pro-Forma	As Reported	Pro-Forma
Net (loss) income available to common shareholders	**$(574,844)**	**$(581,955)**	$(138,072)	$ (140,988)	$ 67,015	$55,399
Basic net (loss) income per share	**$ (6.74)**	**$ (6.82)**	$ (1.64)	$ (1.67)	$ 0.73	$ 0.61
Diluted net (loss) income per share	**$ (6.74)**	**$ (6.82)**	$ (1.64)	$ (1.67)	$ 0.73	$ 0.61

The Company has computed for pro forma disclosure purposes the value of all options granted during 2002, 2001 and 2000 using the Black-Scholes option pricing model as prescribed by SFAS No. 123 using the following weighted average assumptions:

Year Ended December 31,	**2002**	2001	2000
Risk-free interest rate	**4.24%**	4.68%	6.55%
Expected lives	**5 years**	6 years	6 years
Expected volatility	**55%**	59%	63%
Weighted Average Fair Value	**$ 6.34**	$ 4.96	$ 6.13

Adjustments are made for options forfeited prior to vesting.

2. PROPERTY AND EQUIPMENT:

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

Buildings and improvements	10 – 35 years
Station equipment	5 – 10 years
Office furniture and equipment	5 – 10 years
Leasehold improvements	10 – 31 years
Automotive equipment	3 – 5 years
Property and equipment and autos under capital leases	Shorter of 10 years or the lease term

Property and equipment consisted of the following as of December 31, 2002 and 2001 (in thousands):

	2002	2001
Land and improvements	**$ 17,077**	$ 16,968
Buildings and improvements	**108,661**	87,436
Station equipment	**306,786**	240,203
Office furniture and equipment	**37,340**	32,857
Leasehold improvements	**10,615**	9,087
Automotive equipment	**9,802**	9,517
Construction in progress	**33,465**	36,677
	523,746	432,745
Less – Accumulated depreciation	**(186,496)**	(151,094)
	$ 337,250	$ 281,651

3. GOODWILL AND OTHER INTANGIBLE ASSETS:

Intangible assets and other assets subject to amortization, are being amortized on a straight-line basis over periods of 5 to 25 years. These amounts result from the acquisition of certain television station non-license assets. We estimate the useful lives based on an analysis of all pertinent factors including our expected use of the asset, any legal, regulatory, or contractual provisions that may limit the assets' useful life, and the effects of obsolescence, demand, competition, and other economic factors. Additionally, in determining the useful lives of our network affiliation agreements, we anticipate that we will be able to renew our network affiliation agreements without substantial costs or material modifications of the existing terms and conditions. The following table shows the gross carrying amount and accumulated amortization of intangibles and estimated amortization (in thousands):

Year Ended December 31,		2002		2001	
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:					
Network Affiliation	15-25 years	$ 244,288	$ (48,856)	$ 244,515	$ (46,556)
Decaying advertiser base	15 years	119,264	(53,337)	119,756	(39,276)
Other	5-25 years	26,932	(12,569)	28,988	(10,408)
Total		$ 390,484	$ (114,762)	$ 393,259	$ (96,240)
Unamortized intangible assets:					
Broadcast Licenses		$ 504,633	$ (74,705)	$ 496,619	$ (74,705)
Goodwill		1,428,190	(305,208)	1,962,076	(305,208)
Total		$ 1,932,823	$ (379,913)	$ 2,458,695	$ (379,913)

The amortization expense of the definite-lived intangible assets for the years ended December 31, 2002 and 2001 was $19.5 million and $24.7 million, respectively. The following table shows the estimated amortization expense of the definite-lived intangible assets for the next five years.

For the year ended December 31, 2003	$ 18,567
For the year ended December 31, 2004	$ 18,366
For the year ended December 31, 2005	$ 17,972
For the year ended December 31, 2006	$ 17,928
For the year ended December 31, 2007	$ 17,928

The change in the carrying amount of goodwill for the twelve months ended December 31, 2002 is as follows:

Balance as of January 1, 2002	$ 1,656,868
Acquisitions	1,435
Reclassifications of prior year acquisitions tax contingencies	(2,546)
Impairment of goodwill	(532,775)
Balance as of December 31, 2002	$ 1,122,982

Included in the assets sold on disposal of discontinued operations is $79.6 million of goodwill.

4. NOTES PAYABLE AND COMMERCIAL BANK FINANCING:

1998 Bank Credit Agreement

In order to expand its borrowing capacity to fund acquisitions and obtain more favorable terms with its syndicate of banks, the Company obtained a $1.75 billion senior secured credit facility (the "1998 Bank Credit Agreement"). The 1998 Bank Credit Agreement was executed in May 1998 and includes (i) a $750.0 million Term Loan Facility repayable in consecutive quarterly installments commencing on March 31, 1999 and ending on September 15, 2005; and (ii) a $1.0 billion reducing Revolving Credit Facility. Availability under the Revolving Credit Facility reduces quarterly, commencing March 31, 2001 and terminating on September 15, 2005. Not more than $350.0 million of the Revolving Credit Facility will be available for issuance's of letters of credit. The 1998 Bank Credit Agreement also includes a standby uncommitted multiple draw term loan facility of $400.0 million. The Company is required to prepay the Term Loan Facility and reduce the Revolving Credit Facility with (i) 100% of the net proceeds of any casualty loss or condemnation; (ii) 100% of the net proceeds of any sale or other disposition by the Company of any assets in excess of $100.0 million in the aggregate for any fiscal year, to the extent not used to acquire new assets; and (iii) 50% of excess cash flow (as defined) if the Company's ratio of debt to EBITDA (as defined) exceeds a certain threshold. The 1998 Bank Credit Agreement contains representations and warranties, and affirmative and negative covenants, including among other restrictions, limitations on additional indebtedness, customary for credit facilities of this type. The 1998 Bank Credit Agreement is secured only by a pledge of the stock of each subsidiary of the Company other than KDSM, Inc., KDSM Licensee, Inc., Cresap Enterprises, Inc., Sinclair Capital and Sinclair Ventures, Inc. The Company is required to maintain certain debt covenants in connection with the 1998 Bank Credit Agreement.

The applicable interest rate for the Term Loan Facility and the Revolving Credit Facility is either LIBOR plus 0.5% to 1.875% or the alternative base rate plus zero to 0.625%. The applicable interest rate for the Term Loan Facility and the Revolving Credit Facility is adjusted based on the ratio of total debt to four quarters' trailing earnings before interest, taxes, depreciation and amortization. As of December 31, 2000, the Company's applicable interest rate for borrowings under the 1998 Bank Credit Agreement is either LIBOR plus 1.5% or the alternative base rate plus 0.25%.

On May 16, 2001, the Company closed on an amendment and restatement of the 1998 Bank Credit Agreement (the Amended and Restated Bank Credit Agreement) allowing it more operating capacity and liquidity. The Amended and Restated Bank Credit Agreement reduced the aggregate borrowing capacity from $1.6 billion to $1.1 billion. The Company repaid the unamortized outstanding balance of the $750.0 million Term Loan Facility with the proceeds from the Amended and Restated Bank Credit Agreement. The Amended and Restated Bank Credit Agreement consists of a $600 million Revolving Credit Facility and a $500 million Incremental Term Loan Facility repayable in consecutive quarterly installments amortizing 1% per year commencing March 31, 2003 and continuing through its maturity on September 30, 2009. Availability under the Revolving Credit Facility reduces quarterly, commencing on September 30, 2003 and terminating at maturity. The Company is required to prepay the Term Loan Facility and reduce the Revolving Credit Facility with (i) 100% of the net proceeds of any casualty loss or condemnation; (ii) 100% of the net proceeds of any sale or other disposition by the Company of any assets in excess of $100 million in the aggregate for any fiscal year, to the extent not used to acquire new assets; and (iii) 50% of excess cash flow (as defined) if the Company's ratio of debt to EBITDA (as defined) exceeds a certain threshold. The Amended and Restated Bank Credit Agreement contains representations and warranties, and affirmative and negative covenants, including among other restrictions, limitations on additional indebtedness, customary for credit facilities of this type. The Amended and Restated Bank Credit Agreement is secured only by a pledge of the stock of each subsidiary of the Company other than KDSM, Inc., KDSM Licensee, Inc., Cresap Enterprises, Inc., Sinclair Capital and Sinclair Ventures, Inc.

The applicable interest rate for the Revolving Credit Facility is either LIBOR plus 1.25% to 3% or the alternative base rate plus zero to 1.75%. The applicable interest rate for the Revolving Credit Facility is adjusted based on the ratio of total debt to four quarters' trailing earnings before interest, taxes, depreciation and amortization. The applicable interest rate on the Incremental Term Loan Facility is LIBOR plus 3.50% or the alternative base rate plus 2.25% through maturity.

As a result of amending the Company's 1998 Bank Credit Agreement, the Company incurred debt acquisition costs of $8.5 million and recognized an extraordinary loss of $4.7 million, net of a tax benefit of $2.6 million. The extraordinary loss represents the write-off of certain debt acquisition costs associated with indebtedness replaced by the new facility. The extraordinary loss was computed based on the guidance of EITF No. 96-19 *Debtor's Accounting for a Modification or Exchange of Debt Instrument* and EITF No. 98-14 *Debtor's Accounting for changes in Line of Credit or Revolving Debt Arrangements.*

On October 30, 2001, the Company closed on a short-term amendment of its 1998 Bank Credit Agreement, as amended and restated in May 2001. The amendment, which is effective through September 30, 2002, provides for relaxed leverage and interest coverage ratios and increases the interest rate by 50 basis points during the amendment period. On October 1, 2002, the Company reverted back to its financial covenant and pricing levels as amended in May 2001. As a result of the amendment, the Company's interest rate on the Revolving Credit Facility and Incremental Term

Loan Facility is LIBOR plus 3.5% and LIBOR plus 4.00%, respectively. After November 14, 2002, the applicable interest rate on the Revolving Credit Facility is either LIBOR plus 1.25% to 3.00% or the alternative base rate plus zero to 1.75% adjusted quarterly based on the ratio of total debt to four quarters' trailing earnings before interest, taxes, depreciation and amortization, as adjusted in accordance with the 1998 Bank Credit Agreement. After November 14, 2002, the applicable interest rate on the Incremental Term Loan Facility is LIBOR plus 3.50% or the alternative base rate plus 2.25% through maturity. The Company incurred $3.4 million of debt acquisition costs as a result of amending the Company's 1998 Bank Credit Agreement. These costs were capitalized in accordance with EITF No. 96-19 and EITF No. 98-14 and will be amortized to interest expense over the remaining life of the debt.

The weighted average interest rates for outstanding indebtedness relating to the Amended and Restated Bank Credit Agreement during 2001 and as of December 31, 2001 were 6.57% and 5.85%, respectively. The weighted average interest rates for outstanding indebtedness relating to the 1998 Bank Credit Agreement during 2000 and as of December 31, 2000 were 7.73% and 7.54%, respectively. Interest expense relating to the 1998 Bank Credit Agreement was $61.1 million and $79.3 million, for years ended December 31, 2001 and 2000, respectively.

2002 Bank Credit Agreement

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%.

Availability under the Revolving Credit Facility does not reduce incrementally and terminates at maturity. The Company is required to prepay the Term Loan Facility and reduce the Revolving Credit Facility with (i) 100% of the net proceeds of any casualty loss or condemnation and; (ii) 100% of the net proceeds of any sale or other disposition by the Company of any assets in excess of $100 million in the aggregate for any fiscal year, to the extent not used to acquire new assets. The 2002 Bank Credit Agreement contains representations and warranties, and affirmative and negative covenants, including among other restrictions, limitations on additional indebtedness, customary for credit facilities of this type. The 2002 Bank Credit Agreement is secured only by a pledge of the stock of each subsidiary of the Company other than KDSM, Inc., KDSM Licensee, LLC., Cresap Enterprises, Inc., Sinclair Capital and Sinclair Ventures, Inc.

As a result of closing on the 2002 Bank Credit Agreement, we incurred debt acquisition costs of $3.2 million and recognized an extraordinary loss of $4.2 million, net of tax benefit of $2.4 million. The extraordinary loss represents the write-off of certain debt acquisition costs associated with indebtedness replaced by the new facility. The extraordinary loss was computed based on the guidance of EITF No. 96-19 *Debtor's Accounting for a Modification of Exchange of Debt Instrument* of EITF No. 98-14 *Debtor's Accounting for changes in Line of Credit or Revolving Debt Arrangement*.

On December 31, 2002 we closed on an additional $125 million Term Loan Facility repayable in consecutive quarterly installments, amortizing 0.25% per quarter, commencing June 30, 2004 continuing through its maturity on December 31, 2009. The proceeds from this additional borrowing, together with $125 million added on to our $300 million 8% Senior Subordinated Notes due 2012 and cash on hand was used to redeem our 8.75% Senior Subordinated Notes due 2007.

The weighted average interest rates of the 2002 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.

8.75% Senior Subordinated Notes Due 2007 and 2002 Tender Offer:

In December 1997, the Company completed an issuance of $250 million aggregate principal amount of 8.75% Senior Subordinated Notes due 2007 (the "8.75% Notes") pursuant to a shelf registration statement and generated net proceeds to the Company of $242.8 million. Of the net proceeds from the issuance, $106.2 million was utilized to tender the Company's 1993 Notes with the remainder retained for general corporate purposes.

Interest on the 8.75% Notes is payable semiannually on June 15 and December 15 of each year. Interest expense was $20.2 million for the year ended December 31, 2002 and $21.9 million for each of the years ended December 31, 2001 and 2000. The 8.75% Notes were issued under an Indenture among SBG, its subsidiaries (the guarantors) and the trustee. Costs associated with the offering totaled $5.8 million, including an underwriting discount of $5.0 million. These costs were capitalized and were being amortized over the life of the debt.

During December 2002, we completed a tender offer of $213.0 million aggregate principle amount of the 8.75% Notes ("2002 Tender Offer"). Total consideration per $1,000 principle amount note tendered was $1,043.74 resulting in total consideration paid to consummate the Tender Offer of $223.2 million. Also in December 2002, we redeemed the remaining 8.75% Notes for total consideration of $39.0 million. The Tender Offer and redemption were funded through the issuance of a $125 million add-on to our existing 8.0% $300 million Senior Subordinated Notes due 2012, a $125 million additional funding on our Term Loan B Facility, a draw down on our revolving line of credit of $7.0 million and cash on hand for a total consideration paid of $262.2 million. We recognized an extraordinary loss of $2.5 million, net of tax benefit of $1.4 million, representing a write-off of the previous debt acquisition costs of $3.2 million and consideration of $0.7 million.

9% Senior Subordinated Notes Due 2007

In July 1997, the Company completed an issuance of $200 million aggregate principal amount of 9% Senior Subordinated Notes due 2007 (the "9% Notes"). The Company utilized $162.5 million of the approximately $195.6 million net proceeds of the issuance to repay outstanding revolving credit indebtedness and utilized the remainder to fund acquisitions.

Interest on the 9% Notes is payable semiannually on January 15 and July 15 of each year, commencing January 15, 1998. Interest expense was $16.2 million, $18.0 million and $18.0 million for each of the three years ended December 31, 2002, 2001 and 2000, respectively. The 9% Notes were issued under an Indenture among SBG, its subsidiaries (the guarantors) and the trustee. Costs associated with the offering totaled $4.8 million, including an underwriting discount of $4.0 million. These costs were capitalized and were being amortized over the life of the debt.

On November 8, 2002 the 9% Notes were redeemed for an aggregate principal amount of $200 million. The redemption occurred through the issuance of a $125 million add-on to our 8% $300 million Senior Subordinated Notes due 2012 and available cash on hand for total consideration of $218.5 million including accrued interest of $7.2 million. We recognized an extraordinary loss of $2.4 million, net of deferred taxes of $1.3 million, representing a write-off of the previous debt acquisition costs of $2.3 million and consideration of $1.4 million.

10% Senior Subordinated Notes Due 2005

In August 1995, the Company completed an issuance of $300 million aggregate principal amount of 10% Senior Subordinated Notes (the "1995 Notes"), due 2005, generating net proceeds to the Company of $293.2 million. The net proceeds of this offering were utilized to repay outstanding indebtedness under the then existing Bank Credit Agreement of $201.8 million with the remainder being retained and eventually utilized to make payments related to certain acquisitions consummated during 1996. Interest on the 1995 Notes was payable semiannually on March 30 and September 30 of each year. Interest expense was $28.3 million for the year ended December 31, 2001 and $30 million for the years ended December 31, 2000. The 1995 Notes were issued under an indenture among SBG, its subsidiaries (the guarantors) and the trustee. Costs associated with the offering totaled $6.8 million, including an underwriting discount of $6.0 million. These costs were capitalized and were being amortized over the life of the debt.

In December 2001, the Company redeemed the $300 million aggregate principal amount of the 1995 Notes for a total consideration of $318.3 million, including accrued interest of $6.1 million. The Company recognized an extraordinary loss of $9.5 million, net of a tax benefit of $5.2 million. The extraordinary loss represented a write-off of the previous debt acquisition costs of $2.5 million and consideration of $12.2 million.

8.75% Senior Subordinated Notes Due 2011

In December 2001, the Company completed an issuance of $310 million aggregate principal amount of 8.75% Senior Subordinated Notes (the "2001 Notes"), due 2011, generating net proceeds to the Company of $306.2 million. The net proceeds of this offering were utilized to repay the 1995 Notes. Interest on the 2001 Notes is payable semiannually on June 15th and December 15th of each year. Interest expense was $27.0 million and $1.7 million for the years ended December 31, 2002 and 2001, respectively. The 2001 Notes were issued under an indenture among SBG, its subsidiaries (the guarantors) and the trustee. Costs associated with the offering totaled $4.1 million, including an underwriting discount of $3.8 million. These costs were capitalized and are being amortized over the life of the debt. Based on the quoted market price, the fair value of the 2001 Notes as of December 31, 2002 was $335.1 million.

8% Senior Subordinated Notes Due 2012

In March 2002, we completed an issuance of $300.0 million aggregate principal amount of 8% Senior Subordinated Notes (the 2002 Notes), due 2012, generating gross proceeds to us of $300.0 million. The gross proceeds of this offering were utilized to repay $300.0 million of the Term Loan Facility. We recognized an extraordinary loss of $0.7 million, net of a tax benefit of $0.4 million. The extraordinary loss represented the write-off of certain debt acquisition costs associated with indebtedness replaced by the 2002 Notes. Interest on the 2002 Notes is payable semiannually on March 15 and September 15 of each year, beginning September 15, 2002. The 2002 Notes were issued under an indenture among SBG, certain of 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. Based on the quoted market price, the fair value of the 8% Senior Subordinated Notes Due 2012 was $335.1 million at December 31, 2002.

On November 8, 2002, we completed an issuance of $125.0 million aggregate principal amount of 8% Senior Subordinated Notes due 2012 at a price of 100.5% of par, plus accrued interest from September 15, 2002 to November 7, 2002. After deducting discount and commission and estimated expenses of the offering of $1.9 million, we received approximately $125.8 million from the sale of the notes. We used the net proceeds together with available cash on hand and a draw down of $10.0 million on the revolving line of credit under the 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. Net costs associated with the offering totaled $1.6 million. These costs were capitalized and are being amortized to interest expense over the term of the 2002 notes. Based on the quoted market price, the fair value of 8% Senior Subordinated Notes due 2012 add-on issuance was $130.0 million at December 31, 2002.

On December 31, 2002, we completed an add-on issuance of $125.0 million aggregate principle amount of 8% Senior Subordinated Notes due 2012 at a premium of $3.8 million. 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, net costs associated with the offering totaled $1.7 million. Of these costs, $1.3 million were capitalized and are being amortized to interest expense over the term of the 2002 notes. Based on the quoted market price, the fair value of the 8% Senior Subordinated Notes due 2012 add-on issuance was $128.8 million at December 31, 2002.

Guarantors of Senior Subordinated Notes

The guarantors of the registered securities above are 100% owned by the parent and are comprised of certain of our subsidiaries whose guarantees are full and unconditional and joint and several. Those subsidiaries who are not guarantors of the securities (non-guarantors) are minor and our parent company has no independent assets or operations as defined by SEC rules. Neither the parent nor the guarantors have any significant restrictions on their ability to obtain funds from their subsidiaries in the form of dividends or loans.

Summary

Notes payable, capital leases, the 1998 Bank Credit Agreement as amended, and the 2002 Bank Credit Agreement consisted of the following as of December 31, 2002 and 2001 (in thousands):

	2002	2001
Bank Credit Agreement, Term Loan	**$ 500,000**	$ 500,000
Bank Credit Agreement, Revolving Credit Facility	**52,000**	364,000
8.75% Senior Subordinated Notes, due 2007	---	250,000
9% Senior Subordinated Notes, due 2007	---	200,000
8.75 Senior Subordinated Notes, due 2011	**310,000**	310,000
Note payable of consolidated entity (Cunningham)	**35,000**	---
8% Senior Subordinated Notes, due 2012	**550,000**	---
Capital leases	**43,763**	18,465
Installment note for certain real estate interest at 8.0%	**61**	70
	1,490,824	1,642,535
Less: Discount on 8.75% Senior Subordinated Notes, due 2007	---	(585)
Plus: Premium on 8% Senior Subordinated Notes, due 2012	**4,375**	---
Plus: SFAS No. 133 derivatives, net	**23,783**	3,370
Less: Current portion	**(292)**	(182)
	$ 1,518,690	$ 1,645,138

Indebtedness under the notes payable, capital leases and 2002 Bank Credit Agreement as of December 31, 2002 mature as follows (in thousands):

	Notes and 2002 Bank Credit Agreement	Capital Leases	Total
2003	$ ---	$ 4,162	$ 4,162
2004	3,750	4,120	7,870
2005	5,000	4,214	9,214
2006	5,000	4,307	9,307
2007	5,000	4,398	9,398
2008 and thereafter	1,428,250	100,331	1,528,581
Total minimum payments	$ 1,447,000	$ 121,532	$ 1,568,532
Plus: SFAS No. 133 derivatives, net	23,783	---	23,783
Plus: Premium on 8% Senior Subordinated Notes due 2012	4,375	---	4,375
Less: Amount representing interest	---	(77,708)	(77,708)
	$ 1,475,158	$ 43,824	$ 1,518,982

Substantially all of the Company's stock in its wholly owned subsidiaries has been pledged as security for notes payable and commercial bank financing.

As of December 31, 2002, we had 32 capital leases including 26 tower leases, four building leases, an LMA lease and a computer hardware lease. All of our tower leases will expire within the next 30 years, the building leases will expire within the next 13 years, the LMA lease will expire within the next six years and our computer hardware lease will expire within the next year. Most of our leases have a 5-10 year renewal option and it is expected that these leases will be renewed or replaced within the normal course of business.

5. NOTES AND CAPITAL LEASES PAYABLE TO AFFILIATES:

Notes and capital leases payable to affiliates consisted of the following as of December 31, 2002 and 2001 (in thousands):

	2002	2001
Subordinated installment notes payable to former majority owners, interest 8.75%, principal payments in varying amounts due annually beginning October 1991, with a balloon payment due at maturity in May 2005	$ 4,244	$ 5,395
Capital lease for building, interest at 7.93%	2,041	2,448
Capital lease for building, interest at 6.62%	6,652	7,323
Capital leases for broadcasting tower facilities, interest at 9.0%	5,404	2,782
Capitalization of time brokerage agreements, interest at 6.20% to 8.25%	8,611	17,816
Capital leases for building and tower, interest at 8.25%	6,036	4,546
	32,988	40,310
Less: Current portion	(4,157)	(7,086)
	$ 28,831	$ 33,224

Notes and capital leases payable to affiliates, as of December 31, 2002, mature as follows (in thousands):

2003	$ 6,602
2004	6,643
2005	7,580
2006	5,238
2007	4,462
2008 and thereafter	24,144
Total minimum payments due	54,669
Less: Amount representing interest	(21,681)
Present value of future notes and capital lease payments	$ 32,988

6. PROGRAM CONTRACTS PAYABLE:

Future payments required under program contracts payable as of December 31, 2002 were as follows (in thousands):

2003	$ 121,396
2004	66,530
2005	45,852
2006	12,095
2007	181
Total	246,054
Less: Current portion	(121,396)
Long-term portion of program contracts payable	$ 124,658

Included in the current portion amounts are payments due in arrears of $23.4 million. In addition, we have entered into non-cancelable commitments for future program rights aggregating $59.9 million as of December 31, 2002.

We perform a net realizable value calculation for each of our non-cancelable commitments in accordance with SFAS No. 63, Financial Reporting by Broadcasters. We utilize sales information to estimate the future revenue of each commitment and measure that amount against the amount of the commitment. If the estimated future revenue is less than the amount of the commitment, the value of the asset is adjusted.

We have estimated the fair value of our program contract payables and non-cancelable commitments at approximately $233.6 million and $53.6 million, respectively, as of December 31, 2002, and $220.8 million and $91.3 million, respectively, as of December 31, 2001. These estimates were based on future cash payments discounted at our current borrowing rate.

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

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

In March 1997, the Company completed a private placement of $200 million aggregate liquidation value of 11.625% High Yield Trust Offered Preferred Securities (HYTOPS) of Sinclair Capital, a subsidiary trust of the Company. The HYTOPS were issued March 12, 1997, mature March 15, 2009, and provide for quarterly distributions to be paid in arrears beginning June 15, 1997. The HYTOPS were sold to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act of 1933, as amended) and a limited number of institutional "accredited investors" and the offering was exempt from registration under the Securities Act of 1933, as amended (the Securities Act), pursuant to Section 4(2) of the Securities Act and Rule 144A thereunder. The Company utilized $135.0 million of the approximately $192.8 million net proceeds of the private placement to repay outstanding debt and retained the remainder for general corporate purposes.

Pursuant to a Registration Rights Agreement entered into in connection with the private placement of the HYTOPS, the Company offered holders of the HYTOPS the right to exchange the HYTOPS for new HYTOPS having the same terms as the existing securities, except that the exchange of the new HYTOPS for the existing HYTOPS has been registered under the Securities Act. On May 2, 1997, the Company filed a registration statement on Form S-4 with the Commission for the purpose of registering the new HYTOPS to be offered in exchange for the aforementioned existing HYTOPS issued by the Company in March 1997 (the "Exchange Offer"). The Company's Exchange Offer was closed and became effective August 11, 1997, at which time all of the existing HYTOPS were exchanged for new HYTOPS. Annual preferred dividends payable to the holders of HYTOPS are recorded as "Subsidiary trust minority interest expense" in the accompanying financial statements and was $23.3 million for each of the three years ended December 31, 2002, 2001, and 2000.

Common Stock

Holders of Class A Common Stock are entitled to one vote per share and holders of Class B Common Stock are entitled to ten votes per share except for votes relating to "going private" and certain other transactions. The Class A Common Stock and the Class B Common Stock vote altogether as a single Class except as otherwise may be required by Maryland law on all matters presented for a vote. Holders of Class B Common Stock may at any time convert their shares into the same number of shares of Class A Common Stock.

Preferred Stock

During 1997, the Company completed a public offering of 3,450,000 shares of Series D Convertible Exchangeable Preferred Stock (the "1997 Preferred Stock Offering"). The Convertible Exchangeable Preferred Stock has a liquidation preference of $50 per share and a stated annual dividend of $3.00 per share payable quarterly out of legally available funds and are convertible into shares of Class A Common Stock at the option of the holders thereof at a conversion price of $22.813 per share, subject to adjustment. The Convertible Exchangeable Preferred Stock is convertible into 7,561,644 shares of Class A common stock, all of which has been reserved by the company for future issuance. The shares of Convertible Exchangeable Preferred Stock are exchangeable at the option of the Company, for 6% Convertible Subordinated Debentures of the Company, due 2012, and are redeemable at the option of the Company on or after September 20, 2000 at specified prices plus accrued dividends.

8. DERIVATIVE INSTRUMENTS:

The Company enters into derivative instruments primarily for the purpose of reducing the impact of changing interest rates on our floating rate debt, and to reduce the impact of changing fair market values of our fixed rate debt. In addition, we have entered into put and call option derivative instruments relating to the Company's Class A Common Stock in order to hedge the possible dilutive effect of employees exercising stock options pursuant to the Company's stock option plans.

Statement of Financial Accounting Standard No. 133

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

Our existing interest rate swap agreements at January 1, 2001 did not qualify for special hedge accounting treatment under SFAS No. 133. As a result, both of the Company's interest rate swap agreements were reflected as liabilities on January 1, 2001 at their fair market value of $7.1 million in the aggregate, including $1.0 million of bond discount related to the transition adjustment to record the Company's fixed-to-floating rate derivative instrument. The bond discount resulting from the implementation of SFAS No. 133 is being amortized to interest expense through December 15, 2007, the termination date of the swap agreement. The floating-to-fixed rate derivative instrument was recorded at its fair value of $6.1 million on December 29, 2001 as a result of an amendment.

SFAS No. 133 required deferred gains and losses on previously terminated floating-to-fixed rate hedges to be presented as other comprehensive income or loss on the Consolidated Balance Sheet. As a result, on January 1, 2001, the Company reclassified the $2.8 million net balance of deferred losses to accumulated other comprehensive loss, net of a deferred tax benefit of $1.5 million and is amortizing this balance to interest expense over the original terms of the previously terminated and modified swap agreements, which expire from July 9, 2001 to June 3, 2004. The Company amortized $1.3 million and $0.3 million from accumulated other comprehensive loss and deferred tax asset to interest expense during 2002 and 2001, respectively.

Interest Rate Derivative Instruments

During the twelve months ended December 31, 2002 and 2001, we held four derivative instruments:

- An interest rate swap agreement with a notional amount of $575 million, which expires on June 5, 2006. The swap agreement requires the Company to pay a fixed rate which is set in the range of 5.95% to 7% and receive a floating rate based on the three month London Interbank Offered Rate (LIBOR) (measurement and settlement is performed quarterly). This swap agreement is reflected as a derivative obligation based on its fair value of $71.4 million and $40.5 million as a component of other long-term liabilities in the accompanying consolidated balance sheets as of December 31, 2002 and 2001, respectively. This swap agreement does not qualify for hedge accounting treatment under SFAS No. 133; therefore, changes in its fair market value are reflected currently in earnings as gain (loss) on derivative instruments. The Company incurred an unrealized loss of $30.9 million and $34.4 million during 2002 and 2001, respectively, related to this instrument.
- In March 2002, we entered into two interest rate swap agreements with notional amounts totaling $300 million which expire on March 15, 2012 in which we receive a fixed rate of 8% and pay a floating rate based on LIBOR (measurement and settlement is performed quarterly). These swaps are accounted for as a hedge of our 8% debenture in accordance with SFAS No. 133 whereby changes in the fair market value of the swaps are reflected as adjustments to the carrying amount of the debenture. These swaps are reflected in the accompanying balance sheet as a derivative asset and as a premium on the 8% debenture based on their fair value of $26.3 million.
- In June 2001, we entered into an interest rate swap agreement with a notional amount of $250 million which expires on December 15, 2007 in which the Company receives a fixed rate of 8.75% and pays a floating rate based on LIBOR (measurement and settlement is performed quarterly). This swap was accounted for as a hedge of the Company's 8.75% debenture in accordance with SFAS No. 133 whereby changes in the fair market value

of the swap were reflected as adjustments to the carrying amount of the debenture. During December 2002, the Company terminated this interest rate swap agreement. We received $10.9 million upon termination, which offset the premium that we paid on the 8.75% notes redemption.

- In June 2001, we entered into an interest rate swap agreement with a notional amount of $200 million which expires on July 15, 2007 in which the Company receives a fixed rate of 9% and pays a floating rate based on LIBOR (measurement and settlement is performed quarterly). This swap was accounted for as a hedge of the Company's 9% Notes in accordance with SFAS No. 133 whereby changes in the fair market value of the swap were reflected as adjustments to the carrying amount of the debenture. During November 2002, the Company terminated this interest rate swap agreement and received $9.0 million, which offset the premium that we paid on the 9% notes redemption.

The counterparties to these agreements are international financial institutions. The Company estimates the net fair value of these instruments at December 31, 2002 to be a liability of $45.1 million. The fair value of the interest rate swap agreements is estimated by obtaining quotations from the financial institutions, which are a party to the Company's derivative contracts. The fair value is an estimate of the net amount that the Company would pay on December 31, 2002 if the contracts were transferred to other parties or cancelled by the Company.

During May 2000, the Company terminated an interest rate swap with a notional amount of $250 million and recognized a net mark-to-market gain of $2.2 million which is reflected in the accompanying Consolidated Statement of Operations as gain (loss) on derivative instruments.

The Company experienced losses of $2.6 million during 2000 as a result of terminating two of its fixed-to-floating interest rate swap agreements. The losses resulting from these terminations are reflected as a discount on the Company's fixed rate debt and are being amortized to interest expense through December 15, 2007, the expiration date of the terminated swap agreements. For the year ended December 31, 2002, amortization of $0.4 million of the discount was recorded to interest expense.

During 2000, the Company experienced gains of $1.9 million as a result of terminating several of its floating-to-fixed interest rate swap agreements. In addition, during 2000 the Company experienced a loss of $6.1 million as a result of modifying the terms of its remaining floating-to-fixed interest rate swap agreement, as discussed above. These deferred gains and losses are being amortized to interest income and expense through the expiration dates of the terminated or modified swap agreements, which expire from July 9, 2001 to June 3, 2004. For the year ended December 31, 2000, amortization of $0.1 million of the deferred gain was recorded to interest expense. No amortization of the deferred loss was recorded because the loss occurred on the last business day of 2000. These balances were transferred to other comprehensive loss on January 1, 2001, as described above.

Treasury Option Derivative Instrument

In August 1998, the Company entered into a treasury option derivative contract (the "Option Derivative"). The Option Derivative contract provided for 1) an option exercise date of September 27, 2000, 2) a notional amount of $300 million and 3) a five-year treasury strike rate of 6.4%. Upon the execution of the Option Derivative in 1998, the Company received a cash payment representing an option premium of $9.5 million, which was recorded in "Other long-term liabilities" in the accompanying Consolidated Balance Sheets. The Company adjusted its liability to the present value of the future payments of the settlement amounts based on the forward five-year treasury rate at the end of each accounting period. These adjustments are reflected on the Company's Consolidated Statements of Operations as "Unrealized gains or losses on derivative instruments".

On September 27, 2000, the yield in the five-year treasury rate was 5.906% resulting in a loss of $0.3 million for the year ended December 31, 2000. In addition, the Company made a cash settlement payment of $3.0 million upon the expiration of the Option Derivative contract which is equal to the notional amount of $300 million multiplied by the strike rate (6.14%) less the settlement rate (5.906%) discounted over a five-year period. The Company realized a $6.4 million cash profit over the life of the transaction.

Equity Put And Call Options

As of December 31, 2002, the Company had no outstanding put and call options.

1997 Options

In April 1997, the Company entered into put and call option contracts related to its common stock for the purpose of hedging the dilution of the common stock upon the exercise of stock options granted. The Company entered into 1,100,000 European style (that is, exercisable on the expiration date only) put options for common stock with a strike price of $12.89 per share which provide for settlement in cash or in shares, at the election of the Company. The Company entered into 1,100,000 American style (that is, exercisable any time on or before the expiration date) call options for common stock with a strike price of $12.89 per share which provide for settlement in cash or in shares, at the election of the Company. During the year ended December 31, 2000, upon the settlement of these options, the Company repurchased 1,100,000 shares of common stock and made payments of $14.2 million.

1998 Options

In July 1998, the Company entered into put and call option contracts related to the Company's common stock (the "July Options"). In September 1998, the Company entered into additional put and call option contracts related to the Company's common stock (the "September Options"). These option contracts allow for settlement in cash or net physically in shares, at the election of the Company. The Company entered into these option contracts for the purpose of hedging the dilution of the Company's common stock upon the exercise of stock options granted.

The July Options included 2,700,000 call options for common stock and 2,700,000 put options for common stock, with a strike price of $33.27 and $28.93 per common share, respectively. The September Options included 467,000 call options for common stock and 700,000 put options for common stock, with a strike price of $28 and $16.0625 per common share, respectively. For the year ended December 31, 1998, option premium payments of $12.2 million and $0.7 million were made relating to the July and September Options, respectively. The Company recorded these premium payments as a reduction of additional paid-in capital. To the extent that the Company entered into put options related to its common stock, the additional paid-in capital amounts were reclassified accordingly and reflected as Equity Put Options in the accompanying consolidated balance sheets as of December 31, 1999. For the year ended December 31, 1999, the Company recorded receipts of $1.25 million relating to the 1998 September Options as an increase in additional paid-in capital. Additionally, 200,000 of the 1998 September Options were retired during 1999.

The 1998 July Options and September Options were exercised during March 2000. The Company repurchased 208,400 shares and made a net payment of $1.6 million related to this settlement. The 1998 September Options were amended during March 2000 to include 2.1 million equity put options at a put strike price of $10.125. The Company settled the 1998 September options during December 2000 and repurchased 1,430,000 shares of common stock and made a payment of $14.5 million related to this settlement. On April 10, 2001, this option became exercisable and, as a result, the contract was settled for $7.7 million in cash on April 16, 2001.

9. INCOME TAXES:

The Company files a consolidated federal income tax return and separate company state tax returns. The provision (benefit) for income taxes consisted of the following for the years ended December 31, 2002, 2001 and 2000 (in thousands):

	2002	2001	2000
(Benefit from) provision for income taxes - continuing operations	$ 1,369	$ (51,875)	$ 3,355
Provision for income taxes – discontinued operations	347	193	4,711
Provision for income taxes – sale of discontinued operations	8,175	---	69,870
Benefit from income taxes – extraordinary item	(5,531)	(7,800)	---
Benefit from income taxes – cumulative adjustment for change in accounting principle	(30,383)	---	---
	$ (26,023)	$ (59,482)	$ 77,936
Current:			
Federal	$ (37,357)	$ (47,880)	$ 58,079
State	3,160	(910)	13,439
	$ (34,197)	$ (48,790)	$ 71,518
Deferred:			
Federal	7,894	(9,792)	5,829
State	280	(900)	589
	8,174	(10,692)	6,418
	$ (26,023)	$ (59,482)	$ 77,936

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

	2002	2001	2000
Statutory federal income taxes	35.0%	(35.0%)	(35.0%)
Adjustments-			
State income and franchise taxes, net of federal effect	14.0%	0.4%	7.0%
Goodwill amortization	---	7.2%	39.0%
Non-deductible expense items	17.1%	0.6%	6.5%
Reversal of income tax accruals	---	(3.8%)	---
Change in valuation allowance	(24.5%)	(4.0%)	---
Effect of change in state tax rates on deferred taxes	(13.2%)	(0.1%)	---
Other	(2.2%)	3.4%	(1.9%)
Provision for income taxes	26.2%	(31.3%)	15.6%

Temporary differences between the financial reporting carrying amounts and the tax basis of assets and liabilities give rise to deferred taxes. We had a net deferred tax liability of $167.2 million and $155.5 million as of December 31, 2002 and 2001, respectively.

The Company's remaining federal and state net operating losses will expire during various years from 2012 to 2022, and in certain cases, are subject to annual limitations under Internal Revenue Code Section 382 and similar state provisions. The tax effects of these net operating losses are recorded in the deferred tax accounts in the accompanying consolidated balance sheets.

Total deferred tax assets and deferred tax liabilities as of December 31, 2002 and 2001 were as follows (in thousands):

	2002	2001
Deferred Tax Assets:		
Accruals and reserves	$ 12,259	$ 14,418
Net operating losses	63,593	35,539
Other comprehensive income net deferred tax assets	913	1,487
Other	15,128	20,232
	91,893	71,676
Valuation allowance for deferred tax assets	(48,825)	(25,724)
	$ 43,068	$ 45,952
Deferred Tax Liabilities:		
FCC license	$ (37,682)	$ (45,515)
Parent Preferred Stock deferred tax liability	(25,833)	(25,833)
Fixed assets and intangibles	(141,628)	(128,334)
Cunningham net deferred tax liabilities	(1,069)	---
Other	(4,064)	(1,730)
	$ (210,276)	$ (201,412)

The Company establishes valuation allowances in accordance with the provisions of SFAS No. 109, *Accounting for Income Taxes*. A valuation allowance has been provided for deferred tax assets relating to various state net operating loss ("NOL") carryforwards. The realization of deferred tax assets associated with state NOL carryforwards is dependent upon generating sufficient taxable income prior to their expiration. Management believes that there is a risk that certain of these state NOL carryforwards may expire unused and, accordingly, has established a valuation allowance against them. Although realization is not assured for the remaining deferred tax assets, management believes it is more likely than not that they will be realized through future taxable earnings or alternative tax strategies. The Company periodically reviews the adequacy of the valuation allowance and makes any necessary adjustments to the extent that management's estimates of taxable income during the carryforward period significantly change.

In December 2001, the Internal Revenue Service (IRS) completed its examination of the Company's federal income tax returns filed through 1997. As a result of this settlement, the Company's 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. The Company believes that adequate accruals have been provided for all years.

10. COMMITMENTS AND CONTINGENCIES:

Litigation

Lawsuits and claims are filed against the Company from time to time in the ordinary course of business. These actions are in various preliminary stages, and no judgements or decisions have been rendered by hearing boards or courts. Management, after reviewing developments to date with legal counsel, is of the opinion that the outcome of such matters will not have a material adverse effect on the Company's consolidated financial position, consolidated results of operations or consolidated cash flows.

Operating Leases

The Company has entered into operating leases for certain property and equipment under terms ranging from three to ten years. The rent expense under these leases, as well as certain leases under month-to-month arrangements for the years ended December 31, 2002, 2001 and 2000 was approximately $5.1 million, $5.7 million and $6.8 million, respectively.

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

2003	$ 4,134
2004	3,249
2005	2,839
2006	2,511
2007	2,196
2008 and thereafter	7,782
	$ 22,711

At December 31, 2002 and 2001, the Company had an outstanding letter of credit of $1.06 million and $1.14 million, respectively, under our revolving credit facility. The letter of credit acts as a guarantee of lease payments for the property occupied by WTTA-TV in Tampa, FL pursuant to the terms and conditions of the lease agreement.

Affiliation Agreements

Sixty of the 62 television stations that SBG owns and operates or to which it provides programming services or sales services, currently operate as affiliates of FOX (20 stations), WB (19 stations), ABC (8 stations), NBC (4 stations), UPN (6 stations) or CBS (3 stations). The remaining two stations are independent. The networks produce and distribute programming in exchange for each station's commitment to air the programming at specified times and for commercial announcement time during the programming. In addition, networks other than FOX pay each affiliated station a fee for each network-sponsored program broadcast by the station.

We 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. 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 attractive to our target audience.

Affiliation agreements between our stations and FOX network expired in 2001. We recently secured a long-term affiliation agreement with a term that will run through June 30, 2005 for all 20 of our FOX stations we own and operate or program under LMA agreements. In Baltimore, where Sinclair operates as the FOX affiliate and where FOX owns a television station, which operates as a UPN affiliate, both parties agreed that Sinclair would continue as the FOX affiliate for the three-year term.

In November 2002, we agreed to extend the UPN affiliation of our station WUXP-TV, Nashville, Tennessee until July 31, 2004, which is co-terminus with our other UPN agreements. In addition, the affiliation agreements of three ABC stations (WEAR-TV, in Pensacola, Florida, WCHS-TV, in Charleston, West Virginia and WXLV-TV, in Greensboro/Winston-Salem, North Carolina) have expired. As of December 31, 2002, the corresponding net book values for the affiliation agreements are $4.2 million, $2.7 million and $13.1 million, respectively. We continue to operate these stations as an ABC affiliate and the Company does not believe ABC has any current plans to terminate the affiliation of any of these stations. Upon the termination of any of the above affiliation agreements, the Company would be required to establish new affiliations with other networks or operate as an independent. At such time, the remaining value of the network affiliation asset could become impaired and the Company would be required to write down the value of the asset.

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 a common service area, 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 ownership rules adopted in August 1999, LMAs are now 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 ownership 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 acquired 15 of the stations we had been programming pursuant to LMAs. 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 Sinclair could own under the duopoly rules, but either has decided not to acquire at this time or has 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.) The FCC denied petitions for reconsideration of the duopoly rules, including a petition submitted by us. We filed a Petition for Review of the Report and Order adopting the 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. If the company were required to divest of these stations, the intangible assets aggregating approximately $75.5 million associated with these LMA agreements may be impaired and the Company would be required to write down the value of such assets. The Company does not believe the assets of these four stations are impaired. In April 2002, the court held that parts of the television duopoly rule were arbitrary and capricious and remanded the rule to the FCC for further consideration.

In December 2001, the FCC issued a decision which, among other things, granted a number of Sinclair and Cunningham applications and dismissed our application to acquire the license of one of the stations (WBSC-TV) we program pursuant to a pre-November 5, 1996 LMA as not meeting the requirements for ownership under the new duopoly rules. We have filed a motion for reconsideration of the dismissal. In January 2002, the Rainbow/PUSH Coalition filed an appeal of the FCC's decision with the U.S. Court of Appeals for the D.C. Circuit. The stations affected by the appeal are WNUV-TV, WTTE-TV, WRGT-TV, WTAT-TV, WVAH-TV, KOKH-TV, KRRT-TV, WVTV-TV, WRDC-TV, WABM-TV, WBSC-TV, WCWB-TV, WLOS-TV and KABB-TV. Oral arguments in this matter are scheduled for the first quarter of 2003. Although we do not expect to lose these licenses, we can provide no assurances as to the outcome of the appeal.

Outsourcing Agreements

On May 1, 2002, we entered into an outsourcing agreement in which our stations in Nashville, Tennessee will provide certain sales, administrative and technical services to WNAB-TV.

We have entered into an agreement with a third party to purchase certain license and non-license television broadcast assets of WNAB-TV at our option (the Call Option) and additionally, the third party may require us to purchase these license and non-license broadcast assets at the option of the third party (the Put Option). On January 2, 2003 we made an $18 million non-refundable deposit against the purchase price of the put or call option on the non-license assets in return for a reduction in our monthly fees. Upon exercise, we may settle the Call or Put Options entirely in cash or, at our option, we may pay up to one-half of the purchase price by issuing additional shares of our Class A common stock. The Call and Put option exercise prices vary depending upon the exercise dates. The license asset Call option exercise price is $5.0 million prior to March 31, 2005, $5.6 million from March 31, 2005 until March 31, 2006 and $6.2 million after March 31, 2006. The non-license asset Call option exercise price is $8.3 million prior to March 31, 2005, $12.6 million from March 31, 2005 until March 31, 2006 and $16.0 million after March 31, 2006. The license asset Put option price is $5.4 million from July 1, 2005 to July 31, 2005, $5.9 million from July 1, 2006 to July 31, 2006 and $6.3 million from July 1, 2007 to July 31, 2007. The non-license asset Put option price is $7.9 million from July 1, 2005 to July 31, 2005, $12.4 million from July 1, 2006 to July 31, 2006 and $16.0 million from July 1, 2007 to July 31, 2007.

On July 9, 2002, we entered into an outsourcing agreement in which a third party will provide certain sales, administrative and technical services to our station KGAN-TV in Cedar Rapids, IA, in return for a share of our combined broadcast cash flows.

11. RELATED PARTY TRANSACTIONS:

During the year ended December 31, 1993, we loaned Gerstell Development Limited Partnership (a partnership owned by Class B Stockholders) $2.1 million. 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 class B 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 class B 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.

Concurrently with our initial public offering, we acquired options from certain stockholders of Cunningham that will grant 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 in Charleston, WV, WTAT-TV in Charleston, SC, WBSC-TV in Asheville/Greenville/Spartanburg and WTTE-TV in Columbus. The Company has entered into five-year LMA agreements (with five-year renewal terms at the Company's option) with Cunningham pursuant to which the Company provides 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, the Company made payments of $4.0 million, $11.8 million and $11.3 million, respectively, to Cunningham under these LMA agreements.

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 Class B Stockholders. During the years ended December 31, 2002, 2001 and 2000, we incurred expenses of approximately $0.2 million, $41,000 and $0.2 million related to these arrangements, respectively.

Certain assets used by the Company and its operating subsidiaries are leased from Cunningham Communications Inc., Keyser Investment Group, Gerstell Development Limited Partnership, and Beaver Dam, LLC (entities owned by the Class B Stockholders). 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); therefore we will account for this investment under the equity method of accounting.

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.

12. ACQUISITIONS AND DISPOSITIONS

Montecito Acquisition. In February 1998, the Company entered into a Stock Purchase Agreement with Montecito and its stockholders to acquire all of the outstanding stock of Montecito, which owns the FCC license for television broadcast station KFBT-TV. The FCC granted approval of the transaction and on April 18, 2000 the Company completed the purchase of the outstanding stock of Montecito for a purchase price of $33.0 million.

Emmis Disposition. In June 2000, the Company settled its litigation with Emmis Communication Corporation (Emmis) and former CEO-designate Barry Baker regarding the sale of its St. Louis broadcast properties. As a result of the settlement, the purchase option of the Company's St. Louis broadcast properties has been terminated and a subsequent agreement was entered into whereby the Company would sell its St. Louis radio properties to Emmis. In October 2000, the Company completed the sale of its St. Louis radio properties to Emmis for $220.0 million and retained its St. Louis television station, KDNL-TV.

Entercom Disposition. On July 20, 2000 the Company completed the sale of four radio stations in Kansas City to Entercom Communications Corporation (Entercom)for an aggregate purchase price of $126.6 million in cash. The stations sold were KCFX-FM, KQRC-FM, KCIY-FM, and KXTR-FM. In November 2000, the Company completed the sale of WKRF-FM in Wilkes-Barre, Pennsylvania to Entercom for $0.6 million.

WNYO Acquisition. In August 2000, the Company entered into an agreement to purchase the stock of Grant Television, Inc., the owner of WNYO-TV in Buffalo, New York, for a purchase price of $51.5 million. In October 2000, the Company completed the stock acquisition of Grant, obtaining the non-license assets of WNYO-TV and began programming the television station under local marketing agreement. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets, definite-lived intangible broadcast assets and other intangible assets for $2.9 million, $3.9 million and $39.8 million, respectively. In December 2001, the Company received FCC approval and on January 25, 2002, the Company completed the purchase of the FCC license and related assets of WNYO-TV for a purchase price of $6.7 million.

Cunningham/WPTT, Inc. Acquisition. On November 15, 1999, the Company entered into an agreement to purchase substantially all of the assets of television stations WCWB-TV, Channel 22, Pittsburgh, Pennsylvania, from the owner of that television station, WPTT, Inc. In December 2001, the Company received FCC approval and on January 7, 2002, the Company closed on the purchase of the FCC license and related assets of WCWB-TV for a purchase price of $18.8 million.

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 WABM-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 WABM-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.

Mission Acquisition. Pursuant to our merger with Sullivan Broadcast Holdings, Inc. which was effective July 1, 1998, the Company acquired options to acquire television broadcast station WUXP-TV in Nashville, Tennessee from Mission Broadcasting I, Inc. and television broadcast station WUPN-TV in Greensboro, North Carolina from Mission Broadcasting II, Inc. On November 15, 1999, the Company exercised its option to acquire both of the foregoing stations. In December 2001, the Company received FCC approval and in January 2002, the Company closed on the purchase of the FCC licenses and related assets of WUXP-TV and WUPN-TV for the assumption of notes payable aggregating $4.2 million and $0.1 million of cash. Prior to closing, the Company programmed these stations pursuant to an LMA.

Sullivan Acquisition. In December 2001, the Company received FCC approval to acquire 100% of the stock of Sullivan Broadcasting Company II, Inc. and Sullivan Broadcasting Company IV, Inc. which, in the aggregate, own the FCC license and related assets of six television stations. In January 2002, the Company completed the purchase of the FCC license and related assets of WZTV-TV, WUTV-TV, WXLV-TV, WRLH-TV, WMSN-TV and KOKH-TV. Prior to closing, the Company programmed these stations pursuant to LMA's. As consideration for the purchase of the FCC license and related assets of KOKH, the Company forgave a note receivable to Sullivan IV in the amount of $16.6 million.

WUHF Acquisition. In December 1999, the Company entered into a stock purchase agreement with BS&L Broadcasting, Inc. (BS&L) and its sole shareholder to acquire the stock of BS&L, the licensee of WUHF-TV, Rochester, New York. BS&L acquired the license of WUHF-TV from Sullivan II. One of the conditions to our acquisition of the stock of BS&L was the receipt of FCC approval. On April 30, 2002, we acquired the stock of BS&L Broadcasting, Inc. (BS&L), from its sole shareholder, which owned the FCC license and related assets of WUHF-TV in Rochester, New York. As consideration for the purchase of the FCC license and related assets, we forgave a note receivable from BS&L in the amount of $22.0 million. Prior to the completion of the acquisition, we programmed WUHF-TV pursuant to a local marketing agreement.

WBSC LMA. The license assets of WBSC-TV Greenville/Spartansburg/Anderson, South Carolina, are currently owned by Cunningham and we intend to acquire these assets upon FCC approval. The FCC recently denied our application to acquire the license for this station based on the "eight voices test" and we have filed a motion for reconsideration of that decision.

13. DISCONTINUED OPERATIONS:

In July 1999, the Company entered into an agreement to sell 46 of its radio stations in nine markets to Entercom for $824.5 million in cash (adjusted for closing costs). In December 1999, the Company completed the sale of 41 of its radio stations in eight markets to Entercom for $700.4 million in cash recognizing a gain, net of tax, of $192.4 million. The Company completed the sale of four of the remaining five radio stations to Entercom in July 2000 for $126.6 million in cash and completed the sale of the remaining radio station in Wilkes-Barre to Entercom in November 2000 for a purchase price of $0.6 million in cash. In addition, in October 2000, the Company completed its sale to Emmis of the remaining radio stations serving the St. Louis market for a purchase price of $220.0 million. The Company recognized a gain, net of tax, of $108.3 million on the sale of these remaining radio stations for the year ended December 31, 2000.

Based on the Company's strategy to divest of its radio broadcasting segment, "Discontinued Operations" accounting has been adopted, in accordance with APB No. 30, for the periods presented in the accompanying financial statements and the notes thereto. As such, the results from operations of the radio broadcast segment, net of related income taxes, has been reclassified from income from operations and reflected as income from discontinued operations in the accompanying consolidated statements of operations for all periods presented. Accounts receivable related to discontinued operations, which the Company will continue to own the rights to and collect, is included in accounts receivable, net of allowance for doubtful accounts, in the accompanying consolidated balance sheets for all periods presented. Accounts receivable, net of allowance for doubtful accounts includes accounts receivable related to discontinued operations balances of $220,667, net of allowance of $144,253 and $4.6 million, net of allowance of $1.5 million as of December 31, 2002 and 2001, respectively.

On April 18, 2002, we entered into an agreement to sell the television station of WTTV-TV in Bloomington, Indiana and its satellite station, WTTK-TV in Kokomo, Indiana to a third party. On July 24, 2002, WTTV-TV had net assets and liabilities held for sale of $108.8 million, and we completed such sale for $124.5 million and recognized a gain, net of taxes, of $7.5 million, which was used to pay down indebtedness. The operating results of WTTV-TV are not included in our consolidated results from continuing operations for the years ended December 31, 2002, 2001 and 2000. Since this agreement met all of the criteria for a qualifying plan of sale, the assets and liabilities disposed of by this sale have been classified as "held for sale" on the accompanying consolidated balance sheets presented. We applied the accounting for the disposal of long-lived assets in accordance with SFAS No. 144 as of January 1, 2002.

The details of classifications in the accompanying balance sheet as "held for sale" is as follows:

As of December 31,	2002	2001
Assets:		
Current portion of program contract costs	$ ---	$ 7,440
Deferred barter costs	---	8
Prepaid expenses	---	68
Property and equipment, net	---	4,702
Program contract costs, less current	---	5,924
Intangibles	---	110,252
Assets held for sale	$ ---	$ 128,394
Liabilities:		
Current portion of program contract	$ ---	$ 9,132
Deferred barter revenues	---	(11)
Program contracts payable, less current	---	11,702
Liabilities held for sale	$ ---	$ 20,823

"Net income from discontinued operations" includes net broadcast revenues of $10.2 million, $21.0 million and $55.5 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Discontinued operations have not been segregated in the consolidated statements of cash flows and, therefore, amounts for certain captions will not agree with the accompanying Consolidated Statements of Operations.

14. RESTRUCTURING CHARGE:

During February 2001, the Company offered a voluntary early retirement program to its eligible employees and implemented a restructuring program to reduce operating and overhead costs. As a result, the Company reduced its 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, the Company 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 are related to severance and operating contract termination costs.

The following table provides a roll-forward of liabilities resulting from these restructuring charges (in thousands):

	Employee Severance and Termination Benefits	Lease Termination and Other Costs	Total
2001 Restructuring Charges	$ 3,448	$ 388	$ 3,836
2001 Payments	(2,367)	(76)	(2,443)
December 31, 2001 accrued balances	1,081	312	1,393
2002 Payments	**(1,026)**	**(275)**	**(1,301)**
December 31, 2002 accrued balances	**$ 55**	**$ 37**	**$ 92**

15. CONTRACT TERMINATION COSTS:

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

16. EMPLOYEE BENEFIT PLAN:

The Sinclair Broadcast Group, Inc. 401(k) Profit Sharing Plan and Trust (the SBG Plan) covers eligible employees of the Company. Contributions made to the SBG Plan include an employee elected salary reduction amount, company-matching contributions and a discretionary amount determined each year by the Board of Directors. The Company's 401(k) expense for the years ended December 31, 2002, 2001 and 2000 was $1.3 million, $1.2 million and $1.7 million, respectively. There were no discretionary contributions during these periods. The Company has registered 800,000 shares of its Class A Common Stock with the SEC to be issued as a matching contribution for the 1997 plan year and subsequent plan years

17. STOCK-BASED COMPENSATION PLANS:

Stock Option Plans

Designated Participants Stock Option Plan. In connection with the Company's initial public offering in June 1995 (the "IPO"), the Board of Directors of the Company adopted an Incentive Stock Option Plan for Designated Participants (the Designated Participants Stock Option Plan) pursuant to which options for shares of Class A common stock were granted to certain key employees of the Company. The Designated Participants Stock Option Plan provides that the number of shares of Class A Common Stock reserved for issuance under the Designated Participant Stock Option Plan is 136,000. Options granted pursuant to the Designated Participants Stock Option Plan must be exercised within 10 years following the grant date. As of December 31, 2002, 34,500 shares were available for future grants.

Long-Term Incentive Plan. In June 1996, the Board of Directors of the Company adopted, upon approval of the stockholders by proxy, the 1996 Long-Term Incentive Plan (the LTIP). The purpose of the LTIP is to reward key individuals for making major contributions to the success of the Company and its subsidiaries and to attract and retain the services of qualified and capable employees. Options granted pursuant to the LTIP must be exercised within 10 years following the grant date. A total of 14,000,000 shares of Class A Common Stock are reserved for awards under the plan. As of December 31, 2002, 11,965,805 shares have been granted under the LTIP and 7,196,976 shares (including forfeited shares) were available for future grants.

Incentive Stock Option Plan. In June 1996, the Board of Directors adopted, upon approval of the stockholders by proxy, an amendment to the Company's Incentive Stock Option Plan. The purpose of the amendment was (i) to increase the number of shares of Class A Common Stock approved for issuance under the plan from 800,000 to 1,000,000, (ii) to lengthen the period after date of grant before options become exercisable from two years to three years and (iii) to provide immediate termination and three-year ratable vesting of options in certain circumstances. Options granted pursuant to the ISOP must be exercised within 10 years following the grant date. As of December 31, 2002, 714,200 shares have been granted under the ISOP and 772,334 shares (including forfeited shares) were available for future grants.

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

	Options	Weighted-Average Exercise Price	Exercisable	Weighted-Average Exercise Price
Outstanding at end of 1999	7,182,770	19.84	3,639,020	15.41
2000 Activity:				
Granted	1,371,335	9.71	---	---
Exercised	(5,667)	9.25	---	---
Forfeited	(1,141,493)	21.35	--	---
Outstanding at end of 2000	7,406,945	17.74	3,886,793	14.88
2001 Activity:				
Granted	676,400	8.93	---	---
Exercised	(63,287)	9.20	---	---
Forfeited	(792,613)	18.94	---	---
Outstanding at end of 2001	7,227,445	16.86	4,666,669	15.65
2002 Activity:				
Granted	**260,400**	**12.14**	---	---
Exercised	**(283,812)**	**9.23**	---	---
Forfeited	**(628,775)**	**20.61**	---	---
Outstanding at end of 2002	**6,575,258**	**16.64**	**5,066,783**	**16.08**

Additional information regarding stock options outstanding at December 31, 2002 is as follows:

Outstanding	Exercise Price	Weighted-Average Remaining Contractual Life (In Years)	Exercisable	Weighted Average Exercise Price
398,675	$ 6.10-9.06	8.2	174,150	$ 8.70
1,127,963	$ 9.20-13.68	7.4	724,038	$ 9.73
3,257,870	$ 14.32-20.94	3.6	3,231,470	$ 15.35
1,790,750	$ 24.20-28.42	5.1	937,125	$ 24.91
6,575,258	$ 6.10 - 28.42	4.9	5,066,783	$ 16.08

18. EARNINGS PER SHARE:

The following table reconciles income (numerator) and shares (denominator) used in the Company's computations of earnings per share for the years ended December 31, 2002, 2001, and 2000 (in thousands, except per share data):

	2002	2001	2000
Numerator			
Net income (loss) from continuing operations	$ 3,850	$ (113,460)	$ (37,831)
Net income from discontinued operations, including gain on sale of broadcast assets related to discontinued operations	$ 7,891	$ (52)	$ 115,196
Net loss from extraordinary item	$ (9,831)	$ (14,210)	$ ---
Cumulative adjustment for change in accounting principle	$ (566,404)	$ ---	$ ---
Net (loss) income	$ (564,494)	$ (127,722)	$ 77,365
Preferred stock dividends payable	(10,350)	(10,350)	(10,350)
Net (loss) income available to common shareholders	$ (574,844)	$ (138,072)	$ 67,015
Denominator			
Weighted-average number of common shares	85,337	84,352	91,405
Dilutive effect of outstanding stock options	243	31	27
Dilutive effect of equity put options	---	241	1,055
Weighted-average number of common equivalentshares outstanding	85,580	84,624	92,487
BASIC EARNINGS PER SHARE:			
Net loss per share from continuing operations	$ (0.08)	$ (1.47)	$ (0.53)
Net income per share from discontinued operations	$ 0.09	$ ---	$ 1.26
Net loss per share from extraordinary item	$ (0.12)	$ (0.17)	$ ---
Net loss per change from cumulative effect ofchange in accounting principle	$ (6.64)	$ ---	$ ---
Net (loss) income per share	$ (6.74)	$ (1.64)	$ 0.73
DILUTED EARNINGS PER SHARE:			
Net loss per share from continuing operations	$ (0.08)	$ (1.47)	$ (0.53)
Net income per share from discontinued operations	$ 0.09	$ ---	$ 1.26
Net loss per share from extraordinary item	$ (0.12)	$ (0.17)	$ ---
Net loss per change from cumulative effect of change in accounting principle	$ (6.64)	$ ---	$ ---
Net (loss) income per share	$ (6.74)	$ (1.64)	$ 0.73

Basic earnings per share (EPS) is calculated using the weighted average number of shares outstanding during the period. Diluted earnings per share (Diluted EPS) includes the potentially dilutive effect, if any, which would occur if outstanding options to purchase common stock were exercised using the treasury stock method and if written equity put options were exercised using the reverse treasury stock method. Stock options to purchase 0.2 million incremental shares of common stock and stock options and written equity put options to purchase 0.3 million and 1.1 million incremental shares of common stock were outstanding during the years ended December 31, 2002, December 31, 2001 and December 31, 2000, respectively, but were not included in the computation of diluted EPS as the effect would be anti-dilutive. Stock options to purchase shares of common stock were outstanding during the years ended December 31, 2002, 2001 and 2000, but were not included in the computation of diluted EPS because the option's exercise price was greater than the average market price of the common shares.

19. QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

For the Quarter Ended,	03/31/02 (As reported)	03/31/02 (As restated)(1)(2)	06/30/02 (2)	09/30/02 (2)	12/31/02
Total revenues	$ 167,480	$ 160,379	$ 190,670	$ 178,567	$ 206,173
Operating income	28,808	28,854	49,078	42,998	63,700
Net income (loss) from continuing operations	(630)	(172)	(2,009)	(24,987)	31,018
Income (loss) from discontinued operations	---	(458)	585	7,764	---
Loss from extraordinary item	(728)	(728)	---	(4,218)	(4,885)
Loss from change in accounting principle	(41,608)	(566,404)	---	---	---
Net loss available to common shareholders	(45,554)	(570,350)	(4,011)	(24,029)	23,546
Basic income (loss) per share from continuing operations	(0.04)	(0.03)	(0.05)	(0.32)	0.33
Basic income (loss) per share from discontinued operations	---	(0.01)	0.01	0.09	---
Basic loss per share from extraordinary item	(0.01)	(0.01)	---	(0.05)	(0.06)
Basic loss per share from change in accounting principle	(0.49)	(6.67)	---	---	---
Basic income (loss) per share	(0.54)	(6.72)	(0.05)	(0.28)	0.28
Diluted income (loss) per share from continuing operations	(0.04)	(0.03)	(0.05)	(0.32)	0.33
Diluted income (loss) per share from discontinued operations	---	(0.01)	0.01	0.09	---
Diluted loss per share from extraordinary item	(0.01)	(0.01)	---	(0.05)	(0.06)
Diluted loss per share from change in accounting principle	(0.49)	(6.67)	---	---	---
Diluted (loss) earnings per share	(0.54)	(6.72)	(0.05)	(0.28)	0.27

For the Quarter Ended,	03/31/01	06/30/01	09/30/01	12/31/01
Total revenues	$ 158,106	$ 186,505	$ 162,019	$ 178,021
Operating income	7,140	24,805	5,657	401
Net loss from continuing operations	(36,823)	(13,225)	(29,492)	(33,920)
Net income (loss) from discontinued operations	210	204	(367)	(99)
Net loss available to common shareholders	(39,201)	(20,307)	(32,447)	(46,117)
Basic loss per share from continuing operations	(0.47)	(0.19)	(0.38)	(0.43)
Diluted loss per share from continuing operations	(0.47)	(0.19)	(0.38)	(0.43)
Basic loss per share from discontinued operations	---	---	---	---
Diluted loss per share from discontinued operations	---	---	---	---
Basic loss per share	(0.46)	(0.24)	(0.39)	(0.55)
Diluted loss per share	(0.46)	(0.24)	(0.39)	(0.55)

(1) The results previously reported in the Company's Form 10-Q for the quarter ended March 31, 2002 have been restated to reflect the cumulative effect of adoption of SFAS No. 142 as discussed in Note 1. The results have also been restated to reflect the results of discontinued operations as described in Note 1.

(2) The results previously reported in the Company's Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002 have been restated to reflect the adoption of EITF 02-16 as discussed in Note 1.

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our class A common stock is listed for trading on the NASDAQ stock market under the symbol SBGI. The following table sets forth for the periods indicated the high and low sales prices on the NASDAQ stock market.

2002	**High**	**Low**
First Quarter	**$ 13.78**	**$ 9.00**
Second Quarter	**17.75**	**11.95**
Third Quarter	**14.97**	**9.97**
Fourth Quarter	**14.16**	**10.35**

2001	High	Low
First Quarter	$ 13.06	$ 7.00
Second Quarter	10.55	4.95
Third Quarter	11.25	7.56
Fourth Quarter	9.74	6.96

As of February 14, 2003, there were approximately 79 stockholders of record of our common stock. This number does not include beneficial owners holding shares through nominee names. Based on information available to us, we believe we have more than 5,000 beneficial owners of our class A common stock.

We generally have not paid a dividend on our common stock and do not expect to pay dividends on our common stock in the foreseeable future. Our 2002 bank credit agreement and some of our subordinated debt instruments generally restrict us from paying dividends on our common stock. Under the indentures governing our 8% senior subordinated notes due 2012 and 8.75% senior subordinated notes due 2011, we are restricted from paying dividends on our common stock unless certain specified conditions are satisfied, including that

- no event of default then exists under the indenture or certain other specified agreements relating to our indebtedness and
- we, after taking account of the dividend, are in compliance with certain net cash flow requirements contained in the indenture. In addition, under certain of our senior unsecured debt, the payment of dividends is not permissible during a default thereunder.

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

MANAGEMENT'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND INTERNAL CONTROLS

The accompanying consolidated financial statements have been prepared by the management of Sinclair Broadcast Group, Inc. in accordance with accounting principles generally accepted in the United States, and accordingly, include certain amounts which are based upon informed judgements and estimates. The other financial information appearing elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

Management maintains a system of internal accounting controls designed to meet their responsibility for reliable financial information. Management believes that its accounting controls provide reasonable assurance, at an appropriate cost, that assets are safeguarded, that transactions are properly authorized and that established policies and procedures are followed. Among these policies is a corporate code of conduct which requires employees to maintain the highest ethical standards in conducting Company affairs.

The Company's consolidated financial statements have been audited by Ernst & Young LLP, independent auditors, who express their opinion with respect to the fairness of the Company's reported results of operations and financial position and who also obtain a sufficient understanding of the internal control structure to establish a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the examination of the consolidated financial statements.

The Audit Committee of the Board of Directors, comprised solely of outside directors, meets with management and Ernst & Young LLP periodically to review planned audit scope and results, and to discuss other matters affecting the Company's internal accounting controls and financial reporting. The independent auditors have free access to the Audit Committee, with or without management present, to discuss appropriate matters.

David D. Smith
Chairman of the Board, President and
Chief Executive Officer

David B. Amy
Executive Vice President and
Chief Financial Officer

David R. Bochenek
Chief Accounting Officer/Controller

Sinclair Broadcast Group, Inc. General Managers / Station Managers

Les T. Vann, WLOS / WFBC, *Asheville, NC*
William J. Fanshawe, WBFF / WNUV, *Baltimore, MD*
Sandy Stewart, WTTO / WABM / WDBB *Birmingham, AL*
Donald Moran, WUTV / WNYO, *Buffalo, NY*
Theodore J. Stephens, KBSI / WDKA, *Cape Girardeau, MO*
Paul E. Donohue, WICD, *Champaign, IL*
Jack Connors, WICD / WICS, *Champaign & Springfield, IL*
Scott D. Campbell, WTAT / WMMP, *Charleston, SC*
Alan B. Frank, WCHS / WVAH, *Charleston, WV*
Merry Ewing, WSTR, *Cincinnati, OH*
John Quigley, WSYX / WTTE, *Columbus, OH*
Chuck Budt, WKEF / WRGT, *Dayton, OH*
Theodore J. Stephens, KDSM, *Des Moines, IA*
Michael Eichhorn, WSMH, *Flint, MI*
Leesa Wilcher, WEMT, J*ohnson City, TN*
Mark L. Martin, KSMO, *Kansas City, KS*
Robert D. Weisbord, KVWB / KFBT, *Las Vegas, NV*
James L. Ottolin, WDKY, *Lexington, KY*
Daniel Jay Cohen, WMSN, *Madison, WI*
David Ford, WCGV / WVTV, *Milwaukee, WI*
Art A. Lanham, KMWB, *Minneapolis, MN*
Steve Mann, WZTV / WUXP, *Nashville, TN*
Randy Pratt, KOCB / KOKH, *Oklahoma City, OK*
Carl M. Leahy, WEAR / WFGX, *Pensacola, FL*
Alan B. Frank, WPGH / WCWB, *Pittsburgh, PA*
Alan Cartwright, WGME, Portland, ME
Neal Davis, WLFL / WRDC, Raleigh, NC
Scott J. Sanders , WRLH / WTVZ, *Richmond & Norfolk, VA*
Matthew L. Kreiner, WUHF, *Rochester, NY*
Daniel P. Mellon, KOVR, *Sacramenta, CA*
John Seabers, KABB / KRRT, *San Antonio, TX*
Kevin LeRoux, WGGB, *Springfield, MA*
Thomas L. Tipton, KDNL, *St. Louis, MO*
Aaron R. Olander, WSYT / *WNYS, Syracuse, NY*
Chris A. Butterick, WTWC, *Tallahassee, FL*
Julie Nelson, WTTA, *Tampa, FL*
Beth Worsham, WXLV / WUPN, *Winston-Salem, NC*

G1440, Inc.
Lawrence M. Fiorino, CEO

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Sinclair Broadcast Group, Inc.

Officers

David D. Smith
President & Chief Executive Officer

Frederick G. Smith
Vice President

J. Duncan Smith
Vice President & Secretary

David B. Amy
*Executive Vice President &
Chief Financial Officer*

David R. Bochenek
Chief Accounting Officer/Controller

Barry M. Faber
VP/General Counsel

Mark E. Hyman
*VP/Corporate Communications &
Government Relations*

Nat S. Ostroff
VP/New Technology

Lucy A. Rutishauser
VP/Corporate Finance & Treasurer

Donald H. Thompson
VP/Human Resources

Thomas I. Waters, III
VP/Purchasing

Ventures Division

Leonard J. Ostroff
Chief Operating Officer

Board of Directors

David D. Smith
*Chairman of the Board,
President & Chief Executive Officer*

Frederick G. Smith
Vice President

J. Duncan Smith
Vice President & Secretary

Robert E. Smith
Director

Daniel C. Keith
*President & Founder of the Cavanaugh
Group, Inc.*

Martin R. Leader
Director

Lawrence E. McCanna
*Managing Partner, Gross,
Mendelsohn & Associates, P.A.*

Basil A. Thomas
*Of Counsel,
Thomas & Libowitz, P.A.*

Television Division

M. William Butler
VP/Group Programming & Promotions

Joseph Defeo
Corporate News Director

Steven M. Marks
Chief Operating Officer/Television

Darren Shapiro
VP/Sales

Gregg Siegel
VP/National Sales

Jeff Sleete
VP/Marketing

Delbert R. Parks III
VP/Operations & Engineering

Annual Meeting

The Annual Meeting of Stockholders will be held at Sinclair Broadcast Group Corporate Offices,
10706 Beaver Dam Road
Hunt Valley, MD 21030
Thursday, August 7, 2003 at 10:00am.

Independent Public Accountants

Ernst & Young
1 North Charles Street
Baltimore, MD 21201

Transfer Agent and Registrar

Questions regarding stock certificates, change of address, or other stock transfer account matters may be directed to:

Mellon Investor Services, LLC
85 Challenger Road
Ridgefield Park, NJ 07660
www.melloninvestor.com

Form 10-K, Annual Report

A copy of the Company's 2002 Form 10-K, as filed with the Securities and Exchange Commission, is available on the Company's website www.sbgi.net or upon written request to:

Lucy A. Rutishauser
VP/Corporate Finance & Treasurer
Sinclair Broadcast Group, Inc.
10706 Beaver Dam Road
Hunt Valley, MD 21030
410-568-1500 or
E-mail: ir@sbgnet.com

Common Stock

The Company's Common Stock trades on the Nasdaq National Market tier of the NasdaqSM Stock Market under the symbol SBGI.

Convertible Preferred Stock

The Company's Convertible Preferred Stock trades on the Nasdaq National Market tier of the NasdaqSM Stock Market under the symbol SBGIP.

Photographs by DDS