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Sinclair Broadcast Group

Annual Report 2005

Letter to our Shareholders

Last year, I spoke to you about the potential benefits that competition to cable-delivered video, the convergence of new technology and consumer adoption rates of digital television could have on the television broadcast industry in the years ahead. This year, I am here to tell you that we are beginning to realize the benefits from this changing landscape. Before I take you there, however, I want to share with you some of our achievements from 2005 and reflect on our Company's commitment to growing our top line, controlling our costs and creating value for our shareholders.

We made great strides across our entire platform in 2005 for which our employees should be proud and our shareholders pleased. Excluding the absence of political revenues, which is a normal part of the television broadcast business cycle, we performed where it mattered most. Our new business initiatives grew $11 million or 71% during the year allowing our stations to increase their revenue share of the market from a 17.4% to a 17.8% share. We experienced ratings and revenue success on our ABC and FOX stations, which now comprise 62% of our advertising revenues, driven by such network program hits as American Idol, House, Lost, Desperate Housewives, and Grey's Anatomy. We expect ABC and FOX to continue their ratings charge in 2006. We also grew the cash consideration we are paid from cable, satellite and telecommunication companies for the retransmission of our broadcast signals (retransmission consent fees) to $19 million from $3.5 million in 2004.

On the expense side, a company-wide disciplined approach to controlling costs helped to reduce our television operating expenses by 3.5% or $10.6 million for the year and lower our capital spending by $26.5 million. For 2005, a non-political advertising year, we generated over $80 million of free cash flow, $24 million more than we had in 2004. However, our commitment to creating value did not stop there. We sold non-core assets at multiples much higher than where public broadcasting company stocks trade and used those proceeds, along with free cash flow to de-lever the Company to levels not achieved in 5 years. With the strength of our free cash flow, we returned some of those proceeds to our shareholders in the form of a cash dividend. But not just any dividend. We increased the annual dividend per share during 2005 from $0.10 to $0.40. At a 5.3% dividend yield, based upon a $7.50 per share stock price, Sinclair is ranked as one of the country's top 75 highest paying dividend-yielding companies today.

Recently, we were the first broadcaster to secure affiliation agreements with MyNetworkTV, the newest network to be launched by Fox Entertainment Group for this September in response to the WB and UPN networks' announcement that they would be merging their operations to form the CW Television Network. We believe that MyNetworkTV offers uniquely creative programming plus a more compelling economic model, as well as potential Internet opportunities.

As I look ahead to 2006, we expect to benefit from our normal political revenue cycle, as well as from the ratings strength of our ABC and FOX stations. We will continue our focus on cost controls and expect our cash programming payments to decline by approximately $16 million as expensive off-network runs terminate and are replaced with less expensive first run programming. Our decision to enter into more economical news share arrangements and even discontinue the news in some markets where viewership and advertising revenues are not sufficient to support the cost structure necessary to produce a high quality newscast that the market deserves, will also contribute an estimated $5 million of cash flow this year.

2006 will also be the year we generate multiple revenue streams from our digital investment. Viewers are driving the first revenue stream, cash revenue from retransmission consent agreements, generating $19 million in 2005, more than what network compensation was at its peak in 1999. Based on current contracts, revenue for 2006 generated by retransmission consent fees is forecasted to be approximately $25 million, and we estimate that we are only about 25-30% of the way through the process.

However, retransmission consent fees are not the only way we expect to monetize our digital investment. We believe that there is demand at the local level for niche programming that appeals to the specific viewing interests of each local market. Through our digital channel capacity, we can launch additional channels off our main television stations and provide such local content to this under-served demographic. In fact, this May we are launching Baltimore, Maryland's first digital channel that will carry some of Baltimore's best nostalgic syndicated programming, as well as broadcast local religious services and air other local events. This new digital channel, WBFF-2, is a second channel created off our main television station, WBFF-TV (FOX 45). Since it uses the same infrastructure as the main channel, WBFF-2 is expected to make about a $0.5 million profit in its first year. To put this potential opportunity in perspective, we have the capacity to launch two additional digital channels per station, totaling 116 digital channels across all of our stations, in addition to our primary digital channels.

The advent of digital television and new distribution technologies has made these exciting times for broadcasters. Yet, many investors feel just the contrary that the television business has matured or is becoming extinct at the hands of these new technologies. What those individuals fail to understand is that new technology is not only complementary to our business, but in some cases cannot survive without us. Research shows that personal video recorders have actually increased the number of hours people spend watching television, while video-on-demand builds audience support for broadcast programs. And, while one-inch portable screens may be all the rage, they cannot deliver the theatrical experience that comes from watching television programs aired in high-definition; the same programs aired by television broadcasters such as Sinclair.

The television broadcasting business is here to stay. While our main advertising business continues to produce significant amounts of free cash flow, our industry is just beginning to tap into a second revenue stream from our digital platform that should further grow the business through retransmission consent fees and digital channel opportunities. In addition and in the case of Sinclair, we have also decided to return some of that cash flow to our shareholders in the form of a current dividend yielding over 5% to protect and enhance your investment.

These are but a few of the ways we are working to grow the business and to build value for our investors. We thank you for your continued support and look forward to our future successes.

David D. Smith

Chairman, President and CEO

Table of Contents

Television Broadcasting	2
Forward-Looking Statements	4
Selected Financial Data	5
Management's Discussion and Analysis of Financial Condition and Results of Operations	6
Quantitative and Qualitative Disclosures about Market Risk	19
Controls and Procedures	20
Report of Independent Registered Public Accounting Firm: Internal Control over Financial Reporting	21
Consolidated Balance Sheets	22
Consolidated Statements of Operations	23
Consolidated Statements of Shareholders' Equity and Other Comprehensive Income	24
Consolidated Statements of Cash Flows	27
Notes to the Consolidated Financial Statements	28
Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	66
Report of Independent Registered Public Accounting Firm: Consolidated Financial Statements	67
General Managers/Station Managers	68

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 (c)	Affiliation	Expiration date of Affiliation Agreement	Number of Commercial Stations in the Market (d)	Station Rank (e)	Expiration Date of FCC License
Tampa, Florida	12	WTTA	LMA (f)	38 / 57	WB (v)	01/15/08 (g)	8	6	02/01/05 (h)
Minneapolis/St. Paul, Minnesota	15	KMWB	O&O	23 / 22	WB	01/15/08 (g)	7	6	04/01/06 (h)
St. Louis, Missouri	21	KDNL	O&O	30 / 31	ABC	12/31/09	8	4	02/01/06 (h)
Pittsburgh, Pennsylvania	22	WPGH	O&O	53 / 43	FOX	06/30/05 (i)	9	4	08/01/07
		WCWB	O&O	22 / 42	WB (v)	1/15/08 (g)		6	08/01/07
Baltimore, Maryland	24	WBFF	O&O	45 / 46	FOX	06/30/05 (i)	6	4	10/01/04 (j)
		WNUV	LMA (k)	54 / 40	WB	01/15/08 (g)		5	10/01/04 (l)
Raleigh/Durham, North Carolina	29	WRDC	O&O	28 / 27	UPN (v)	07/31/07 (g)	7	5	12/01/04 (j)
		WLFL	O&O	22 / 57	WB	01/15/08 (g)		6	12/01/04 (j)
Nashville, Tennessee	30	WZTV	O&O	17 / 15	FOX	06/30/05 (i)	8	4	08/01/05 (h)
		WUXP	O&O	30 / 21	UPN (v)	07/31/07 (g)		5	08/01/05 (h)
		WNAB	OSA (m)	58 / 23	WB	01/15/08 (g)		6	08/01/05 (n)
Columbus, Ohio	32	WSYX	O&O	6 / 13	ABC	12/31/09	6	3	10/01/05 (h)
		WTTE	LMA (k)	28 / 36	FOX	06/30/05 (i)		4	10/01/05 (l)
Milwaukee, Wisconsin	33	WCGV	O&O	24 / 25	UPN (v)	07/31/07 (g)	9	5	12/01/05 (j)
		WVTV	O&O	18 / 61	WB	01/15/08 (g)		6	12/01/05 (j)
Cincinnati, Ohio	34	WSTR	O&O	64 / 33	WB (v)	01/15/08 (g)	6	5	10/01/05 (h)
Asheville, North Carolina/	35	WLOS	O&O	13 / 56	ABC	12/31/09	7	3	12/01/04 (j)
Greenville/Spartanburg/ Anderson, South Carolina		WBSC	LMA (k)	40 / 14	WB (v)	01/15/08 (g)		5	12/01/04 (o)
San Antonio, Texas	37	KABB	O&O	29 / 30	FOX	06/30/05 (i)	7	4	08/01/06
		KRRT	O&O	35 / 32	WB (v)	01/15/08 (g)		5	08/01/06
Birmingham, Alabama	40	WTTO	O&O	21 / 28	WB	01/15/08 (g)	8	5	04/01/05 (h)
		WABM	O&O	68 / 36	UPN (v)	07/31/07 (g)		6	04/01/05 (h)
		WDBB	LMA	17 / 18	WB	01/15/08 (g)		5 (p)	04/01/05 (n)
Norfolk, Virginia	42	WTVZ	O&O	33 / 38	WB (v)	01/15/08 (g)	7	6	10/01/04 (h)
Oklahoma City, Oklahoma	45	KOKH	O&O	25 / 24	FOX	06/30/05 (i)	9	4	06/01/06 (h)
		KOCB	O&O	34 / 33	WB	01/15/08 (g)		5	06/01/06 (h)
Greensboro/Winston-Salem/	47	WXLV	O&O	45 / 29	ABC	12/31/09	7	4	12/01/04 (j)
Highpoint, North Carolina		WUPN	O&O	48 / 33	UPN (v)	07/31/07 (g)		6	12/01/04 (j)
Las Vegas, Nevada	48	KVWB	O&O	21 / 22	WB (v)	01/15/08 (g)	7	5	10/01/06
		KFBT	O&O	33 / 29	IND (q)	n/a		7	10/01/06
Buffalo, New York	49	WUTV	O&O	29 / 14	FOX	06/30/05 (i)	8	4	06/01/07
		WNYO	O&O	49 / 34	WB (v)	01/15/08 (g)(r)		5	06/01/07
Dayton, Ohio	59	WKEF	O&O	22 / 51	ABC	12/31/09	8	3	10/01/05 (h)
		WRGT	LMA (k)	45 / 30	FOX	06/30/05 (i)		4	10/01/05 (l)
Richmond, Virginia	60	WRLH	O&O	35 / 26	FOX	06/30/05 (i)	5	4	10/01/04 (h)
Mobile, Alabama/	62	WEAR	O&O	3 / 17	ABC	12/31/09	8	2	02/01/05 (h)
Pensacola, Florida		WFGX	O&O	35 / 50	IND (q) (v)	n/a		not rated	02/01/13
Lexington, Kentucky	63	WDKY	O&O	56 / 4	FOX	06/30/05 (i)	6	4	08/01/05 (h)
Charleston/Huntington,	64	WCHS	O&O	8 / 41	ABC	12/31/09	6	3	10/01/12
West Virginia		WVAH	LMA (k)	11 / 19	FOX	06/30/05 (i)		4	10/01/04 (l)
Flint/Saginaw/Bay City, Michigan	65	WSMH	O&O	66 / 16	FOX	06/30/05 (i)	6	4	10/01/05 (h)
Des Moines, Iowa	73	KDSM	O&O	17 / 16	FOX	06/30/05 (i)	5	4	02/01/06 (h)
Portland, Maine	74	WGME	O&O	13 / 38	CBS	12/31/07	6	2	04/01/07
Syracuse, New York	76	WSYT	O&O	68 / 19	FOX	06/30/05 (i)	6	4	06/01/07
		WNYS	LMA	43 / 44	WB (v)	06/30/06 (g)		5	06/01/07
Rochester, New York	79	WUHF	O&O (s)	31 / 28	FOX	06/30/05 (i)	6	4	06/01/07
Cape Girardeau, Missouri/	80	KBSI	O&O	23 / 22	FOX	06/30/05 (i)	7	4	02/01/06
Paducah, Kentucky		WDKA	LMA	49 / 50	WB (v)	06/15/07 (g)		5	08/01/05 (n)
Springfield/Champaign, Illinois	82	WICS	O&O	20 / 42	ABC	12/31/09	6	3	12/01/05 (j)
		WICD	O&O	15 / 41	ABC	12/31/09		3 (t)	12/01/05 (j)
Madison, Wisconsin	85	WMSN	O&O	47 / 11	FOX	06/30/05 (i)	6	4	12/01/05 (h)
Cedar Rapids, Iowa	88	KGAN	O&O (s)	2 / 51	CBS	12/31/07	6	3	02/01/06 (j)
Charleston, South Carolina	101	WMMP	O&O	36 / 35	UPN (v)	07/31/07 (g)	6	5	12/01/04 (j)
		WTAT	LMA (k)	24 / 40	FOX	06/30/05 (i)		4	12/01/04 (o)
Springfield, Massachusetts	108	WGGB	O&O	40 / 55	ABC	12/31/09	4	2	04/01/07
Tallahassee, Florida	109	WTWC	O&O	40 / 2	NBC	01/01/07 (u)	6	3	02/01/05 (h)
Peoria/Bloomington, Illinois	117	WYZZ	O&O (s)	43 / 28	FOX	06/30/05 (i)	6	4	12/01/05 (h)

a) Rankings are based on the relative size of a station's designated market area (DMA) among the 210 generally recognized DMAs in the United States as estimated by Nielsen as of November 2005.

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 an outsourcing agreement.

c) Channels are shown here as Analog / Digital. Digital channels 52-68 are subject to change prior to the cessation of analog signals in February 2009.

d) 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 November 2005. This information is provided to us in a summary report by Katz Television Group.

e) The rank of each station in its market is based upon the November 2005 Nielsen estimates of the percentage of persons tuned into each station in the market from 7:00 a.m. to 1:00 a.m., Monday-Sunday. This information is provided to us in a summary report by Katz Television Group.

f) The license assets for this station are currently owned by Bay TV, a related party. See *Note 11. Related Party Transactions*, in the Notes to our Consolidated Financial Statements for more information.

g) On January 24, 2006, CBS Corporation (CBS) and Warner Bros. Entertainment (Warner Bros.) announced their intent in September 2006 to merge the operations of their respective networks, UPN and The WB, under a broadcasting network to be called The CW.

h) We filed timely applications for renewal of these licenses with the FCC. These applications are currently pending.

i) On August 22, 2005, we, along with Cunningham and FOX Broadcasting Company (FOX) entered into an Amendment (the "Amendment") to each of the original FOX Affiliation Agreements dated July 1, 2002 (collectively, the "Agreements"), which had expired on June 30, 2005. The Amendment was effective as of August 22, 2005. Pursuant to the terms of the Amendment, the Agreements will continue in full force and effect until terminated by FOX, or by us or Cunningham (as applicable for its subsidiary stations), in such party's sole discretion. We continue to negotiate the terms of a long-term agreement.

j) We timely filed applications for renewal of these licenses with the FCC. Unrelated third parties have filed petitions to deny or informal objections against such applications. We opposed the petitions to deny and informal objections and those applications are currently pending. See *Note 10. Commitments and Contingencies*, in the Notes to our Consolidated Financial Statements for additional information.

k) The license assets for these stations are currently owned by Cunningham Broadcasting Company ("Cunningham"), a related party, or one of its subsidiaries. See *Federal Regulations of Television Broadcasting* for more information.

l) Cunningham timely filed applications for renewal of these stations with the FCC. These applications are currently pending.

m) We have entered into an outsourcing agreement with the unrelated third party owner of WNAB-TV to provide certain non-programming related sales, operational and administrative services to WNAB-TV. Our application to acquire this FCC license is pending FCC approval.

n) The unrelated third party licensees of these stations timely filed applications for renewal of these licenses. These applications are currently pending.

o) Cunningham timely filed applications for renewal of these licenses with the FCC. Unrelated third parties have filed petitions to deny such applications. Cunningham opposed the petitions to deny and those applications are currently pending. See *Note 10. Commitments and Contingencies*, in the Notes to our Consolidated Financial Statements for additional information.

p) WDBB-TV simulcasts the programming broadcast on WTTO-TV pursuant to a programming services agreement. The station rank applies to the combined viewership of these stations.

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

r) An argument may exist that this agreement expires on August 31, 2006.

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

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

u) NBC informed us that they intend to terminate this affiliation agreement on its expiration date. We continue to negotiate the terms of a new affiliation agreement with NBC.

v) On March 6, 2006, we entered into an agreement with MyNetworkTV to air 12 hours of original programming content from 8:00pm to 10:00pm (EST/PST) Monday through Saturday beginning on September 5, 2006.

FORWARD-LOOKING STATEMENTS

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

General risks

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

Industry risks

- the business conditions of our advertisers;
- competition with other broadcast television stations, radio stations, satellite television providers, internet content providers, cable system operators and telecommunication providers serving in the same markets;
- availability and cost of programming;
- the effects of governmental regulation of broadcasting or changes in those regulations and court actions interpreting those regulations, including ownership regulations, indecency regulations, political advertising restrictions and regulations regarding the transition from analog to digital over-the-air broadcasting;
- the timely transition of digital television over analog by the viewing public;
- the continued viability of networks and syndicators that provide us with programming content;

Risks specific to Sinclair Broadcast Group

- the effectiveness of our management;
- our ability to attract and maintain local and national advertising;
- the popularity of syndicated programming we purchase and network programming that we air;
- the strength of ratings for our news broadcasts;
- our ability to service our outstanding debt;
- changes in the makeup of the population in the areas where our stations are located;
- changes in local regulations in the areas where our stations are located;
- successful integration of outsourcing agreements;
- our ability to maintain our affiliation agreements with the relevant networks; and
- FCC license renewals.

Other matters set forth in this report may also cause actual results in the future to differ materially from those described in the forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this report might not occur.

SELECTED FINANCIAL DATA

The selected consolidated financial data for the years ended December 31, 2005, 2004, 2003, 2002 and 2001 have been derived from our audited consolidated financial statements. The consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 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
(in thousands, except per share data)

For the Years Ended December 31,	2005	2004	2003	2002	2001
Statement of Operations Data:					
Net broadcast revenues (a)	**$ 614,436**	$ 634,609	$ 611,893	$ 621,561	$ 580,428
Revenues realized from station barter arrangements	**55,034**	57,814	58,845	57,318	50,773
Other operating divisions' revenues	**22,597**	13,054	14,568	4,344	6,925
Total revenues	**692,067**	705,477	685,306	683,223	638,126
Station production expenses	**152,196**	154,731	147,626	137,109	139,069
Station selling, general and administrative expenses	**137,586**	145,660	130,889	127,695	124,684
Expenses realized from station barter arrangements	**50,460**	53,358	54,105	51,117	45,234
Depreciation and amortization (b) (c)	**138,913**	155,793	160,676	173,539	247,744
Stock-based compensation expense	**1,701**	1,594	1,391	1,288	1,461
Other operating divisions' expenses	**20,944**	14,932	16,375	6,051	24,985
Corporate general and administrative expenses	**20,812**	21,160	19,531	17,797	18,622
Restructuring costs	**—**	—	—	—	3,700
Contract termination costs	**—**	—	—	—	5,135
Operating income	**169,455**	158,249	154,713	168,627	27,492
Interest expense (c)	**(118,592)**	(120,400)	(121,165)	(118,114)	(130,794)
Subsidiary trust minority interest expense (d)	**—**	—	(11,246)	(23,890)	(23,890)
Net (loss) gain from sale of assets	**(80)**	(52)	(452)	(54)	204
Unrealized gain (loss) from derivative instrument	**21,778**	29,388	17,354	(30,939)	(32,220)
Loss from extinguishment of debt	**(1,021)**	(2,453)	(15,187)	(15,362)	(22,010)
(Loss) income from equity and cost investees	**(1,426)**	1,100	1,193	(1,189)	(7,616)
Gain on insurance settlement	**1,193**	3,341	—	—	—
Interest and other income	**1,371**	1,085	1,749	3,295	3,787
Impairment of goodwill	**—**	(44,055)	—	—	—
Income (loss) from continuing operations before income taxes	**72,678**	26,203	26,959	(17,626)	(185,047)
Income tax (provision) benefit	**(37,063)**	(11,522)	(10,817)	7,498	58,865
Net income (loss) from continuing operations	**35,615**	14,681	16,142	(10,128)	(126,182)
Discontinued Operations:					
Income (loss) from discontinued operations, net of related income taxes	**5,671**	9,341	8,250	4,519	(1,540)
Gain on sale of discontinued operations, net of related income taxes	**146,024**	—	—	7,519	—
Cumulative adjustment for change in accounting principle, net of related income taxes	**—**	—	—	(566,404)	—
Net income (loss)	**$ 187,310**	$ 24,022	$ 24,392	$ (564,494)	$ (127,722)
Net income (loss) available to common shareholders	**$ 182,306**	$ 13,842	$ 14,042	$ (574,844)	$ (138,072)
Dividends declared on common stock	**$ 8,547**	$ 6,403	$ —	$ —	$ —

For the Years Ended December 31,	2005	2004	2003	2002	2001
Per Share Data:					
Basic and diluted earnings (loss) per share from continuing operations	**$ 0.36**	$ 0.05	$ 0.07	$ (0.24)	$ (1.62)
Basic and diluted earnings (loss) per share from discontinued operations	**$ 1.78**	$ 0.11	$ 0.09	$ 0.14	$ (0.02)
Basic and diluted loss per share from cumulative effect of change in accounting principle	**$ —**	$ —	$ —	$ (6.64)	$ —
Basic and diluted earnings (loss) per common share	**$ 2.14**	$ 0.16	$ 0.16	$ (6.74)	$ (1.64)
Cash dividends declared per common share	**$ 0.30**	$ 0.075	$ —	$ —	$ —
Balance Sheet Data:					
Cash and cash equivalents	**$ 9,655**	$ 10,491	$ 28,730	$ 5,315	$ 32,058
Total assets	**$ 2,285,653**	$ 2,465,663	$ 2,567,106	$ 2,599,713	$ 3,394,237
Total debt (e)	**$ 1,479,843**	$ 1,639,615	$ 1,729,921	$ 1,548,050	$ 1,681,721
HYTOPS (f)	**$ —**	$ —	$ —	$ 200,000	$ 200,000
Total shareholders' equity	**$ 222,017**	$ 226,551	$ 229,005	$ 219,678	$ 778,254

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

(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) Interest expense amounts for the years presented differ from prior years related to allocation of interest expense to discontinued operations. Accordingly, we reclassified interest expense to discontinued operations in the amounts of $3.6 million, $7.7 million, $6.8 million, $8.1 million and $12.7 million for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, respectively.

(d) Subsidiary trust minority 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 HYTOPS or our preferred stock.

(f) HYTOPS represents our high yield trust originated preferred securities representing $200 million aggregate liquidation value, which were redeemed in 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Executive Overview – a description of our business, financial highlights from 2005, information about industry trends and sources of revenues and operating costs;

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

Results of Operations – a summary of the components of our revenues by category and by network affiliation, a summary of other operating data and an analysis of our revenues and expenses for 2005, 2004 and 2003, including comparisons between years and expectations for 2006; and

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

EXECUTIVE OVERVIEW

We are one of the largest and most diversified television broadcasting companies in the United States. We currently own, provide programming and operating services pursuant to local marketing agreements (LMAs) or provide, or are provided, sales services pursuant to outsourcing agreements to 58 television stations in 36 markets. For the purpose of this report, these 58 stations are referred to as "our" stations. We currently have 11 duopoly markets where we own and operate two stations within the same market. We have nine LMA markets where, with one exception, we own and operate one station in the market and provide programming and

operating services to, or by, another station within the market. In the remaining 16 markets, we own and operate a single television station.

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

Sinclair Television Group, Inc. (STG), a wholly owned subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under our existing Bank Credit Agreement, as amended, the 8.75% Senior Subordinated Notes, due 2011 and the 8% Senior Subordinated Notes, due 2012. Our Class A Common Stock, Class B Common Stock, the 6.0% Convertible Debentures, due 2012 and the 4.875% Convertible Senior Notes, due 2018 remain obligations or securities of SBG and are not obligations or securities of STG.

2005 Highlights

- Operating income increased 7.1% in 2005 due to expense controls and greater efficiencies in our direct mail new business initiative;
- Basic and diluted earnings per share were $2.14 in 2005 versus 2004 earnings per share of $0.16;
- Local time sales, excluding political, increased 1.9% in 2005 as a result of our continued focus on new business initiatives including direct mail;
- Retransmission fees increased $15.7 million over 2004, including a one-time adjustment of $2.9 million, and, based on current contracts, 2006 retransmission fee consideration is expected to be approximately $25.0 million as a result of our efforts to monetize our retransmission agreements;
- Ratings increases at our ABC and FOX stations have resulted in revenue share growth in many of our markets;
- We completed the sales of KOVR-TV (CBS) in Sacramento, California and KSMO-TV (WB) in Kansas City, Missouri during 2005 and we completed the sale of WEMT-TV (FOX) in Tri-Cities, Tennessee in January 2006;
- We increased our annual dividend rate to $0.40 per common share at the end of 2005 from $0.10 per common share at the end of 2004;
- We exchanged our 6% Convertible Preferred Stock for 6% Convertible Debentures, due 2012 in June 2005;
- We entered into a news share arrangement with WIAT-TV, the CBS affiliate in Birmingham, Alabama, in order to improve the performance of our news operations of our WB affiliate WTTO-TV; and
- We entered into a joint sales and services agreement with Nexstar Broadcasting in Rochester, New York combining their CBS station with our FOX station, in order to improve station performance.

We believe that all of these events will enhance shareholder value.

Industry Trends

- Political advertising increases in even-numbered years, such as 2004, due to the advertising expenditures from candidates running in local and national elections. In every fourth year, such as 2004, political advertising is elevated further due to the presidential election;
- Seasonal advertising increases in the second and fourth quarters due to the advertising expenditures related to the anticipation of certain seasonal and holiday spending by consumers;
- Not all cable system operators and satellite providers pay for the analog or digital signals they receive from broadcasters, but we expect more operators and providers will be paying for these signals in the future as alternative competing video delivery providers increase;
- Compensation from networks to their affiliates in exchange for broadcasting of network programming has significantly declined in recent years and may be eliminated in the future in lieu of alternative network and affiliate relationships;
- Automotive-related advertising is a significant portion of our total net revenues in all periods presented and these revenues have been trending downward in recent years and we expect this trend to modify in 2006;
- The Federal Communications Commission (FCC) has mandated that beginning February 17, 2009, all broadcast television stations must broadcast using only a digital signal and will no longer be able to broadcast using an analog signal;
- The FCC has permitted broadcast television stations to use their digital spectrum for a wide variety of services including multi-channel broadcasts. We have announced that we plan to launch a second digital channel using WBFF-TV's digital signal in Baltimore, Maryland on May 1, 2006; and
- Many broadcasters are enhancing/upgrading their websites to use the internet to deliver rich media content, such as newscasts and weather updates, to attract advertisers.

Sources of Revenues and Costs

Most of our revenues are generated from the transactional spot market rather than the traditional "up front" and "scatter" markets that networks access. These operating revenues are derived from local and national advertisers and, to a much lesser extent, from political advertisers. Recently, we have begun to generate revenues from our retransmission fee arrangements, which has replaced the steady decline in revenues from 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 the result of our focus on increasing local advertising revenues as a percentage of total advertising revenues, combined with a decrease in overall spending by national advertisers and an increase in the number of competitive media outlets providing national advertisers multiple alternatives in which to advertise their goods or services. Our efforts to mitigate the effect of these increasing competitive media outlets for national advertisers include continuing our efforts to increase local revenues and developing innovative sales and marketing strategies to sell traditional and non-traditional services to our advertisers.

Our primary operating expenses are syndicated program rights fees, commissions on revenues, employee salaries, news gathering and station promotional costs. Amortization and depreciation of costs other than goodwill associated with the acquisition of our stations and interest carrying charges are significant factors in determining our overall profitability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from extending credit to our customers that are unable to make required payments. If the economy and/or the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. For example, a 10% increase of the balance of our allowance for doubtful accounts as of December 31, 2005, would reduce net income available to common shareholders by approximately $0.5 million.

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

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

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

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

Income Taxes. We recognize deferred tax assets and liabilities based on the differences between the financial statements carrying amounts and the tax bases of assets and liabilities. We provide a valuation allowance for deferred tax assets relating to various federal and state net operating losses (NOL) that are carried forward based on the expected timing of the reversals of existing temporary book/tax basis differences, alternative tax strategies and projected future taxable income. As of December 31, 2005, valuation allowances have been provided for a substantial amount of our available federal and state NOLs. 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 in the future. If we are unable to generate sufficient taxable income, or if there is a material change in our projected taxable income or if there is a change in our ability to use NOL carryforwards due to changes in federal and state laws, we will make any necessary adjustments to the valuation allowance. This may result in a substantial increase in our effective tax rate and a material adverse effect on our consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows. Management periodically performs a comprehensive review of our tax positions and accrues amounts for tax contingencies. Based on these reviews, the status of ongoing audits and the expiration of applicable statute of limitations, reserves are adjusted as necessary. The resolution of audits is unpredictable and could result in tax liabilities that are significantly higher or lower than that which has been provided by us. We believe our reserves are adequate.

Recent Accounting Pronouncements

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS 123R) as a revision to FASB Statement No. 123, *Accounting for Stock-Based Compensation*. We adopted SFAS 123R on January 1, 2006 and we will use the modified prospective transition to account for future share-based payments. SFAS 123R supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (Opinion 25), and amends FASB Statement No. 95, *Statement of Cash Flows*. This standard requires that all share-based payments, including grants of employee stock options and our employee stock purchase plan, be recognized in the income statement as compensation expense based on their fair values.

On April 21, 2005, we accelerated the vesting of 390,039 stock options, which were all of our outstanding unvested options at that time. We accelerated the vesting of these options to prevent recognizing an expense of approximately $0.8 million (pre-tax) in future periods in accordance with SFAS 123R. The acceleration of the vesting effectively resulted in a modification to the original options. In accordance with FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Based Compensation*, we recorded an immaterial compensation charge based on the intrinsic value of the awards as measured on the modification date.

SFAS 123R will require us to recognize a compensation charge for our Employee Stock Purchase Plan. For the years ended December 31, 2005, 2004 and 2003, we estimate that this amount would have been $0.2 million, $0.3 million and $0.4 million, respectively.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations, an Interpretation of FASB Statement No. 143* (FIN 47), which clarifies the term "conditional asset retirement obligation" as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*. FIN 47 is effective for fiscal years ending after December 15, 2005 and we adopted it upon issuance. FIN 47 provides that an asset retirement obligation is conditional when either the timing and/or method of settling the obligation is conditioned on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. This interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The adoption of FIN 47 did not have a material impact on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

In June 2005, the Emerging Issues Task Force (EITF) issued EITF No. 05-6, *Determining the Amortization Period for Leasehold Improvements* (EITF 05-6). EITF 05-6 addresses the amortization period for leasehold improvements acquired in a business combination or purchased subsequent to the inception of the lease. EITF 05-6 was effective for reporting periods beginning after July 1, 2005. The adoption of this pronouncement did not have a material impact on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

RESULTS OF OPERATIONS

In general, this discussion is related to the results of our continuing operations, except for discussions regarding our cash flows (which also include the results of our discontinued operations). Unless otherwise indicated, references in this discussion to 2005, 2004 and 2003 are to our fiscal years ended December 31, 2005, 2004 and 2003, respectively. Additionally, any references to the first, second, third or fourth quarters are to the three months ended March 31, June 30, September 30 and December 31, respectively, for the year being discussed.

Broadcast Revenues

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

Years ended December 31,	**2005**		2004		2003	
Local/regional advertising	**$ 413.1**	**58.5%**	$ 406.2	55.5%	$ 403.5	57.2%
National advertising	**251.4**	**35.6%**	258.3	35.3%	267.9	38.0%
Political advertising	**2.4**	**0.3%**	38.0	5.2%	5.5	0.8%
Network compensation	**13.3**	**1.9%**	14.3	1.9%	15.9	2.3%
Retransmission fee revenue (a)	**19.2**	**2.7%**	3.5	0.5%	2.6	0.4%
Other station revenues	**6.4**	**1.0%**	12.1	1.6%	10.1	1.3%
Gross broadcast revenues	**705.8**	**100.0%**	732.4	100.0%	705.5	100.0%
Less: agency commissions	**(91.3)**		(97.8)		(93.6)	
Net broadcast revenues	**614.5**		634.6		611.9	
Revenues realized from station barter arrangements	**55.0**		57.8		58.8	
Other operating divisions' revenues	**22.6**		13.1		14.6	
Total revenues	**$ 692.1**		$ 705.5		$ 685.3	

(a) 2005 Retransmission fee revenue includes a one-time adjustment of $2.9 million.

Our primary types of programming and their approximate percentages of 2005 net broadcast revenues from continuing operations were syndicated programming (46.4%), network programming (21.4%), news (13.6%), direct advertising programming (8.0%), sports programming (6.0%), children's programming (0.4%) and other programming. Similarly, our five largest categories of advertising and their approximate percentages of 2005 net broadcast revenues were automotive (23.8%), professional services (13.8%), paid programming including religious programming (8.3%), fast food (7.3%) and retail department stores (6.6%). Other than schools, no other advertising category accounted for more than 5.0% of our broadcast revenues in 2005. Along with the industry, we have seen softness in the auto advertising category and we expect this to continue in 2006. No individual advertiser accounted for more than 1.0% of our consolidated net broadcast revenues in 2005.

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

	# of Stations	Percent of Sales 2005	Net Time Sales (a) 2005	2004 (b)	2003	Percent Change '05 vs. '04	'04 vs. '03
FOX	**19 (c)**	**40.0%**	**$ 230.3**	$ 237.6	$ 234.3	(3.1%)	1.4%
WB (d)	**18 (c)**	**25.8%**	**148.2**	156.7	157.5	(5.4%)	(0.5%)
ABC	**10**	**22.6%**	**130.2**	141.0	128.1	(7.7%)	10.1%
UPN (d)	**6**	**8.0%**	**46.2**	46.0	42.5	0.4%	8.2%
CBS	**2 (c)**	**1.9%**	**10.7**	13.5	12.4	(20.7%)	8.9%
IND (d),(e)	**2**	**1.1%**	**6.4**	5.7	5.3	12.3%	7.5%
NBC	**1**	**0.6%**	**3.5**	4.2	3.3	(16.7%)	(27.3%)
Total	**58 (c)**		**$ 575.5**	$ 604.7	$ 583.4		

(a) During 2005, several of our stations switched affiliates. We have restated the revenue from those stations in prior years for comparability.

(b) 2004 includes significantly more political revenue than 2005 and 2003 for most of our affiliates.

(c) During 2004, we entered into agreements to sell our CBS station in Sacramento, California and our WB station in Kansas City, Missouri. During 2005, we entered into an agreement to sell our FOX station in Tri-Cities, Tennessee. The time sales from these stations are not included in this table because they are accounted for as time sales from discontinued operations.

(d) In the fall of 2006, our composition of network affiliates will change as a result of our recent agreement to air MyNetworkTV programming and the recent announcements about the merger of UPN and The WB into a network to be called The CW. Refer to our *Markets and Stations* table and *Note 18. Subsequent Events*, in the Notes to our Consolidated Financial Statements for addition information.

(e) Stations without a network affiliation.

Operating Data

The following table sets forth certain of our operating data from continuing operations for the years ended December 31, 2005, 2004 and 2003 (in millions). For definitions of items, see the footnotes to the table in *Selected Financial Data*.

Years ended December 31,	**2005**	2004	2003
Net broadcast revenues	**$ 614.5**	$ 634.6	$ 611.9
Revenues realized from station barter arrangements	**55.0**	57.8	58.8
Other operating divisions' revenues	**22.6**	13.1	14.6
Total revenues	**692.1**	705.5	685.3
Station production expenses	**152.2**	154.7	147.6
Station selling, general and administrative expenses	**137.6**	145.7	130.9
Expenses recognized from station barter arrangements	**50.5**	53.4	54.1
Depreciation and amortization	**138.9**	155.8	160.7
Stock-based compensation	**1.7**	1.6	1.4
Other operating divisions' expenses	**20.9**	14.9	16.4
Corporate general and administrative expenses	**20.8**	21.2	19.5
Operating income	**$ 169.5**	$ 158.2	$ 154.7
Net income	**$ 187.3**	$ 24.0	$ 24.4
Net income available to common shareholders	**$ 182.3**	$ 13.8	$ 14.0

Revenue Discussion and Analysis

The following table presents our revenues from continuing operations, net of agency commissions, for the three years ended December 31, 2005, 2004 and 2003 (in millions):

				Percent Change	
For the Years Ended December 31,	**2005**	2004	2003	’05 vs. ‘04	’04 vs. ‘03
Local revenues:					
Non-Political	**$ 359.5**	$ 352.9	$ 350.8	1.9%	0.6%
Political	**1.2**	9.4	1.9	(87.2%)	394.7%
Total Local	**360.7**	362.3	352.7	(0.4%)	2.7%
National revenues:					
Non-Political	**213.8**	219.7	227.6	(2.6%)	(3.5%)
Political	**0.8**	22.7	3.1	(96.5%)	632.3%
Total National	**214.6**	242.4	230.7	(11.5%)	5.1%
Other revenues	**39.2**	29.9	28.5	31.1%	4.9%
Total Broadcasting Revenues	**$ 614.5**	$ 634.6	$ 611.9	(3.2%)	3.7%

Net Broadcast Revenues. From a revenue category standpoint, the year ended December 31, 2005, when compared to 2004, was negatively impacted by a decrease of advertising revenues generated from the political, automotive, movies, telecommunications and food-breakfast sectors, offset by increases in the services, schools and entertainment sectors. Automotive, our single largest category, representing 23.8% of the year’s net time sales, was down 5.1%.

Political Revenues. Both local and national political revenues were the primary drivers of higher revenue in 2004, compared to 2005 because 2004 was a presidential election year. In fact, we own television stations in 11 of the 16 so called “Battleground States” including multiple stations in Ohio, Florida and West Virginia. We expect political revenues to increase in 2006 from 2005 levels, but not to the extent of political revenues from 2004 since 2006 is not a presidential election year.

Local Revenues. Our revenues from local advertisers, excluding political revenues, increased during the year ended December 31, 2005 when compared to 2004. We continue to focus on increasing local advertising revenues through innovative sales and marketing strategies in our markets. Revenues from our new business initiatives increased by $11.0 million during the year ended December 31, 2005 to $26.4 million from $15.4 million during 2004. We expect to continue our focus on new business revenues in 2006. Additionally, during 2004, we implemented an enhanced sales training course for all of our salespeople with a focus on local revenue sales. We have continued these efforts throughout 2005 and will continue these efforts in 2006.

National Revenues. Our revenues from national advertisers, excluding political revenues, have continued to trend downward over time. We believe this trend represents a shift in the way national advertising dollars are being spent and we believe it has recently begun accelerating. Advertisers in major categories like automotive, soft drink and packaged goods are shifting significant portions of their advertising budgets away from spot television into non-traditional media, in-store promotions and product placement in network shows. We expect this trend to continue into 2006.

Other Revenues and Expenses. Our other revenues consist primarily of network compensation, revenues from retransmission agreements with cable and satellite providers, production revenues and revenues from our outsourcing agreements. Compared to 2004, other revenues increased $9.3 million during the year ended December 31, 2005. The increase in other revenues is primarily related to increased retransmission revenues which increased $8.7 million in 2005, excluding a one-time adjustment of $2.9 million. We expect to experience similar growth in our retransmission revenues in 2006. We expect this growth to be partially offset by a reduction in our network compensation, although we cannot predict the extent of this reduction in light of the recent CW network merger announcement.

Expense Discussion and Analysis

The following table presents our significant expense categories for the three years ended December 31, 2005, 2004 and 2003 (in millions):

For the Years Ended December 31,	2005	2004	2003	Percent Change '05 vs. '04	Percent Change '04 vs. '03
Station production expenses	**$ 152.2**	$ 154.7	$ 147.6	(1.6%)	4.8%
Station selling, general and administrative expenses	**$ 137.6**	$ 145.7	$ 130.9	(5.6%)	11.3%
Amortization of program contract costs	**$ 70.7**	$ 89.2	$ 98.4	(20.7%)	(9.4%)
Depreciation of property and equipment	**$ 50.3**	$ 48.2	$ 43.6	4.4%	10.6%
Corporate general and administrative expenses	**$ 20.8**	$ 21.2	$ 19.5	(1.9%)	8.7%
Amortization of definite-lived intangible assets	**$ 18.0**	$ 18.5	$ 18.7	(2.7%)	(1.1%)
Interest expense	**$ 118.6**	$ 120.4	$ 121.2	(1.5%)	(0.7%)
Unrealized gain from derivative instruments	**$ 21.8**	$ 29.4	$ 17.4	(25.9%)	69.0%
Gain on insurance settlement	**$ 1.2**	$ 3.3	$ —	(63.6%)	—
Impairment of goodwill	**$ —**	$ 44.1	$ —	(100.0%)	—
Income tax provision	**$ 37.1**	$ 11.5	$ 10.8	222.6%	6.5%

Station production expenses. Station production expenses decreased during the year ended December 31, 2005 compared to 2004 primarily due to decreases in costs related to LMAs and outsourcing agreements of $1.2 million. In addition, there were also decreases in promotion expense due to cutbacks in promotional plans amounting to $1.6 million, news costs of $1.6 million, programming expenses of $0.6 million, production expenses of $0.2 million, music license fees of $0.1 million and other miscellaneous expenses of $0.6 million. These decreases were offset by increases in engineering expenses of $1.3 million, rating service fees of $1.1 million, salary expense of $0.5 million and FOX inventory costs of $0.5 million. We do not expect similar decreases in costs related to existing LMAs and outsourcing agreements in future periods and we expect a 3.0% increase in total station production expense in 2006.

Station production costs increased in 2004 compared to 2003 as a result of news expense related to commencement of News Central during 2003 in the Greensboro, North Carolina; Milwaukee, Wisconsin; Tampa, Florida; Birmingham, Alabama; Las Vegas, Nevada and Cincinnati, Ohio markets of $6.0 million, an increase in rating service fees of $1.8 million, engineering expense of $1.0 million, promotion expense of $0.3 and other miscellaneous decreases of $0.2 million, offset by a decrease in costs related to LMAs and outsourcing agreements of $1.8 million and programming expense of $0.4 million.

Station selling, general and administrative expenses. Station selling, general and administrative expense decreased during the year ended December 31, 2005 compared to 2004 as a result of decreases in sales expenses related to direct mailers of $4.1 million, local and national sales representatives' commissions of $3.0 million, salary expense of $1.0 million, workers compensation refunds of $0.8 million, expenses related to an annual sales trip of $0.5 million, bad debt expenses of $0.3 million and electric expenses of $0.2 million. These decreases were offset by a one-time adjustment of $1.0 million to our self-insured healthcare plan during the third quarter of 2005, increases in expense for Cunningham Broadcasting Corporation, a related party entity that we consolidate, of $0.5 million and vacation expense of $0.3 million. We expect station selling, general and administrative expenses to increase about 3% in 2006.

In 2004, we had an increase in sales and other expense related to our direct mail initiative of $6.0 million, an increase in bad debt expense of $1.5 million, an increase in vacation, salary and payroll taxes of $1.9 million, an increase in local and national sales representatives' commissions of $2.0 million, an increase in insurance costs of $1.0 million, an increase in trade expense of $0.3 million, an increase in building rent and related expenses of $1.5 million and miscellaneous increases of $0.6 million compared to 2003.

Amortization of program contract costs. The amortization of our programming costs has trended significantly downward since 2003. This is primarily because the costs to acquire syndicated programming had been declining. We do not expect this trend to continue and we expect program contract amortization to return to 2004 levels during 2006.

Depreciation of property and equipment. The depreciation of property and equipment has been increasing since 2003. These increases are primarily related to capital expenditures of $16.7 million, $44.9 million and $69.5 million in 2005, 2004 and 2003, respectively, as we have been completing the final phase of our digital build-out. Additionally, during 2005, a $1.1 million impairment was recognized for certain capitalized software costs that became obsolete as a result of our conversion to a new revenue billing system during the second quarter of 2005. We expect to spend $31.0 million in capital expenditures in 2006 and we expect depreciation expense to remain stable.

Corporate general and administrative expenses. Corporate general and administrative expenses represent the costs to operate our corporate headquarters location. Such costs include, among other things, corporate departmental salaries, bonuses and fringe benefits, directors' and officers' life insurance, rent, telephone, consulting fees, legal, accounting and director fees. Corporate departments include executive, treasury, finance and accounting, human resources, technology, corporate relations, legal, sales, operations and purchasing.

Corporate general and administrative expenses decreased during the year ended December 31, 2005 compared to 2004 as a result of decreases in salary and training expense related to open positions of $1.1 million, consulting fees of $0.5 million, sales promotion of $0.2 million and other miscellaneous expenses of $0.1 million. These decreases were offset by an increase in expense of $1.4 million related to compliance with the Sarbanes-Oxley Act of 2002, as well as the $0.1 million increase related to our charitable contributions to the Sinclair Relief Fund, a related party charitable organization established in response to the disaster caused by Hurricane Katrina. We expect corporate overhead expenses to increase to $22.5 million in 2006.

During the year ended December 31, 2004, corporate general and administrative expenses increased by $1.7 million from 2003 due to increases in salary expense of $1.2 million, training and education expenses of $0.5 million, corporate relation costs of $0.2 million and a $0.1 million increase related to legal fees. These were offset by decreases in consulting fees of $0.4 million and other miscellaneous decreases of $0.3 million.

Amortization of definite-lived intangible assets. The amortization of definite lived intangibles has trended slightly downward since 2003 and we expect this trend to continue in 2006. Amortization is decreasing slightly over time because a portion of our intangible assets becomes fully amortized each year.

Interest expense. Interest expense presented in the financial statements is related to continuing operations. Interest expense decreased $1.8 million during the year ended December 31, 2005 when compared to 2004. This decrease is related to the use of proceeds from television station sales to repay debt during 2005, partially offset by rising interest rates on our floating rate debt and by the exchange of our Convertible Preferred Stock for Convertible Debentures, which increased interest expense. We expect interest expense to decrease in 2006, assuming no changes in the current interest rate yield curve and no changes in our current debt levels. Interest expense decreased in 2004 by $0.8 million as a result of the refinancing we did in the second quarter in an effort to reduce our overall interest costs.

Derivative instruments. We record gains and losses related to certain of our derivative instruments. We entered into these instruments prior to implementing the Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* and due to the way they were structured, they did not qualify as effective hedges (as that term is defined in the accounting guidance). Generally, when derivative instruments are not effective, the change in the fair value of the instruments is recorded in the statement of earnings for each year. The fair value of our derivative instruments is primarily based on the future interest rate curves at the end of each year. During the year ended December 31, 2005, the future interest rate curves reflected increasing interest rates and, therefore, we recorded an unrealized gain from derivative instruments in our consolidated statements of operations. In 2003 and 2004, the future interest rate curves also reflected increasing interest rates, resulting in an unrealized gain from derivative instruments in our consolidated statements of operations. These derivative instruments expire on June 5, 2006, at which time, the fair value will equal zero. Therefore, during the first and second quarters of 2006, the total net unrealized gain from these instruments will equal $2.9 million.

Gain on insurance settlement. In the first quarter of 2003, one of our towers in Charleston, West Virginia collapsed during a severe ice storm. This tower was insured and we used the insurance proceeds to rebuild the tower and to replace the other assets that were destroyed by the collapse. In the fourth quarter of 2004, we completed substantially all of the construction of the new tower and placed it in service, and at that time we recognized a gain on insurance settlement of $3.3 million. In 2005, we recognized a gain on insurance settlement of $1.2 million related to rebuilding the tower and replacing the other assets that were destroyed by the collapse. We do not expect any additional payments or gains related to this claim to occur in 2006.

Impairment of goodwill. On a periodic basis, we test our goodwill for impairment in accordance with the applicable accounting rules. See *Note 4. Goodwill and Other Intangible Assets*, in the Notes to our Consolidated Financial Statements. There was no impairment of goodwill to recognize in 2005. In 2004, we recognized a loss of $44.1 million related to an impairment of goodwill in one of our markets.

Income tax provision. The 2005 income tax provision for our pre-tax income from continuing operations of $72.7 million resulted in an effective tax rate of 51.0%. The 2004 income tax provision for our pre-tax income from continuing operations of $26.2 million resulted in an effective tax rate of 44.0%. The increase in the effective tax rate from 2004 to 2005 is primarily attributable to a one-time loss of certain state net operating losses, net of applicable valuation allowances, resulting from a corporate restructuring, offset by the effect of an Ohio tax law change. We expect that the effective tax rate will be approximately 41.0% in 2006.

As of December 31, 2005, we have a net deferred tax liability of $267.8 million as compared to a net deferred tax liability of $196.6 million as of December 31, 2004. The increase in deferred taxes primarily relates to an increase in deferred tax liabilities associated with book and tax differences relating to the amortization of intangible assets and a decrease in deferred tax assets resulting from utilization of Federal net operating losses to offset the gains on sale of several stations during 2005.

Other Operating Divisions' Revenue and Expense

During the year ended December 31, 2005, the other operating divisions' revenue that related to G1440, our software development and consulting company increased by $2.5 million to $9.2 million or 37.3%, from $6.7 million for 2004. G1440's operating expenses increased by $1.7 million to $8.1 million for 2005 as compared to $6.4 million for 2004. Other operating divisions' revenue related to our ownership interest in Acrodyne increased by $7.0 million to $13.4 million or 109.4%, from revenues of $6.4 million in 2004. Acrodyne's operating expenses increased by $4.3 million to $12.8 million for 2005 as compared to $8.5 million for 2004.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash provided by operations and availability under our Bank Credit Agreement (the Bank Credit Agreement). On May 12, 2005, we amended and restated the Bank Credit Agreement, lowering our annual interest rate and outstanding balances. The Bank Credit Agreement, as in effect on December 31, 2005, includes a Term Loan A Facility (the Term Loan) of $100.0 million and a Revolving Credit Facility (the Revolver) of $175.0 million maturing on December 31, 2011 and June 30, 2011, respectively.

Scheduled payments on the Term Loan and Revolver are calculated at the London Interbank Offered Rate (LIBOR) plus 1.25%, with step-downs tied to a leverage grid. We have the right to terminate the Term Loan or Revolver at any time without prepayment penalty. The Term Loan is repayable in quarterly installments, amortizing as follows:

- 1.25% per quarter commencing March 31, 2007 to December 31, 2008
- 3.75% per quarter commencing March 31, 2009 to December 31, 2010
- 15.0% per quarter commencing March 31, 2011 and continuing through its maturity on December 31, 2011.

Availability under the Revolver does not reduce incrementally and terminates at maturity. We are required to repay the Term Loan and reduce the Revolver with (i) 100% of the net proceeds of any casualty loss or condemnation and (ii) 100% of the net proceeds of any sale or other disposition of our assets in excess of $5.0 million in the aggregate in any 12 month period, to the extent not used to acquire new assets.

As of December 31, 2005, we had $9.7 million in cash balances and negative working capital of approximately $1.7 million. We anticipate that cash flow from our operations and the Revolver will be sufficient to continue paying dividends under our current policy and to satisfy our debt service obligations, capital expenditure requirements and working capital needs for the next year. As of December 31, 2005, we had borrowed a $100.0 million under our Term Loan and $7.5 million under our Revolver. The remaining balance available under the Revolver was $167.5 million as of December 31, 2005. Our ability to draw on our Revolver is based on pro forma trailing cash flow levels as defined in our Bank Credit Agreement. For the year ended December 31, 2005, the entire $167.5 million of current borrowing capacity was available under our Revolver.

On April 22, 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, depository shares or any combination thereof in amounts, prices and on terms to be announced when the securities are offered. If we decide to offer any securities under our shelf registration, we intend to use the proceeds for general corporate purposes, including, but not limited to, the reduction, redemption or refinancing of debt or other obligations, acquisitions, capital expenditures and working capital. We have $350.0 million of availability under this shelf registration, which expires on November 30, 2008.

Sources and Uses of Cash

The following table sets forth our cash flows for the years ended December 31, 2005, 2004 and 2003 (in millions):

For the Years Ended December 31,	2005	2004	2003
Net cash flows from operating activities	**$ 54.5**	$ 120.1	$ 146.5
Net cash flows from (used in) investing activities:			
Capital expenditures	**$ (16.7)**	$ (44.9)	$ (69.5)
Station sales (acquisitions)	**279.7**	28.6	(18.0)
Sale of investments	**21.5**	—	—
Other	**0.3**	(1.4)	(2.5)
	$ 284.8	$ (17.7)	$ (90.0)
Net cash flows (used in) from financing activities:			
Issuance of debt	**$ 52.0**	$ 533.0	$ 318.3
Repayment of debt	**(360.4)**	(620.4)	(129.1)
Dividend payments	**(24.2)**	(14.5)	(10.4)
Preferred stock redemption	**—**	—	(200.0)
Other	**(7.6)**	(18.8)	(11.9)
	$ (340.2)	$ (120.7)	$ (33.1)

Operating Activities

Net cash flows from operating activities decreased during 2005 compared to 2004 primarily as a result of television station sales during 2005 and the related cash tax payments as a result of the gains from the sales. Cash tax payments in 2005 were $37.4 million as compared to $0.4 million in cash tax payments in 2004. Additionally, changes in our regular cash flows from operations resulted in net cash outflows of $7.0 million in 2005 compared to net cash inflows of $9.6 million in 2004 from similar operational changes. Interest payments decreased to $120.1 million in 2005 compared to $130.5 million in 2004. We expect to make $114.5 million in interest payments in 2006. Our program payments decreased to $104.0 million in 2005 compared to $110.2 million in 2004. We expect our program payments to continue to trend downwards in 2006.

Net cash flows from operating activities decreased during 2004 compared to 2003 primarily as a result of tax refunds of $40.6 million received during 2003. Most of these refunds were related to tax net operating losses from the 2002 tax return, which was filed in 2003, that were carried back to offset gains on radio station sales in 2000. Our interest payments were $116.9 million in 2003. Our program payments were $105.5 million in 2003.

Investing Activities

Net cash flows from investing activities increased significantly during 2005 compared to the net cash flows used in investing activities in 2004. The primary driver of this increase was cash from the sales of television stations of $295.2 million and the sale of our investment in Atlantic Automotive for $21.5 million. The cash from station sales was offset by $12.8 million cash paid related to the purchase options for WNAB-TV in Nashville, Tennessee and a cash payment of $2.7 million related to the FCC license purchase option for WNYS-TV in Syracuse, New York. Additionally, our cash payments for property and equipment decreased by $28.2 million in 2005, as compared to 2004, primarily because we spent less on digital conversion costs. For 2006, we anticipate incurring approximately $31.3 million of capital expenditures for station maintenance, equipment replacement and consolidation of building and tower needs in some markets. We expect to fund such capital expenditures with cash generated from operating activities and borrowings under our Bank Credit Agreement or an issuance of securities.

Net cash flows used in investing activities decreased during 2004 compared to 2003. Some of this decrease was related to cash from the sale of television stations of $28.6 million in 2004 compared to $18.0 million in cash paid in 2003 related to the purchase options of WNAB. Additionally, our cash payments for property and equipment decreased by $24.6 million in 2004, as compared to 2003, primarily because we spent less on digital conversion costs.

Financing Activities

Net cash flows used in financing activities increased significantly in 2005 compared to 2004 primarily because we utilized the cash from the sales of our television stations to repay debt. Our debt repayments to non-affiliates, net of debt issuances in 2005, was $308.4 million compared to $87.4 million in 2004. Additionally, we paid $14.9 million more in common stock dividend payments in 2005 as compared to 2004. See below for additional information about our common stock dividend payments.

Net cash flows used in financing activities increased in 2004 compared to 2003 primarily because our debt repayments to non-affiliates and preferred securities redemption, net of debt issuance, were $87.4 million in 2004 compared to $10.8 million in 2003. Additionally, we did not pay any dividends on our common stock in 2003.

During 2005, 2004 and 2003, we paid $5.0 million, $10.2 million and $10.4 million in dividends on our Series D Convertible Preferred Stock, respectively. We will not incur these dividend payments in the future because we exchanged the Convertible Preferred Stock for Convertible Debentures on June 15, 2005. For additional information, refer to *Note 5. Notes Payable and Commercial Bank Financing*, in the Notes to our Consolidated Financial Statements.

In May 2004, we declared a quarterly cash dividend on our common stock for the first time in our company's history. On November 1, 2005, the Board of Directors increased the annual dividend paid on our Class A and Class B Common Stock from $0.30 per share to $0.40 per share. We expect to continue to pay the current quarterly dividend rate of $0.10 in each of our future quarters beginning January 2006 and to fund these dividends with cash generated from operating activities and borrowings under our Bank Credit Agreement. The dividends paid for 2005 and 2004 are shown below:

For the quarter ended	Total dividends paid	Payment date
March 31, 2005	$ 4.3 million	April 15, 2005
June 30, 2005	$ 6.4 million	July 15, 2005
September 30, 2005	$ 6.4 million	October 14, 2005
December 31, 2005	$ 8.5 million	January 13, 2006

For the quarter ended	Total dividends paid	Payment date
June 30, 2004	$ 2.1 million	July 15, 2004
September 30, 2004	$ 2.1 million	October 15, 2004
December 31, 2004	$ 2.1 million	January 14, 2005

During the second quarter, we repurchased, in the open market, $8.0 million of our 8.0% Senior Subordinated Notes, due 2012 at face value and $2.6 million of our 8.75% Senior Subordinated Notes, due 2011 at face value. During the fourth quarter of 2005, we repurchased, in the open market, $5.0 million of our 6.0% Convertible Debentures, due 2012 at face value. We did not repurchase any of our outstanding debt during either of the first or third quarters. From time to time, we may repurchase additional outstanding debt on the open market. We expect to fund any repurchases with cash generated from operating activities and borrowings under our Bank Credit Agreement.

Contractual Cash Obligations

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

The following table reflects a summary of our contractual cash obligations as of December 31, 2005 and the future periods in which such obligations are expected to be settled in cash (in thousands):

Contractual Cash Obligations Related to Continuing Operations

	Total	2006	2007-2008	2009-2010	2011 and thereafter (a)
Notes payable, capital leases and commercial bank financing (b)	$ 2,168,856	$ 133,291	$ 208,784	$ 228,171	$ 1,598,610
Notes and capital leases payable to affiliates	33,951	6,439	10,435	3,346	13,731
Fixed rate derivative instrument	15,634	15,634	—	—	—
Operating leases	26,231	4,003	5,978	5,710	10,540
Employment contracts	14,887	9,009	5,673	205	—
Film liability - active	153,749	88,510	49,533	15,706	—
Film liability - future (c)	170,484	15,396	66,861	65,895	22,332
Programming services (d)	178,817	33,832	61,055	56,398	27,532
Maintenance and support	10,060	3,138	3,679	2,846	397
Network affiliation agreements	78,579	13,339	26,054	25,736	13,450
Other operating contracts	7,182	2,948	2,638	575	1,021
Total contractual cash obligations	$ 2,858,430	$ 325,539	$ 440,690	$ 404,588	$ 1,687,613

Contractual Cash Obligations Related to Discontinued Operations (e)

	Total	2006	2007-2008	2009-2010	2011 and thereafter
Film liability - active	$ 1,407	$ 668	$ 551	$ 188	$ —
Film liability - future (c)	881	78	326	439	38
Programming services (d)	272	52	108	84	28
Total contractual cash obligations	$ 2,560	$ 798	$ 985	$ 711	$ 66

(a) Includes a one-year estimate of $32.1 million in payments related to contracts that automatically renew. We have not calculated potential payments for years after 2011.

(b) Includes interest on fixed rate debt and capital leases.

(c) Future film liabilities reflect a license agreement for program material that is not yet available for its first showing or telecast and is, therefore, not recorded as an asset or liability on our balance sheet. Pursuant to 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.

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

(e) This table represents obligations related to WEMT-TV in Tri-Cities, Tennessee. On February 8, 2006, we completed the sale of WEMT and are no longer obligated for any future payments presented.

Off Balance Sheet Arrangements

Off balance sheet arrangements as defined by the Securities and Exchange Commission (SEC) include the following four items: obligations under certain guarantees or contracts; retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangements; obligations under certain derivative arrangements; and obligations under material variable interest. We have entered into arrangements where we have obligations under certain guarantees or contracts because we believe they will help improve shareholder returns.

In 2003, we entered into option agreements with an unrelated third party to purchase certain license and non-license television broadcast assets of WNAB-TV in Nashville, Tennessee. On March 25, 2005, we exercised the option agreements to acquire certain license and non-license assets for $5.0 million and $8.3 million, respectively. On May 31, 2005, we completed the purchase of the non-license broadcast assets. The closing on the license assets is pending approval by the FCC. We paid $4.5 million of the license assets exercise price on December 23, 2005. If the FCC has not granted approval by December 22, 2006, we will be required to pay the remaining $0.5 million to the unrelated third party.

We have determined that WNAB continues to be a variable interest entity (VIE) and that we remain the primary beneficiary of the variable interest as a result of the terms of our outsourcing agreement and our purchase option. As a result, we continue to consolidate the assets and liabilities of WNAB at their fair values, which have been adjusted to reflect an appraisal prepared in connection with the closing of the non-license assets. Goodwill and FCC license book values were increased by $5.8 million and $4.2 million, respectively, upon the closing of the non-license assets in May 2005.

On May 26, 2005, we entered into a twelve-month limited scope liquidity assurance with Acrodyne Communications, Inc. (Acrodyne), one of our majority-owned subsidiaries. Pursuant to this agreement, we will provide Acrodyne sufficient funding to cover any necessary working capital needs through May 25, 2006 should Acrodyne not be able to provide that funding on its own. The exposure to us in this liquidity assurance cannot be estimated nor can its probability of occurrence be estimated. In connection with this liquidity assurance, we established a $0.5 million line of credit for Acrodyne. Interest on any unpaid indebtedness will be calculated on a daily basis at LIBOR plus 225 basis points per annum. As of December 31, 2005, Acrodyne had borrowed $0.4 million under this line of credit. We do not believe the liquidity assurance will have a material impact on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows and, therefore, we have not recorded any liability related to it.

The following table reflects a summary of these off balance sheet arrangements as defined by the SEC as of December 31, 2005 and the future periods in which such arrangements may be settled in cash if certain contingent events occur (in thousands):

	Total (a)	2006	2007-2008	2009-2010	2011 and thereafter
Letters of credit	$ 1,127	$ 392	$ 164	$ 164	$ 407
Guarantees	31	31	—	—	—
Investments (b)	6,034	6,034	—	—	—
Purchase commitments	2,710	2,520	190	—	—
LMA and outsourcing agreements (c)	45,558	12,717	20,100	9,986	2,755
Total other commercial commitments	$ 55,460	$ 21,694	$ 20,454	$ 10,150	$ 3,162

(a) There are no off balance sheet arrangements related to discontinued operations.

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

(c) Certain LMAs require us to reimburse the licensee owner their operating costs. Certain outsourcing agreements require us to pay a fee to another station for providing non-programming services. The amount will vary each month and accordingly, these amounts were estimated through the date of the agreements' expiration, based on historical cost experience.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risks

We are exposed to market risk from changes in interest rates. We enter into derivative instruments primarily for the purpose of reducing the impact of changing interest rates on our floating rate debt and to reduce the impact of changing fair market values on our fixed rate debt.

We account for derivative instruments under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133* and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133* (Collectively, SFAS 133). For additional information on SFAS 133, see *Note 8. Derivative Instruments*, in the Notes to our Consolidated Financial Statements.

As of December 31, 2005, we held the following derivative instruments (in millions):

Notional Amount	Expiration Date	Interest Payable	Interest Receivable	FMV Asset (Liability) (d)	Pro Forma FMV 1% Rate Increase (e)	Pro Forma FMV 1% Rate Decrease (e)
$ 375.0 (a)	June 5, 2006	6.25 to 7.00%	LIBOR (c)	$ (1.8)	$ (1.4)	$ (3.4)
$ 200.0 (a)	June 5, 2006	6.32 to 7.00%	LIBOR (c)	(1.1)	(0.8)	(1.8)
$ 300.0 (b)	March 12, 2012	LIBOR + 2.28% (c)	8.00%	4.6	(6.9)	13.9
$ 100.0 (b)	March 12, 2012	LIBOR + 3.095% (c)	8.00%	(1.8)	(6.1)	2.1
				$ (0.1)	$ (15.2)	$ 10.8

(a) These swap agreements do not qualify for hedge accounting treatment under SFAS 133 and, therefore, changes in their fair market values are reflected currently in earnings as an unrealized gain from derivative instruments. We recorded an unrealized gain related to these instruments of $21.8 million and $29.4 million for the years ended December 31, 2005 and 2004, respectively. The instrument with a notional amount of $375.0 million was amended on March 2, 2005, resulting in a removal of the termination option by the counterparty. The instrument with a notional amount of $200.0 million does not contain an option to terminate before it expires.

(b) These swaps are accounted for as hedges in accordance with SFAS 133; therefore, changes in their fair market values are reflected as adjustments to the carrying value of the underlying debt being hedged.

(c) Represents a floating rate based on three-month London Interbank Offered Rate (LIBOR).

(d) The fair market value (FMV) of the interest rate swap agreements is estimated by obtaining quotations from the international financial institutions party to each derivative contract. The fair value is an estimate of the net amount that we would (pay) receive on December 31, 2005, if we cancelled the contracts or transferred them to other parties. This amount was a liability of $8.8 million on December 31, 2004 compared to a liability of $0.1 million on December 31, 2005. This decrease in liability was a result of higher interest rates at the end of 2005 versus 2004.

(e) Represents the estimated pro forma FMV of each derivative instrument as of December 31, 2005 if current interest rates were higher by 1% or lower by 1%, which indicates the relative sensitivity of these instruments to changes in interest rates.

During May 2003, we completed an issuance of $150.0 million aggregate principal amount of 4.875% Convertible Senior Notes. Under certain circumstances, we will pay contingent cash interest to the holder of the convertible notes during any six month period from January 15 to July 14 and from July 15 to January 14, commencing with the six month period beginning January 15, 2011. The contingent interest feature is an embedded derivative which had a negligible fair value as of December 31, 2005.

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, 2005, we had senior subordinated notes totaling $307.4 million and $642.0 million and convertible senior bonds totaling $161.8 million and $150.0 million expiring in the years 2011, 2012, 2012 and 2018, respectively. Based on the quoted market price, the fair value of the notes and bonds was $1.2 billion as of December 31, 2005. Generally, the fair market value of the notes will decrease as interest rates rise and increase as interest rates fall. We estimate that a 1.0% increase from prevailing interest rates would result in a decrease in fair value of the notes by $64.2 million as of December 31, 2005. The estimates related to the increase or decrease of interest rates are based on assumptions for forecasted future interest rates.

The fair value of the notes and bonds was $1.2 billion as of December 31, 2004 and at that time we estimated that a 1.0% increase in prevailing interest rates would have resulted in a decrease of $67.7 million in fair value. This indicates that our exposure to risk from a change in interest rates has not materially changed since December 31, 2004.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2005. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designated to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2005, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Report of Management on Internal Control over Financial Reporting

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

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2005 based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, management believes that as of December 31, 2005, our internal control over financial reporting is effective based on those criteria.

Management’s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

On October 1, 2005, we substantially completed the implementation of a new fixed asset system that management believes will enhance certain operating efficiencies at all of our locations. Any changes related to this system have not materially affected, and are not reasonably likely to materially affect, our internal control over financial reporting. There have been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during or subsequent to the quarter ended December 31, 2005, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM: INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited management's assessment, included in the accompanying Report of Management on Sinclair Broadcast Group, Inc.'s Internal Control Over Financial Reporting, that Sinclair Broadcast Group, Inc. maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Sinclair Broadcast Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

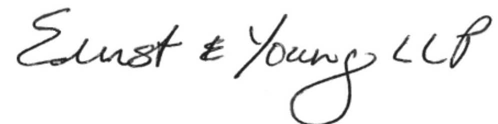
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, management's assessment that Sinclair Broadcast Group, Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Sinclair Broadcast Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Sinclair Broadcast Group, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005 of Sinclair Broadcast Group, Inc. and our report dated March 8, 2006 expressed an unqualified opinion thereon.



Ernst & Young LLP
Baltimore, Maryland
March 8, 2006

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

As of December 31,	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,655	$ 10,491
Accounts receivable, net of allowance for doubtful accounts of $4,596 and $4,518, respectively	127,913	132,062
Current portion of program contract costs	51,528	48,805
Income taxes receivable	—	624
Prepaid expenses and other current assets	17,616	17,509
Deferred barter costs	2,027	2,173
Assets held for sale	3,678	103,523
Deferred tax assets	10,591	20,354
Total current assets	223,008	335,541
PROGRAM CONTRACT COSTS, less current portion	36,494	26,951
LOANS TO AFFILIATES	14	13
PROPERTY AND EQUIPMENT, net	304,355	336,538
GOODWILL, net	1,040,234	1,041,452
BROADCAST LICENSES, net	409,620	405,416
DEFINITE-LIVED INTANGIBLE ASSETS, net	224,673	237,324
OTHER ASSETS	47,255	82,428
Total assets	$ 2,285,653	$ 2,465,663
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 3,799	$ 7,056
Income taxes payable	2,662	—
Accrued liabilities	84,623	77,291
Current portion notes payable, capital leases and commercial bank financing	33,802	43,737
Current portion of notes and capital leases payable to affiliates	4,135	5,209
Current portion of program contracts payable	88,510	112,471
Deferred barter revenues	2,501	2,655
Deferred gain on sale of broadcast assets	3,249	26,129
Liabilities held for sale	1,407	14,698
Total current liabilities	224,688	289,246
LONG-TERM LIABILITIES:		
Notes payable, capital leases and commercial bank financing, less current portion	1,426,754	1,571,346
Notes payable, capital leases to affiliates, less current portion	15,152	19,323
Program contracts payable, less current portion	65,239	60,197
Deferred tax liabilities	278,399	216,937
Other long-term liabilities	52,438	80,796
Total liabilities	2,062,670	2,237,845
MINORITY INTEREST IN CONSOLIDATED ENTITIES	966	1,267
SHAREHOLDERS' EQUITY:		
Series D Preferred Stock, $.01 par value, 3,450,000 shares authorized, 0 and 3,337,033 issued and outstanding, respectively	—	33
Class A Common Stock, $.01 par value, 500,000,000 shares authorized, 47,122,407 and 46,018,574 shares issued and outstanding, respectively	471	460
Class B Common Stock, $.01 par value, 140,000,000 shares authorized, 38,348,331 and 39,150,828 shares issued and outstanding, respectively, convertible into Class A Common Stock	383	391
Additional paid-in capital	590,377	752,130
Accumulated deficit	(369,214)	(526,463)
Total shareholders' equity	222,017	226,551
Total liabilities and shareholders' equity	$ 2,285,653	$ 2,465,663

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

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(in thousands, except per share data)

	2005	2004	2003
REVENUES:			
Station broadcast revenues, net of agency commissions	**$ 614,436**	$ 634,609	$ 611,893
Revenues realized from station barter arrangements	**55,034**	57,814	58,845
Other operating divisions' revenue	**22,597**	13,054	14,568
Total revenues	**692,067**	705,477	685,306
OPERATING EXPENSES:			
Station production expenses	**152,196**	154,731	147,626
Station selling, general and administrative expenses	**137,586**	145,660	130,889
Expenses recognized from station barter arrangements	**50,460**	53,358	54,105
Amortization of program contract costs and net realizable value adjustments	**70,666**	89,152	98,378
Stock-based compensation expense	**1,701**	1,594	1,391
Other operating divisions' expenses	**20,944**	14,932	16,375
Depreciation of property and equipment	**50,275**	48,159	43,563
Corporate general and administrative expenses	**20,812**	21,160	19,531
Amortization of definite-lived intangible assets and other assets	**17,972**	18,482	18,735
Total operating expenses	**522,612**	547,228	530,593
Operating income	**169,455**	158,249	154,713
OTHER INCOME (EXPENSE):			
Interest expense and amortization of debt discount and deferred financing costs	**(118,592)**	(120,400)	(121,165)
Subsidiary trust minority interest expense	**—**	—	(11,246)
Interest income	**650**	191	560
Loss from sale of assets	**(80)**	(52)	(452)
Loss from extinguishment of debt	**(1,021)**	(2,453)	(15,187)
Unrealized gain from derivative instruments	**21,778**	29,388	17,354
(Loss) income from equity and cost investees	**(1,426)**	1,100	1,193
Gain on insurance settlement	**1,193**	3,341	—
Impairment of goodwill	**—**	(44,055)	—
Other income, net	**721**	894	1,189
Total other expense	**(96,777)**	(132,046)	(127,754)
Income from continuing operations before income taxes	**72,678**	26,203	26,959
INCOME TAX PROVISION	**(37,063)**	(11,522)	(10,817)
Income from continuing operations	**35,615**	14,681	16,142
DISCONTINUED OPERATIONS:			
Income from discontinued operations, net of related income tax provision of $1,644, $5,915 and $3,211, respectively	**5,671**	9,341	8,250
Gain from discontinued operations, net of related income tax provision of $80,002	**146,024**	—	—
NET INCOME	**187,310**	24,022	24,392
PREFERRED STOCK DIVIDENDS	**5,004**	10,180	10,350
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	**$ 182,306**	$ 13,842	$ 14,042
BASIC AND DILUTED EARNINGS PER SHARE:			
Earnings per share from continuing operations	**$ 0.36**	$ 0.05	$ 0.07
Earnings per share from discontinued operations	**$ 1.78**	$ 0.11	$ 0.09
Earnings per common share	**$ 2.14**	$ 0.16	$ 0.16
Weighted average common shares outstanding	**85,380**	85,590	85,651
Weighted average common and common equivalent shares outstanding	**85,389**	85,741	85,793
Dividends per common share	**$ 0.300**	$ 0.075	$ —

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003 (in thousands)

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

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003 (in thousands)

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

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003 (in thousands)

	Series D Preferred Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
BALANCE, December 31, 2004	$ 33	$ 460	$ 391	$ 752,130	$ (526,463)	$ —	$ 226,551
Dividends declared on Class A and Class B Common Stock	—	—	—	—	(25,474)	—	(25,474)
Dividends paid on Series D Convertible Exchangeable Preferred Stock	—	—	—	—	(4,587)	—	(4,587)
Class A Common Stock issued pursuant to employee benefit plans and stock options exercised	—	3	—	2,426	—	—	2,429
Class B Common Stock converted into Class A Common Stock	—	8	(8)	—	—	—	—
Series D Convertible Exchangeable Preferred Stock converted into debt	(33)	—	—	(164,184)	—	—	(164,217)
Amortization of deferred compensation	—	—	—	5	—	—	5
Net income	—	—	—	—	187,310	—	187,310
BALANCE, December 31, 2005	$ —	$ 471	$ 383	$ 590,377	$ (369,214)	$ —	$ 222,017

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(in thousands)

	2005	2004	2003
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:			
Net income	$ 187,310	$ 24,022	$ 24,392
Adjustments to reconcile net income to net cash flows from operating activities:			
Amortization of debt premium	(1,081)	(1,081)	(838)
Depreciation and amortization of property and equipment	50,831	50,877	47,023
Recognition of deferred revenue	(4,942)	(4,928)	(4,942)
Accretion of capital leases	638	706	723
Loss (income) from equity and cost investees	1,426	(1,100)	(976)
Loss on sale of property	80	52	517
Gain on sale of broadcast assets related to discontinued operations	(226,026)	—	—
Gain on involuntary conversion, non-cash portion	—	(3,212)	—
Impairment of goodwill	—	44,055	—
Unrealized gain from derivative instruments	(21,778)	(29,388)	(17,354)
Amortization of definite-lived intangible assets and other assets	17,997	19,035	19,288
Amortization of program contract costs and net realizable value adjustments	71,337	94,180	105,082
Amortization of deferred financing costs	2,776	2,839	2,990
Stock-based compensation	1,701	1,906	1,686
Extinguishment of debt, non-cash portion	1,079	1,289	3,705
Amortization of derivative instruments	538	1,098	1,658
Deferred tax provision related to operations	44,579	11,125	17,250
Deferred tax provision related to discontinued operations	36,033	5,828	—
Net effect of change in deferred barter revenues and deferred barter costs	(50)	118	(112)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
Decrease in accounts receivable, net	2,485	7,477	8,035
Decrease in taxes receivable	624	1,328	36,954
(Increase) decrease in prepaid expenses and other current assets	(1,050)	(3,206)	9,319
Decrease in other long-term assets	5,151	555	3,659
(Decrease) increase in accounts payable and accrued liabilities	(11,687)	4,809	(2,898)
Increase in income taxes payable	908	—	—
(Decrease) increase in other long-term liabilities	(3,390)	(1,380)	(3,298)
Dividends and distributions from equity and cost investees	3,157	3,327	307
Payments on program contracts payable	(104,020)	(110,151)	(105,535)
Increase in minority interest	(77)	(67)	(180)
Net cash flows from operating activities	54,549	120,113	146,455
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:			
Acquisition of property and equipment	(16,673)	(44,881)	(69,531)
Consolidation of variable interest entity	—	239	—
Payments for acquisition of television stations	(15,540)	—	(18,000)
Distribution from equity investments	62	—	—
Investments in equity and cost investees	(970)	(5,549)	(5,699)
Proceeds from the sale of assets	66	39	138
Proceeds from the sale of broadcast assets related to discontinued operations	295,190	28,561	—
Proceeds from the sale of equity investees	21,500	—	—
Proceeds from insurance settlements	1,193	2,521	3,328
Loans to affiliates	(126)	(143)	(1,115)
Proceeds from loans to affiliates	125	1,511	903
Net cash flows from (used in) investing activities	284,827	(17,702)	(89,976)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:			
Proceeds from notes payable, commercial bank financing and capital leases	52,000	533,000	318,336
Repayments of notes payable, commercial bank financing and capital leases	(360,367)	(620,400)	(129,100)
Proceeds from exercise of stock options	178	1,152	1,431
Payments for deferred financing costs	(1,913)	(953)	(7,402)
Dividends paid on Series D Convertible Exchangeable Preferred Stock	(5,004)	(10,180)	(10,350)
Dividends paid on Class A and Class B Common Stock	(19,201)	(4,274)	—
Repurchase of Series D Convertible Exchangeable Preferred Stock	—	(4,752)	—
Repurchase of Class A Common Stock	—	(9,550)	(1,544)
Redemption of High Yield Trust Originated Preferred Securities	—	—	(200,000)
Repayments of notes and capital leases to affiliates	(5,905)	(4,693)	(4,447)
Net cash flows used in financing activities	(340,212)	(120,650)	(33,076)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(836)	(18,239)	23,403
CASH AND CASH EQUIVALENTS, beginning of year	10,491	28,730	5,327
CASH AND CASH EQUIVALENTS, end of year	$ 9,655	$ 10,491	$ 28,730

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of Operations

Sinclair Broadcast Group, Inc. is a diversified television broadcasting company that owns or provides certain programming, operating or sales services to television stations pursuant to broadcasting licenses that are granted by the Federal Communications Commission. We currently own, provide programming and operating services pursuant to local marketing agreements (LMAs) or provide, or are provided, sales services pursuant to outsourcing agreements to 58 television stations in 36 markets. For the purpose of this report, these 58 stations are referred to as "our" stations. We currently have 11 duopoly markets where we own and operate at least two or more stations within the same market. We have nine LMA markets where, with one exception, we own and operate one station in the market and provide programming and operating services to, or by, another station within the market. In the remaining 16 markets, we own and operate a single television station. Our television station group is a single reportable segment for accounting purposes and is diverse in network affiliation with 19 stations affiliated with FOX, 18 with The WB, 10 with ABC, six with UPN, two with CBS and one with NBC. Two of our stations are not affiliated with any network. In the fall of 2006, our composition of network affiliates will change as a result of our recent agreement to air MyNetworkTV programming and the recent announcements about the merger of UPN and The WB into a network to be called The CW. Refer to *Note 18. Subsequent Events*, for additional information.

Principles of Consolidation

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

Discontinued Operations

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we reported the financial position and results of operations of KOVR-TV in Sacramento, California, KSMO-TV in Kansas City, Missouri and WEMT-TV in Tri-Cities, Tennessee as discontinued operations in the accompanying consolidated balance sheets and consolidated statements of operations. 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 balance sheets and consolidated statements of operations. The operating results of KOVR, KSMO and WEMT are not included in our consolidated results from continuing operations for the years ended December 31, 2005, 2004 and 2003. In accordance with Emerging Issues Task Force Issue No. 87-24, *Allocation of Interest to Discontinued Operations*, we have allocated \$3.6 million, \$7.7 million and \$6.8 million of interest expense to discontinued operations for the years ended December 31, 2005, 2004 and 2003, respectively. See *Note 12. Discontinued Operations*, for additional information.

Use of Estimates

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

Recent Accounting Pronouncements

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS 123R) as a revision to FASB Statement No. 123, *Accounting for Stock-Based Compensation*. We adopted SFAS 123R on January 1, 2006 and we will use the modified prospective transition to account for future share-based payments. SFAS 123R supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (Opinion 25), and amends FASB Statement No. 95, *Statement of Cash Flows*. This standard requires that all share-based payments, including grants of employee stock options and our employee stock purchase plan, be recognized in the income statement as compensation expense based on their fair values.

On April 21, 2005, we accelerated the vesting of 390,039 stock options, which were all of our outstanding unvested options at that time. We accelerated the vesting of these options to prevent recognizing an expense of approximately $0.8 million (pre-tax) in future periods in accordance with SFAS 123R. The acceleration of the vesting effectively resulted in a modification to the original options. In accordance with FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Based Compensation*, we recorded an immaterial compensation charge based on the intrinsic value of the awards as measured on the modification date.

SFAS 123R will require us to recognize a compensation charge for our Employee Stock Purchase Plan. For the years ended December 31, 2005, 2004 and 2003, we estimate that this amount would have been $0.2 million, $0.3 million and $0.4 million, respectively.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations, an Interpretation of FASB Statement No. 143* (FIN 47), which clarifies the term "conditional asset retirement obligation" as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*. FIN 47 is effective for fiscal years ending after December 15, 2005 and we adopted it upon issuance. FIN 47 provides that an asset retirement obligation is conditional when either the timing and/or method of settling the obligation is conditioned on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. This interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The adoption of FIN 47 did not have a material impact on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

In June 2005, the Emerging Issues Task Force (EITF) issued EITF No. 05-6, *Determining the Amortization Period for Leasehold Improvements* (EITF 05-6). EITF 05-6 addresses the amortization period for leasehold improvements acquired in a business combination or purchased subsequent to the inception of the lease. EITF 05-6 was effective for reporting periods beginning after July 1, 2005. The adoption of this pronouncement did not have a material impact on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

Variable Interest Entities

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

We have determined that WNAB-TV in Nashville, Tennessee continues to be a variable interest entity (VIE) and that we remain the primary beneficiary of the variable interest as a result of the terms of our outsourcing agreement and the remaining option payment. As a result, we continue to consolidate the assets and liabilities of WNAB at their fair values, which have been adjusted to reflect an appraisal prepared in connection with the closing of the non-license assets. Goodwill and FCC license book values were increased by $5.8 million and $4.2 million, respectively, upon the closing of the non-license assets in May 2005. The consolidated assets of WNAB consist of broadcast licenses of $18.5 million, network affiliation of $2.3 million and property and equipment of $2.9 million. The consolidation of WNAB did not have a material impact on our statements of operations. We made payments to the unrelated third party owner of WNAB of $1.7 million and $2.2 million related to our outsourcing agreement for the years ended December 31, 2005 and 2004, respectively. On January 2, 2003, we made an $18.0 million non-refundable deposit against the purchase price of the put or call options on the non-license assets. We believe that our maximum exposure to loss as a result of our involvement with WNAB consists of the fees that we pay related to the outsourcing agreement, as well as any payments that we would be required to make under the put options held by the current owner related to the license and non-license assets. (See *Note 10. Commitments and Contingencies*.)

On March 25, 2005, we exercised the option agreements to acquire certain license and non-license assets of WNAB for $5.0 million and $8.3 million, respectively. On May 31, 2005, we completed the purchase of the non-license broadcast assets. The closing on the license assets is pending approval by the FCC. We paid $4.5 million of the license asset exercise price on December 23, 2005. If the FCC has not granted approval by December 22, 2006, we will be required to pay the remaining $0.5 million to the unrelated third party. On August 25, 2005, the Rainbow/PUSH Coalition filed a petition with the FCC to deny the transfer of the WNAB broadcast license to us. The FCC is currently in the process of considering the transfer of the broadcast license. We believe the Rainbow/PUSH petition has no merit.

We have determined that Cunningham Broadcasting Corporation (Cunningham) is a VIE and that we are the primary beneficiary of the variable interests. We have been consolidating Cunningham's financial statements since February 1, 2002.

We have determined that we had a variable interest in WTXL-TV in Tallahassee, Florida as a result of the terms of the outsourcing agreement with the unrelated third-party owner of WTXL. However, we had determined that we were not the primary beneficiary of the variable interests and, therefore, we were not required to consolidate WTXL under the provisions of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entity, an Interpretation of Accounting Research Bulletin No. 51*. As of December 31, 2005, we believed that we did not have a material exposure to loss as a result of our involvement with WTXL. On February 19, 2006, we terminated our outsourcing agreement with the unrelated third party owner of WTXL.

Cash and Cash Equivalents

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

Accounts Receivable

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

Programming

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

The rights to this programming are reflected in the accompanying consolidated balance sheets at the lower of unamortized cost or estimated net realizable value. Estimated net realizable values are based on management's expectation of future advertising revenues, net of sales commissions, to be generated by the program material. Amortization of program contract costs is generally computed using either a four year accelerated method or based on usage, whichever method results in the most accelerated amortization for each program. Program contract costs estimated by management to be amortized in the succeeding year are classified as current assets. Payments of program contract liabilities are typically made on a scheduled basis and are not affected by adjustments for amortization or estimated net realizable value.

Barter Arrangements

Certain program contracts provide for the exchange of advertising airtime in lieu of cash payments for the rights to such programming. The revenues realized from station barter arrangements are recorded as the programs are aired at the estimated fair value of the advertising airtime given in exchange for the program rights. Network programming is excluded from these calculations. Revenues are recorded as revenues realized from station barter arrangements and the corresponding expenses are recorded as expenses recognized from station barter arrangements.

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

Other Assets

Other assets as of December 31, 2005 and 2004 consisted of the following (in thousands):

As of December 31,	2005	2004
Equity and cost method investments	$ 18,934	$ 44,000
Unamortized costs relating to securities issuances	17,825	17,101
Fair value of derivative instruments	4,628	15,831
Other	5,868	5,496
	$ 47,255	$ 82,428

Investments

We use the equity method of accounting for investments in which we have between 20% and 50% ownership interest or when we have significant influence over the operations of the business. For investments in which we have more than 50% ownership interest, we consolidate the operations and for investments in which we have less than 20% ownership interest, we use the lower of cost or fair market value method of accounting. See *Note 2. Investments*, for more information regarding our investments.

Impairment of Long-lived Assets

Under the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), we periodically evaluate our long-lived assets for impairment and will continue to evaluate them as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. We evaluate the recoverability of long-lived assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time that such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. As of December 31, 2005, management believed the carrying amounts of our tangible and definite-lived intangible assets have not been impaired under SFAS 144.

Accrued Liabilities

Accrued liabilities consisted of the following as of December 31, 2005 and 2004 (in thousands):

As of December 31,	2005	2004
Compensation	**$ 14,957**	$ 16,661
Interest	**23,821**	23,394
Dividends payable	**8,547**	2,546
Other accruals relating to operating expenses	**27,006**	23,908
Deferred revenue	**10,292**	10,782
Total accrued liabilities	**$ 84,623**	$ 77,291

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

Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statements carrying amounts and the tax bases of assets and liabilities. We provide a valuation allowance for deferred tax assets relating to various federal and state net operating losses (NOL) that are carried forward. As of December 31, 2005, valuation allowances have been provided for a substantial amount of our available federal and state NOLs. We evaluate the need and extent of a valuation allowance based on the expected timing of the reversals of existing temporary book/tax differences, alternative tax strategies and projected future taxable income. If we are unable to generate sufficient taxable income, or if there is a material change in our projected taxable income, or if there is a change in our ability to use NOL carryforwards due to changes in federal and state laws, we will make any necessary adjustments to the valuation allowance. Management periodically performs a comprehensive review of our tax positions and accrues amounts for tax contingencies. Based on these reviews, the status of ongoing audits and the expiration of applicable statute of limitations, accruals are adjusted as necessary.

Supplemental Information – Statements of Cash Flows

During 2005, 2004 and 2003, we had the following cash transactions (in thousands):

For the Years Ended December 31,	2005	2004	2003
Income taxes paid related to continuing operations	**$ 781**	$ 1,854	$ 2,123
Income taxes paid related to sale of discontinued operations	**$ 37,350**	$ 429	$ 205
Income tax refunds received	**$ 487**	$ 1,462	$ 40,643
Subsidiary trust minority interest payments	**$ —**	$ —	$ 10,979
Interest paid	**$ 120,163**	$ 130,493	$ 116,884
Payments related to debt extinguishment	**$ 628**	$ 1,168	$ 11,482

Non-cash barter and trade revenue and expense are presented in the consolidated statements of operations. Non-cash transactions related to capital lease obligations were $4.7 million and $2.7 million for the years ended December 31, 2004 and 2003, respectively. There were no capital lease obligation transactions entered into during 2005.

Local Marketing Agreements

We generally enter into local marketing agreements (LMAs) and similar arrangements with stations located in markets in which we already own and operate a station. Under the terms of these agreements, we make specified periodic payments to the owner-operator in exchange for the right to program and sell advertising on a specific 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 content broadcasted on the station.

Included in the accompanying consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003, are net broadcast revenues of $118.6 million, $114.6 million and $101.7 million, respectively, that relate to LMAs.

Outsourcing Agreements

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

Revenue Recognition

Advertising revenues, net of agency and national representatives' commissions, are recognized in the period during which time spots are aired. All other revenues are recognized as services are provided. Total revenues include: (i) cash and barter advertising revenues, net of agency and national representatives' commissions, (ii) retransmission fees, (iii) network compensation, (iv) other broadcast revenues and (v) revenues from our other operating divisions'.

Advertising Expenses

Advertising expenses are recorded in the period when incurred and are included in the station production expenses. Total advertising expenses from continuing operations, net of advertising co-op credits, were $8.3 million, $9.7 million and $10.4 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Financial Instruments

Financial instruments as of December 31, 2005 and 2004 consisted of cash and cash equivalents, trade accounts receivable, notes receivable (which are included in other current assets), accounts payable, accrued liabilities and notes payable. The carrying amounts approximate fair value for each of these financial instruments, except for the notes payable. See *Note 5. Notes Payable and Commercial Bank Financing*, for additional information regarding the fair value of notes payable.

Pro Forma Information Related To Stock-Based Compensation

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

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

For the Years Ended December 31,	2005	2004	2003
Net income available to common shareholders	**$ 182,306**	$ 13,842	$ 14,042
Add: Stock-based employee compensation expense included in net income, net of related tax effects	**833**	893	835
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(1,823)**	(2,757)	(5,503)
Net income available to common shareholders, pro forma	**$ 181,316**	$ 11,978	$ 9,374
Basic and diluted earnings per share:			
As reported	**$ 2.14**	$ 0.16	$ 0.16
Pro forma	**$ 2.12**	$ 0.14	$ 0.11

We have computed for pro forma disclosure purposes the value of all options granted during the years ended December 31, 2005, 2004 and 2003, respectively, using the Black-Scholes option pricing model as prescribed by SFAS 123, using the following weighted average assumptions:

For the Years Ended December 31,	2005	2004	2003
Risk-free interest rate	**N/A**	3.10%	3.00%
Expected lives	**N/A**	5 years	5 years
Expected volatility	**N/A**	48%	48%
Dividend yield	**N/A**	2.2%	—
Weighted average fair value	**N/A**	$ 5.48	$ 4.63

Adjustments are made for options forfeited prior to vesting. All options were vested as of April 21, 2005. Therefore, there are not any applicable assumptions to be listed for the year ended December 31, 2005.

Reclassifications

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

2. INVESTMENTS:

Allegiance Capital Limited Partnership

As of December 31, 2005 and 2004, we had an 87.5% limited partnership 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 we do not have significant control, but only significant influence, we account for our investment in Allegiance under the equity method of accounting.

Atlantic Automotive Corporation

On May 31, 2005, we entered into an agreement with Auto Properties LLC, an affiliate of Atlantic Automotive Corporation ("Atlantic Automotive," formerly Summa Holdings, Ltd.) to sell our 17.5% equity interest, or 21.22 shares, in Atlantic Automotive to Auto Properties LLC for approximately $21.5 million in cash. On August 2, 2005, the agreement between us and Auto Properties LLC was nullified and we entered into new stock purchase agreements with David D. Smith, our President and Chief Executive Officer and Steven B. Fader, an unrelated third party, and entered into a stock redemption agreement with Atlantic Automotive, totaling approximately $21.5 million. Pursuant to the stock purchase agreements, on August 2, 2005, 9.87 shares were sold to each party for $10.0 million in cash and pursuant to the stock redemption agreements, Atlantic Automotive redeemed the remaining 1.48 shares of our equity interest for $1.5 million in cash.

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

In the event that one or more of our investments are significant, we are required to disclose summarized financial information. The table below presents the unaudited summarized financial information for these investments for the years ended December 31, 2005, 2004 and 2003, respectively (in thousands):

As of December 31,	2005	2004
Current assets	$ 4,502	$230,691
Long-term assets	21,042	158,868
Total assets	$ 25,544	$389,559
Current liabilities	$ 324	$206,018
Long-term liabilities	14,838	119,117
Total liabilities	15,162	325,135
Redeemable preferred stock	—	20,000
Minority interests	—	690
Equity	10,382	43,734
Total liabilities and equity	$ 25,544	$389,559

For the Years Ended December 31,	2005	2004	2003
Operating revenue	$ 673,572	$ 1,112,778	$ 904,387
Cost of sales	$ 564,025	$ 935,389	$ 752,212
Operating expenses	$ 97,252	$ 154,725	$ 134,285
Income from continuing operations	$ 6,682	$ 19,925	$ 13,676
Net income	$ 6,682	$ 19,450	$ 10,159

Impairment of Investments

Each quarter, we review our investments for impairment. For any investments that indicate a potential impairment, we estimate the fair values of those investments using discounted cash flow models, unrelated third party valuations or industry comparables, based on the various facts available to us. As a result of these reviews, we recorded an impairment of equity investees of $1.5 million and $4.0 million in the consolidated statements of operations for the years ended December 31, 2005 and 2004, respectively. We did not record an impairment of equity investees during the year ended December 31, 2003.

3. PROPERTY AND EQUIPMENT:

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

Buildings and improvements	10 – 30 years
Station equipment	5 – 10 years
Office furniture and equipment	5 – 10 years
Leasehold improvements	10 –30 years
Automotive equipment	3 – 5 years
Property and equipment under capital leases	Lease term

Property and equipment consisted of the following as of December 31, 2005 and 2004 (in thousands):

As of December 31,	2005	2004
Land and improvements	**$ 16,214**	$ 15,149
Buildings and improvements	**75,306**	74,140
Station equipment	**406,274**	406,354
Office furniture and equipment	**46,619**	44,188
Leasehold improvements	**14,268**	12,567
Automotive equipment	**11,034**	10,340
Construction in progress	**12,560**	16,955
	582,275	579,693
Less: accumulated depreciation	**(277,920)**	(243,155)
	$ 304,355	$ 336,538

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

In the first quarter of 2003, one of our towers in Charleston, West Virginia collapsed during a severe ice storm. This tower was insured and we used the insurance settlement to rebuild the tower and to replace the other assets that were destroyed by the collapse. In the fourth quarter of 2004, we completed substantially all of the construction of the new tower and placed it in service. At that time, we recognized a gain of $3.3 million, representing amounts received from insurance above the net book value of the old tower. Of this amount, $0.1 million was related to business interruption insurance recoveries. In 2005, we recognized a gain of $1.2 million, which represented additional amounts received from the insurance settlement.

4. GOODWILL AND OTHER INTANGIBLE ASSETS:

SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142) requires that goodwill be tested for impairment at the reporting unit level at least annually. We have determined that our designated marketing areas (DMAs) are reporting units under SFAS 142. Annually, we test for impairment by comparing the book value of our reporting units, including goodwill, to the estimated fair value of our reporting units. We estimate the fair value of our reporting units using a combination of quoted market prices, observed earnings multiples paid for comparable television stations, discounted cash flow models and appraisals.

We tested our goodwill and indefinite-lived intangible assets for impairment as of October 1, 2005, 2004 and 2003 using the step one/step two methodology provided in SFAS 142. There were no impairment charges recorded for 2005 and 2003 based on the results of such testing. In 2004, we determined that the carrying value of goodwill of one of our stations exceeded its fair value. As required, we calculated the fair value of goodwill and, as a result, we recorded a $44.1 million charge called impairment of goodwill in our 2004 consolidated statement of operations.

Definite-lived intangible assets and other assets subject to amortization are being amortized on a straight-line basis over periods of 5 to 25 years. These amounts result from the acquisition of certain television station non-license assets. We analyze specific definite-lived intangibles for impairment when events occur that may impact their value. The following table shows the gross carrying amount and accumulated amortization of intangibles and estimated amortization related to continuing operations (in thousands):

	As of December 31, 2005			As of December 31, 2004	
	Amortization Period	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Amortized intangible assets:					
Network affiliation	15-25 years	**$ 249,653**	**$ (83,959)**	$ 250,687	$ (74,297)
Decaying advertiser base	15 years	**128,603**	**(83,564)**	125,338	(76,617)
Other	5-25 years	**39,184**	**(25,244)**	36,395	(24,182)
Total		**$ 417,440**	**$ (192,767)**	$ 412,420	$ (175,096)

The amortization expense of the definite-lived intangible assets and other assets for the years ended December 31, 2005, 2004 and 2003 was $18.0 million, $18.5 million and $18.8 million, respectively. The following table shows the estimated amortization expense of the definite-lived intangible assets and other assets for the next five years (in thousands):

For the year ended December 31, 2006	$ 17,728
For the year ended December 31, 2007	$ 17,750
For the year ended December 31, 2008	$ 17,750
For the year ended December 31, 2009	$ 17,424
For the year ended December 31, 2010	$ 15,815

The change in the carrying amount of broadcast licenses related to continuing operations was as follows (in thousands):

As of December 31,	2005	2004
Beginning balance	$ 405,416	$ 390,980
Consolidation of variable interest entity and other	4,204	14,436
Ending balance	$ 409,620	$ 405,416

The change in the carrying amount of goodwill related to continuing operations was as follows (in thousands):

As of December 31,	2005	2004
Beginning balance	$ 1,041,452	$ 1,085,507
Goodwill impairment charge	—	(44,055)
Consolidation of variable interest entity and other	(1,218)	—
Ending balance	$ 1,040,234	$ 1,041,452

Goodwill of $37.3 million related to the sale of KOVR-TV is included in the gain from discontinued operations line for the year ended December 31, 2005 consolidated statement of operations.

5. NOTES PAYABLE AND COMMERCIAL BANK FINANCING:

Bank Credit Agreement

On July 15, 2002, we closed on a new Bank Credit Agreement, allowing us more operating capacity and liquidity. The Bank Credit Agreement originally consisted of a $225.0 million Revolving Credit Facility maturing on June 30, 2008 and a $375.0 million Term Loan B Facility maturing on December 31, 2009. The Bank Credit Agreement contains representations and warranties, and affirmative and negative covenants, including among other restrictions, limitations on additional indebtedness, customary for credit facilities of this type. On December 31, 2002, we closed on an additional $125.0 million Term Loan Facility maturing on December 31, 2009. The proceeds from this additional borrowing, together with $125.0 million of our 8% Senior Subordinated Notes, due 2012 and cash on hand, were used to redeem our 8.75% Senior Subordinated Notes, due 2007.

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

As a result of amending the Bank Credit Agreement, during 2004, we incurred debt acquisition costs of $1.8 million and recognized a loss of $2.5 million. This loss represents the write-off of certain debt acquisition costs associated with indebtedness replaced by the new facilities. The loss was computed in accordance with EITF No. 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instruments* (EITF 96-19).

On May 12, 2005, we amended and restated the Bank Credit Agreement, lowering our annual interest rate. The Bank Credit Agreement in effect on December 31, 2005, includes a Term Loan A Facility (the Term Loan) of $100.0 million and a Revolving Credit Facility (the Revolver) of $175.0 million maturing on December 31, 2011 and June 30, 2011, respectively. As part of the amendment, we fully redeemed our $150.0 million Term Loan A Facility and $250.0 million Term Loan C Facility with proceeds from the sale of KOVR-TV in Sacramento, California, cash on hand and the new $100.0 million Term Loan.

Scheduled payments on the Term Loan and Revolver are calculated at the London Interbank Offered Rate plus 1.25%, with step-downs tied to a leverage grid. We have the right to terminate the Term Loan or Revolver at any time without prepayment penalty. The Term Loan is repayable in quarterly installments, amortizing as follows:

- 1.25% per quarter commencing March 31, 2007 to December 31, 2008
- 3.75% per quarter commencing March 31, 2009 to December 31, 2010
- 15.0% per quarter commencing March 31, 2011 and continuing through its maturity on December 31, 2011.

As a result of amending the Bank Credit Agreement, during 2005, we incurred debt acquisition costs of $2.0 million and recognized a loss of $1.6 million, which represents the write-off of certain debt acquisition costs associated with indebtedness replaced by the new facilities. The loss was computed in accordance with EITF 96-19.

Availability under the Revolver does not reduce incrementally and terminates at maturity. We are required to repay the Term Loan and reduce the Revolver with: (i) 100% of the net proceeds of any casualty loss or condemnation and (ii) 100% of the net proceeds of any sale or other disposition of our assets in excess of $5.0 million in the aggregate in any 12 month period, to the extent not used to acquire new assets.

The Bank Credit Agreement is not publicly traded on a market; therefore, it is not practicable for us to calculate the fair value associated with this financial instrument. The weighted average interest rates of the Term Loan for the year and the month ended December 31, 2005 were 4.64% and 5.78%, respectively. The weighted average interest rates of the Bank Credit Agreement for the year and the month ended December 31, 2004, were 3.48% and 4.17%, respectively. During 2005, 2004 and 2003, the interest expense relating to the Bank Credit Agreement was $9.3 million, $16.0 million and $18.0 million, respectively.

8.75% Senior Subordinated Notes, Due 2011

In December 2001, we completed an issuance of $310.0 million aggregate principal amount of 8.75% Senior Subordinated Notes (the 2001 Notes), due 2011. We received net proceeds of $306.2 million. The net proceeds of this offering were utilized to repay the 10% Senior Subordinated Notes, due 2005. Interest on the 2001 Notes is paid semiannually on June 15 and December 15 of each year. The 2001 Notes were issued under an indenture among us, our subsidiaries (the guarantors) and the trustee. Costs associated with the offering totaled $4.1 million, including an underwriting discount of $3.8 million. These costs were capitalized and are being amortized over the life of the debt.

During 2005, we repurchased, in the open market, $2.6 million of the 2001 Notes at face value. The $0.2 million in costs related to these repurchases have been recorded as a loss from extinguishment of debt in our consolidated statements of operations.

Interest expense was $27.0 million, $27.1 million and $27.1 million for the years ended December 31, 2005, 2004 and 2003, respectively. Based on the quoted market price, the fair value of the 2001 Notes as of December 31, 2005 and 2004 was $324.3 million and $338.5 million, respectively.

8% Senior Subordinated Notes, Due 2012

In March 2002, we completed an issuance of $300.0 million aggregate principal amount of 8% Senior Subordinated Notes, due 2012 (the 2002 Notes), generating gross proceeds to us of $300.0 million. The gross proceeds of this offering were utilized to repay $300.0 million of the Term Loan Facility. Interest on the 2002 Notes is paid semiannually on March 15 and September 15 of each year, beginning September 15, 2002. The 2002 Notes were issued under an indenture among us, certain of our subsidiaries (the guarantors) and the trustee. Net costs associated with the offering totaled $3.4 million. These costs were capitalized and are being amortized to interest expense over the life of the debt.

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

On December 31, 2002, we completed an add-on issuance of $125.0 million aggregate principal amount of the 2002 Notes 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 $125.0 million, a draw down of $7.0 million on the revolving line of credit under the Bank Credit Agreement and available cash on hand of $0.2 million, to redeem our existing 8.75% Senior

Subordinated Notes, due 2007, including an early redemption premium of $10.9 million. Net costs associated with the offering totaled $1.7 million. Of these costs, $1.3 million was capitalized and is being amortized to interest expense over the life of the debt.

On May 29, 2003, we completed an add-on issuance of $100.0 million aggregate principal amount of the 2002 Notes. The Notes were issued at a price of $105.3359 plus accrued interest from March 15, 2003 to May 28, 2003, yielding a rate of 7.00%. We used the net proceeds, along with the net proceeds received in connection with our issuance of $150.0 million of Convertible Senior Subordinated Notes, due 2018, to finance the redemption of the 11.625% High Yield Trust Originated Preferred Securities, due 2009 and for general corporate purposes. Net costs associated with the offering totaled $1.3 million. These costs were capitalized and are being amortized to interest expense over the life of the debt.

During 2005, we repurchased, in the open market, $8.0 million of the 2002 Notes at face value. The $0.1 million in costs related to these repurchases have been recorded as a loss from extinguishment of debt in our consolidated statements of operations.

Interest expense was $51.7 million, $52.0 million and $48.6 million for the years ended December 31, 2005, 2004 and 2003, respectively. Based on the quoted market price, the fair market value of the 2002 Notes was $654.8 million at December 31, 2005 and $692.3 million at December 31, 2004.

6% Convertible Debentures, Due 2012

On June 15, 2005, we completed an exchange of our Series D Convertible Exchangeable Preferred Stock (the Preferred Stock) into Convertible Debentures. Pursuant to the terms of the Preferred Stock, a holder of the Preferred Stock received $1,000 principal amount of Convertible Debentures for each $1,000 of liquidation preference of Preferred Stock held by such holder at the Exchange Date, plus accrued but unpaid dividends through the Exchange Date. Therefore, the annual interest payments are consistent with the annual dividend payments of the Preferred Stock.

The Convertible Debentures mature September 15, 2012, and bear interest at a rate of 6.0% per annum, payable quarterly on each March 15, June 15, September 15 and December 15, beginning September 15, 2005. The Convertible Debentures are convertible into Class A Common Stock on substantially the same conversion terms as the Preferred Stock. Net costs associated with the exchange totaled $0.1 million and these costs were capitalized and are being amortized as interest expense over the life of the debt. Additionally, $2.6 million of the costs associated with the original issuance of the Preferred Stock has been recharacterized as deferred financing costs and is being amortized as interest expense over the life of the debt.

During 2005, we repurchased, in the open market, $5.0 million of the Convertible Debentures at a discount. The $0.6 million discount related to these repurchases has been recorded as a gain from extinguishment of debt, net of expenses, in our consolidated statements of operations.

Interest expense for the Convertible Debentures was $5.4 million for the year ended December 31, 2005. Based on the quoted market price, the fair value of the Convertible Debentures as of December 31, 2005, was $140.0 million.

4.875% Convertible Senior Subordinated Notes, Due 2018

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

- the notes are convertible into shares of our Class A Common Stock at the option of the holder upon certain circumstances. The conversion price is $22.37 until March 31, 2011, at which time the conversion price increases quarterly until reaching $28.07 on July 15, 2018;
- the notes may be put to us at par on January 15, 2011 or called thereafter by us;
- the notes bear cash interest at an annual rate of 4.875% until January 15, 2011 and bear cash interest at an annual rate of 2.00% from January 15, 2011 through maturity;
- the principal amount of the notes will accrete to 125.66% of the original par amount from January 15, 2011 to maturity so that when combined with the cash interest, the yield to maturity of the notes will be 4.875% per year; and
- under certain circumstances, we will pay contingent cash interest to the holders of the Convertible Notes during any six month period from January 15 to July 14 and from July 15 to January 14, commencing with the six month period beginning January 15, 2011. This contingent cash interest feature is an embedded derivative which had a negligible fair value as of December 31, 2005.

We used the net proceeds, along with the net proceeds from the issuance on May 29, 2003 of $100.0 million of the 2002 Notes to finance the redemption of the 11.625% High Yield Trust Originated Preferred Securities, due 2009, to repay outstanding debt under our Bank Credit Agreement and for general corporate purposes. Net costs associated with the offering totaled $4.6 million. These costs were capitalized and are being amortized as interest expense over the life of the debt.

Interest expense was $7.3 million, $7.3 million and $4.5 million for the years ended December 31, 2005, 2004 and 2003, respectively. Based on the quoted market price, the fair market value of the Convertible Notes was $129.4 million at December 31, 2005 and $143.7 million at December 31, 2004.

Summary

Notes payable, capital leases and the Bank Credit Agreement consisted of the following as of December 31, 2005 and 2004 (in thousands):

As of December 31,	2005	2004
Bank Credit Agreement, Term Loan	$ 100,000	$ 400,000
Bank Credit Agreement, Revolving Credit Facility	7,500	—
8.75% Senior Subordinated Notes, due 2011	307,400	310,000
Note payable of consolidated variable interest entity (Cunningham)	33,500	33,500
8% Senior Subordinated Notes, due 2012	642,000	650,000
6% Convertible Debentures, due 2012	161,812	—
4.875% Convertible Senior Subordinated Notes, due 2018	150,000	150,000
Capital leases	49,692	49,370
Installment note for certain real estate, interest at 8%	27	39
	1,451,931	1,592,909
Plus: Premium on 8% Senior Subordinated Notes, due 2012	6,711	7,792
Plus: SFAS No. 133 derivatives, net	1,914	14,382
Less: Current portion	(33,802)	(43,737)
	$ 1,426,754	$ 1,571,346

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

Indebtedness under the notes payable, capital leases and the Bank Credit Agreement as of December 31, 2005 matures as follows (in thousands):

	Notes and Bank Credit Agreement	Capital Leases	Total
2006	$ 33,513	$ 4,497	$ 38,010
2007	3,764	4,652	8,416
2008	5,000	4,809	9,809
2009	12,500	4,969	17,469
2010	15,000	5,144	20,144
2011 and thereafter	1,332,462	97,924	1,430,386
Total minimum payments	1,402,239	121,995	1,524,234
Plus: Premium on 8% Senior Subordinated Notes, due 2012	6,711	—	6,711
Plus: SFAS No. 133 derivatives, net	1,914	—	1,914
Less: Amount representing interest	—	(72,303)	(72,303)
	$ 1,410,864	$ 49,692	$ 1,460,556

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

As of December 31, 2005, we had 25 capital leases with non-affiliates, including 24 tower leases and one building lease. All of our tower leases will expire within the next 30 years and the building lease will expire within the next 10 years. Most of our leases have 5-10 year renewal options and it is expected that these leases will be renewed or replaced within the normal course of business. For more information related to our affiliate notes and capital leases, see *Note 11. Related Party Transactions*.

6. PROGRAM CONTRACTS PAYABLE:

Future payments required under program contracts payable as of December 31, 2005 were as follows (in thousands):

	Program Contracts Payable		
	Continuing Operations	Liabilities Held for Sale	Total
2006	$ 88,510	$ 668	$ 89,178
2007	26,900	285	27,185
2008	22,633	266	22,899
2009	15,706	188	15,894
Total	153,749	1,407	155,156
Less: Current portion	(88,510)	(668)	(89,178)
Long-term portion of program contracts payable	$ 65,239	$ 739	$ 65,978

Included in the current portion amounts are payments due in arrears of $25.5 million, of which $0.2 million relates to WEMT-TV and has been recorded as liabilities held for sale on our consolidated balance sheets. In addition, we have entered into non-cancelable commitments for future program rights aggregating $171.4 million, of which $0.09 million relates to WEMT.

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

We estimated the fair value of our program contracts payable and non-cancelable commitments at approximately $143.7 million and $142.9 million, respectively, as of December 31, 2005, and $176.7 million and $165.1 million, respectively, as of December 31, 2004. These estimates were based on future cash payments discounted at our current borrowing rate and include program contracts payables and non-cancelable commitments of our station, WEMT, that are held for sale.

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

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

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

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

Common Stock

Holders of Class A Common Stock are entitled to one vote per share and holders of Class B Common Stock are entitled to ten votes per share, except for votes relating to "going private" and certain other transactions. The Class A Common Stock and the Class B Common Stock vote together as a single class, except as otherwise may be required by Maryland law, on all matters presented for a vote. Holders of Class B Common Stock may at any time convert their shares into the same number of shares of Class A Common Stock. During 2005 and 2004, 802,496 and 2,062,825 Class B Common Stock shares were converted into Class A Common Stock shares, respectively.

In May 2004, we declared a quarterly cash dividend on our common stock for the first time in our company's history. For the quarters ended June 30, 2004, September 30, 2004 and December 31, 2004, we paid dividends of $0.025 per share on our common stock. During 2005, the Board of Directors voted to increase the dividend on three occasions. The dividends declared were as follows:

For the quarter ended	Quarterly Dividend Per Share	Annual Dividend Per Share	Date dividends were paid
March 31, 2005	$ 0.050	$ 0.200	April 15, 2005
June 30, 2005	$ 0.075	$ 0.300	July 15, 2005
September 30, 2005	$ 0.075	$ 0.300	October 14, 2005
December 31, 2005	$ 0.100	$ 0.400	January 13, 2006

Preferred Stock

During 1997, we completed a public offering of 3,450,000 shares of Series D Convertible Exchangeable Preferred Stock (the Preferred Stock). During 2004, we repurchased 112,967 shares of the Preferred Stock so that on December 31, 2004, 3,337,033 shares were outstanding. The Preferred Stock had a liquidation preference of $50 per share and a stated cumulative dividend of $3.00 per share payable quarterly out of legally available funds and was 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.

On June 15, 2005, we completed an exchange of the Preferred Stock into 6% Convertible Debentures, due 2012. Pursuant to the terms of the Preferred Stock, a holder of the Preferred Stock received $1,000 principal amount of Convertible Debentures for each $1,000 of liquidation preference of Preferred Stock held by such holder at the Exchange Date, plus accrued but unpaid dividends through the Exchange Date. See *Note 5. Notes Payable and Commercial Bank Financing*, for further description of the 6% Convertible Debentures.

8. DERIVATIVE INSTRUMENTS:

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

Statement of Financial Accounting Standard No. 133

In accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133* and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133* (Collectively, SFAS 133), our losses resulting from prior year terminations of fixed to floating interest rate agreements are reflected as a discount on our fixed rate debt and were being amortized to interest expense through December 15, 2007, the original expiration date of the terminated swap agreements. For each of the years ended December 31, 2005, 2004 and 2003, amortization of the discount of $0.5 million was recorded as interest expense.

Also in accordance with SFAS 133, the deferred net losses in prior years related to terminations of floating to fixed interest rate swap agreements are reflected as other comprehensive loss, net of tax effect, and were being amortized to interest expense through June 3, 2004, the expiration dates of the terminated swap agreements. For the years ended December 31, 2004 and 2003, we amortized $0.9 million and $1.7 million, respectively, from accumulated other comprehensive loss and deferred tax asset to interest expense. The deferred net losses were fully amortized as of June 3, 2004.

Interest Rate Derivative Instruments

As of December 31, 2005, we held the following derivative instruments (in millions):

Notional Amount	Expiration Date	Interest Payable	Interest Receivable	FMV Asset (Liability) (d)
$ 375.0 (a)	June 5, 2006	6.25 to 7.00%	LIBOR (c)	$ (1.8)
$ 200.0 (a)	June 5, 2006	6.32 to 7.00%	LIBOR (c)	$ (1.1)
$ 300.0 (b)	March 12, 2012	LIBOR + 2.28% (c)	8.00%	$ 4.6
$ 100.0 (b)	March 12, 2012	LIBOR + 3.095% (c)	8.00%	$ (1.8)
				$ (0.1)

a) These swap agreements do not qualify for hedge accounting treatment under SFAS 133; therefore, changes in their fair market values are reflected currently in earnings as an unrealized gain from derivative instruments. We recorded an unrealized gain related to these instruments of $21.8 million, $29.4 million and $17.4 million for the years ended December 31, 2005, 2004 and 2003, respectively. The instrument with a notional amount of $375.0 million was amended on March 2, 2005, resulting in a removal of termination option by the counterparty. The instrument with a notional amount of $200.0 million does not have an option to terminate before it expires.

b) These swaps are accounted for as fair value hedges in accordance with SFAS 133; therefore, changes in their fair market values are reflected as adjustments to the carrying value of the underlying debt being hedged.

c) Represents a floating rate based on three-month London Interbank Offered Rate (LIBOR).

d) The fair market value (FMV) of the interest rate swap agreements is estimated by obtaining quotations from the international financial institution party to each derivative contract. The fair value is an estimate of the net amount that we would (pay) receive on December 31, 2005, if we cancelled the contracts or transferred them to other parties. This amount was a liability of $0.1 million on December 31, 2005 compared to a liability of $8.8 million on December 31, 2004. This decrease in liability was a result of higher interest rates at the end of 2005 versus 2004.

During May 2003, we completed an issuance of $150.0 million aggregate principal amount of 4.875% Convertible Senior Notes. Under certain circumstances, we will pay contingent cash interest to the holder of the convertible notes during any six month period from January 15 to July 14 and from July 15 to January 14, commencing with the six month period beginning January 15, 2011. The contingent cash interest feature is an embedded derivative which had a negligible fair value as of December 31, 2005.

9. INCOME TAXES:

We file a consolidated federal income tax return and separate company state tax returns. The provision for income taxes consisted of the following for the years ended December 31, 2005, 2004 and 2003 (in thousands):

For the Years Ended December 31,	2005	2004	2003
Provision for income taxes - continuing operations	$ 37,063	$ 11,522	$ 10,817
Provision for income taxes - discontinued operations	1,644	5,915	3,211
Provision for income taxes - sale of discontinued operations	80,002	—	—
	$ 118,709	$ 17,437	$ 14,028
Current:			
Federal	$ 38,941	$ 173	$ (1,176)
State	(844)	310	(2,046)
	38,097	483	(3,222)
Deferred:			
Federal	72,811	15,908	16,424
State	7,801	1,046	826
	80,612	16,954	17,250
	$ 118,709	$ 17,437	$ 14,028

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

For the Years Ended December 31,	2005	2004	2003
Statutory federal income taxes	35.0%	35.0%	35.0%
Adjustments-			
State income and franchise taxes, net of federal effect	0.3%	1.9%	1.4%
Non-deductible expense items	5.7%	6.4%	5.2%
Change in Ohio tax law	(7.2)%	—	—
Effect of corporate restructuring on state NOL's	15.2%	—	—
Other	2.0%	0.7%	(1.5)%
Provision for income taxes	51.0%	44.0%	40.1%

Temporary differences between the financial reporting carrying amounts and the tax basis of assets and liabilities give rise to deferred taxes. Total deferred tax assets and deferred tax liabilities as of December 31, 2005 and 2004 were as follows (in thousands):

As of December 31,	2005	2004
Current and Long-Term Deferred Tax Assets:		
Net operating losses	$ 98,552	$ 143,545
Other	23,041	33,756
	121,593	177,301
Valuation allowance for deferred tax assets	(87,532)	(89,131)
Total deferred tax assets	$ 34,061	$ 88,170
Current and Long-Term Deferred Tax Liabilities:		
FCC license	$ (61,278)	$ (52,139)
Parent Preferred Stock	(25,833)	(25,833)
Fixed assets and intangibles	(202,796)	(199,948)
Variable interest entities' net deferred tax liabilities	(1,520)	(305)
Other	(10,442)	(6,528)
Total deferred tax liabilities	(301,869)	(284,753)
Net tax liabilities	$ (267,808)	$ (196,583)

Our remaining federal and state net operating losses will expire during various years from 2006 to 2025 and, in certain cases, are subject to annual limitations under Internal Revenue Code Section 382 or under Treasury Regulation 1.1502-21 and similar state provisions. The tax effects of these net operating losses are recorded in the deferred tax accounts in the accompanying consolidated balance sheets. During the year ended December 31, 2005, we realized a one-time loss of certain state net operating losses, net of applicable valuation allowances, resulting from a corporate restructuring and recorded a reduction of deferred tax assets through our deferred tax provision from continuing operations.

We establish valuation allowances in accordance with the provisions of SFAS No. 109, *Accounting for Income Taxes*. A valuation allowance has been provided for deferred tax assets relating to various federal and state net operating losses that are carried forward based on expected timing of the reversals of existing temporary book/tax basis differences, alternative tax strategies and projected future taxable income. Although realization is not assured for the remaining deferred tax assets, we believe it is more likely than not that they will be realized in the future.

We adjusted the net deferred tax liabilities for changes in enacted state tax rates, where applicable. The total amount of the adjustments did not have a significant impact on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows, except for the Ohio tax law change. On June 30, 2005, the Governor of the state of Ohio signed the Ohio Biennial Budget Bill. The bill replaces the Ohio income and franchise tax with a commercial activity tax, among other changes in Ohio law. As a result, we recorded a deferred tax benefit of $5.2 million for continuing operations to reflect an adjustment to our net deferred tax liabilities.

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

10. COMMITMENTS AND CONTINGENCIES:

Litigation

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

Subsequent to our airing a news program in 2004, *POW Story: Politics, Pressure and the Media*, certain parties filed formal complaints against us and certain of our employees and directors with the Federal Election Commission (FEC). On June 13, 2005, the FEC concluded unanimously that neither we nor our employees or directors violated any campaign finance laws and that our broadcast activities were protected by "press exemption."

FCC License Renewals

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

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

Other FCC Adjudicatory Proceedings

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

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

Operating Leases

We have entered into operating leases for certain property and equipment under terms ranging from three to ten years. The rent expense from continuing operations under these leases, as well as certain leases under month-to-month arrangements, for the years ended December 31, 2005, 2004 and 2003 was approximately $4.6 million, $4.5 million and $4.1 million, respectively.

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

2006	$	4,003
2007		3,290
2008		2,688
2009		2,395
2010		3,315
2011 and thereafter		10,540
	$	26,231

At December 31, 2005 and 2004, we had outstanding letters of credit of $1.1 million and $0.9 million, respectively, under our revolving credit facility. The letters of credit act as a guarantee of lease payments for the property occupied by WTTA-TV in Tampa, Florida, pursuant to the terms and conditions of the lease agreement and as support of the purchase of the license assets of WNYS-TV in Syracuse, New York, pursuant to an Asset Purchase Agreement.

Network Affiliation Agreements

Of the 58 television stations that we own and operate, or to which we provide programming services or sales services, 56 currently operate as affiliates of FOX (19 stations), WB (18 stations), ABC (10 stations), UPN (6 stations), CBS (2 stations) and NBC (1 station). 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 programming.

The affiliation agreements of five ABC stations (WSYX-TV in Columbus, Ohio; WLOS-TV in Asheville, North Carolina; WCHS-TV in Charleston, West Virginia; WEAR-TV in Pensacola, Florida and WGGB-TV in Springfield, Massachusetts) expired on or before January 31, 2005. During June 2005, we entered into a binding term sheet with ABC to renew all of our ABC affiliation agreements effective as of January 1, 2005. In September 2005, WICS-TV and WICD-TV in Springfield/Champaign, Illinois switched from NBC to ABC affiliates. The net aggregate book value of our ABC affiliate agreements was $105.5 million as of December 31, 2005.

On June 30, 2005, the affiliation agreements for our FOX affiliates expired. On August 22, 2005, we entered into an agreement that caused these expired agreements to continue in full force and effect until terminated by either party. We are currently in negotiations to renew the FOX affiliation agreements on a long-term basis. At this time, we cannot predict the final outcome of these negotiations and any impact they may have on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows. As of December 31, 2005, the aggregate net book value of these affiliation agreements was $37.3 million.

On October 24, 2005, NBC informed us that they intend to terminate our affiliation with WTWC-TV in Tallahassee, Florida. This notice is contractually required to avoid automatic renewal of the existing agreement which expires January 1, 2007. NBC has stated it is willing to continue its affiliation with WTWC if revised terms and conditions can be agreed upon. As of December 31, 2005, the net book value of this affiliation agreement was $2.3 million. We plan to enter into negotiations with NBC regarding our affiliation agreement and, at this time, we cannot predict the final outcome of these negotiations and any impact they may have on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

On January 24, 2006, CBS Corporation (CBS) and Warner Bros. Entertainment (Warner Bros.) announced their intent to merge the operations of their respective networks, UPN and The WB, into a broadcasting network to be called The CW Television Network (The CW). On March 2, 2006, we announced that we agreed with Twentieth Television, Inc. to air MyNetworkTV primetime programming on 17 of our stations. At this time, we cannot predict which of our remaining stations will be affiliated with The CW, nor can we predict whether CBS or Warner Bros. will honor certain agreements, including affiliation agreements, that were made with us in the past. The aggregate net book value of our UPN and WB affiliation agreements was $9.0 million as of December 31, 2005. Refer to our *Markets and Stations* table and *Note 18. Subsequent Events*, in the Notes to our Consolidated Financial Statements for additional information regarding these announcements.

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

Changes in the Rules on Television Ownership and Local Marketing Agreements

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

Under the FCC ownership rules adopted in 2003, we would be allowed to continue to program most of the stations with which we have an LMA. In the absence of a waiver, the 2003 ownership rules would require us to terminate or modify three of our LMAs in markets where both the station we own and the station with which we have an LMA are ranked among the top four stations in their particular designated market area. The FCC's 2003 ownership rules include specific provisions permitting waivers of this "top four restriction". Although there can be no assurances, we have studied the application of the 2003 ownership rules to our markets and believe we are qualified for waivers. The effective date of the 2003 ownership rules has been stayed by the U. S. Court of Appeals for the Third Circuit and the rules are on remand to the FCC. Several parties, including us, filed petitions with the Supreme Court of the United States seeking review of the Third Circuit decision, but the Supreme Court denied the petitions in June 2005. The FCC has not commenced its proceeding on remand. We cannot predict the outcome of that proceeding, which could significantly impact our business.

When the FCC decided to attribute LMAs for ownership purposes in 1999, it grandfathered our LMAs that were entered into prior to November 5, 1996, permitting the applicable stations to continue operations pursuant to the LMAs until the conclusion of the FCC's 2004 biennial review. The FCC stated it would conduct a case-by-case review of grandfathered LMAs and assess the appropriateness of extending the grandfathering periods. Subsequently, the FCC invited comments as to whether, instead of beginning the review of the grandfathered LMAs in 2004, it should do so in 2006. The FCC has not initiated any such review of grandfathered LMAs and we cannot predict when the FCC will do so.

Because the effective date of the 2003 ownership rules has been stayed and, in connection with the adoption of those rules, the FCC concluded the old rules could not be justified as necessary to the public interest, we have taken the position that an issue exists regarding whether the FCC has any current legal right to enforce any rules prohibiting the acquisition of television stations. The FCC, however, dismissed our applications to acquire certain LMA stations. We filed an application for review of that decision, which is still pending. In 2005, we filed a petition with the U. S. Court of Appeals for the D.C. Circuit requesting that the Court direct the FCC to take final action on our applications, but that petition was denied. We recently submitted a motion to the FCC requesting that it take final action on our applications and that request is pending.

On November 15, 1999, we entered into a plan and agreement of merger to acquire through merger WBSC-TV (formerly WFBC-TV) in Anderson, South Carolina from Cunningham Broadcasting Corporation (Cunningham), but that transaction was denied by the FCC. In light of the change in the 2003 ownership rules, we have filed a petition for reconsideration with the FCC and amended our application to acquire the license of WBSC-TV. We also filed applications in November 2003 to acquire the license assets of the remaining five Cunningham stations: WRGT-TV, Dayton, Ohio; WTAT-TV, Charleston, South Carolina; WVAH-TV, Charleston, West Virginia; WNUV-TV, Baltimore, Maryland; and WTTE-TV, Columbus, Ohio. The Rainbow/PUSH Coalition (Rainbow/PUSH) filed a petition to deny these five applications and to revoke all of our licenses. The FCC dismissed our applications in light of the stay of the 2003 ownership rules and also denied the Rainbow/PUSH petition. Rainbow/PUSH filed a petition for reconsideration of that denial and we filed an application for review of the dismissal, which may be impacted by the remand of the FCC's 2003 ownership rules. In 2005, we filed a petition with the U. S. Court of Appeals for the D. C. Circuit requesting that the Court direct the FCC to take final action on our applications, but that petition was dismissed. We recently submitted a motion to the FCC requesting that it take final action on our applications. Both the applications and the associated petition to deny are still pending. We believe the Rainbow/PUSH petition is without merit.

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

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

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

WNAB Options

In 2003, we entered into option agreements with an unrelated third party to purchase certain license and non-license television broadcast assets of WNAB-TV in Nashville, Tennessee. On March 25, 2005, we exercised the option agreements to acquire certain license and non-license assets for $5.0 million and $8.3 million, respectively. On May 31, 2005, we completed the purchase of the non-license broadcast assets. The closing on the license assets is pending approval by the FCC. We paid $4.5 million of the license assets exercise price on December 23, 2005. If the FCC has not granted approval by December 22, 2006, we will be required to pay the remaining $0.5 million to the unrelated third party. On August 25, 2005, the Rainbow/PUSH filed a petition with the FCC to deny the transfer of the WNAB broadcast license to us. The FCC is currently in the process of considering the transfer of the broadcast license and we believe the Rainbow/PUSH petition has no merit.

We have determined that WNAB continues to be a variable interest entity (VIE) and that we remain the primary beneficiary of the variable interest as a result of the terms of our outsourcing agreement and our purchase option. As a result, we continue to consolidate the assets and liabilities of WNAB at their fair values, which have been adjusted to reflect an appraisal prepared in connection with the closing of the non-license assets. Goodwill and FCC license book values were increased by $5.8 million and $4.2 million, respectively, upon the closing of the non-license assets in May 2005.

Liquidity Assurance

On May 26, 2005, we entered into a twelve-month limited scope liquidity assurance with Acrodyne Communications, Inc. (Acrodyne), one of our majority-owned subsidiaries. Pursuant to this agreement, we will provide to them sufficient funding to cover any necessary working capital needs through May 25, 2006 should Acrodyne not be able to provide that funding on its own. The exposure to us in this liquidity assurance cannot be estimated nor can its probability of occurrence be estimated. In connection with this liquidity assurance, we established a $0.5 million line of credit for Acrodyne. Interest on any unpaid indebtedness will be calculated on a daily basis at LIBOR plus 225 basis points per annum. As of December 31, 2005, Acrodyne had borrowed $0.4 million under this line of credit. We do not believe the liquidity assurance will have a material impact on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows and, therefore, we have not recorded any liability related to it.

11. RELATED PARTY TRANSACTIONS:

David, Frederick, Duncan and Robert Smith (collectively, the controlling shareholders) are brothers and hold substantially all of the Class B Common Stock. During each of the periods presented in the accompanying consolidated financial statements, we engaged in transactions with them, their immediate family members and/or entities in which they have substantial interests (collectively, affiliates).

Notes and capital leases payable to affiliates consisted of the following as of December 31, 2005 and 2004 (in thousands):

As of December 31,	2005	2004
Subordinated installment notes payable to former majority owners, interest at 8.75%, principal payments in varying amounts due annually beginning October 1991, with a balloon payment due at maturity in May 2005	$ —	$ 2,015
Capital lease for building, interest at 7.93%	408	1,028
Capital lease for building, interest at 6.62%	4,125	5,060
Capital leases for broadcasting tower facilities, interest at 9.0%	1,435	1,552
Capital leases for broadcasting tower facilities, interest at 10.5%	3,084	3,049
Capitalization of time brokerage agreements, interest at 6.20% to 8.25%	4,703	6,087
Capital leases for building and tower, interest at 8.25%	5,532	5,741
	19,287	24,532
Less: Current portion	(4,135)	(5,209)
	$ 15,152	$ 19,323

Notes and capital leases payable to affiliates as of December 31, 2005 mature as follows (in thousands):

2006	$ 6,439
2007	5,577
2008	4,858
2009	2,464
2010	882
2011 and thereafter	13,731
Total minimum payments due	33,951
Less: Amount representing interest	(14,664)
	$ 19,287

On September 30, 1990, we issued certain notes (the founders' notes) maturing on May 31, 2005, payable to the late Julian S. Smith and Carolyn C. Smith, our former majority owners and the parents of our controlling shareholders. The founders' notes were issued in consideration for stock redemptions equal to 72.65% of our then outstanding stock, had principal amounts of $7.5 million and $6.7 million, respectively. The founders' notes included 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 approximated 9.4%. The founders' notes were secured by security interests in substantially all of our assets and subsidiaries and were personally guaranteed by our controlling shareholders.

Principal and interest payments on the founders' notes were payable in various amounts, each April and October, beginning October 1991 until October 2005, with a balloon payment due at maturity in the amount of $1.5 million. Additionally, monthly interest payments commenced April 1993 and continued until December 1996. The Carolyn C. Smith note was fully paid as of December 31, 2002. On October 1, 2005, we fully redeemed the founders' note due to the late Julian S. Smith with a final payment of $1.5 million. Principal and interest paid on the Julian S. Smith note was $2.2 million, $1.4 million and $1.5 million for the years ended December 31, 2005, 2004 and 2003, respectively. At December 31, 2004, $2.0 million of the Julian S. Smith note remained outstanding. At December 31, 2005, the Julian S. Smith note was fully paid.

Concurrently with our initial public offering, we acquired options from trusts established by Carolyn C. Smith for the benefit of her grandchildren that will grant us the right to acquire, subject to applicable FCC rules and regulations, 100% of the capital stock of Cunningham Broadcasting Corporation (Cunningham). The Cunningham option exercise price is based on a formula that provides a 10% annual return to Cunningham. Cunningham is the owner-operator and FCC licensee of WNUV-TV, Baltimore, Maryland; WRGT-TV, Dayton, Ohio; WVAH-TV, Charleston, West Virginia; WTAT-TV, Charleston, South Carolina; WBSC-TV, Anderson, South Carolina; and WTTE-TV, Columbus, Ohio. The financial statements for Cunningham are included in our consolidated financial statements for all periods presented.

We entered into five-year LMA agreements (with five-year renewal terms at our option) with Cunningham pursuant to which we provide programming to Cunningham for airing on WNUV, WRGT, WVAH, WTAT, WBSC and WTTE. During the years ended December 31, 2005, 2004 and 2003, we made payments of $7.0 million, $5.9 million and $4.7 million, respectively, to Cunningham under these LMA agreements.

Cunningham accounts for income taxes and deferred taxes using the separate return method and those amounts are consolidated into our income taxes and deferred taxes, which are also calculated using the separate return method. For the years ended December 31, 2005, 2004 and 2003, Cunningham's provision for income taxes was $0.7 million, $0.5 million and $1.5 million, respectively. As of December 31, 2005 and 2004, Cunningham's deferred tax assets were $1.7 million and $2.2 million, respectively and Cunningham's deferred tax liabilities were $3.8 million and $3.2 million, respectively.

From time to time, we have entered into charter arrangements to lease aircraft owned by certain controlling shareholders. During 2005, we incurred less than $0.1 million related to these arrangements. During the years ended December 31, 2004 and 2003, we incurred expenses of approximately $0.1 million and $0.2 million related to these arrangements, respectively.

Certain assets used by us and our operating subsidiaries are leased from Cunningham Communications Inc., Keyser Investment Group, Gerstell Development Limited Partnership and Beaver Dam, LLC (entities owned by the controlling shareholders). Lease payments made to these entities were $4.5 million, $4.3 million and $4.1 million for the years ended December 31, 2005, 2004 and 2003, respectively.

In January 1999, we entered into a LMA with Bay Television, Inc. (Bay TV), which owns the television station WTTA-TV in Tampa, Florida. Our controlling shareholders own a substantial portion of the equity of Bay TV. The LMA provides that we deliver television programming to Bay TV, which broadcasts the programming in return for a monthly fee to Bay TV of $143,500. We must also make an annual payment equal to 50% of the adjusted annual broadcast cash flow of the station (as defined in the LMA) which is in excess of $1.7 million. The additional payment is reduced by 50% of the adjusted broadcast cash flow of the

station that was below zero in prior calendar years. Lease payments made to Bay TV were $2.1 million, $1.7 million and $1.7 million for the years ended December 31, 2005, 2004 and 2003, respectively. An additional payment of $0.3 million was made in 2005 and $32,000 was made in 2004 related to the adjusted broadcast cash flow of the station that exceeded $1.7 million for the years ended December 31, 2004 and 2003, respectively.

In connection with our 1997 negotiations with The WB to obtain affiliation agreements for a number of our stations, we discussed an opportunity to obtain The WB affiliation in Tampa, Florida for WTTA-TV, which is owned by Bay TV as described above. We did this in anticipation of entering into a LMA with Bay TV to program WTTA, which was then operating as a non-affiliated independent television station airing paid programming. In 1998, in order to obtain The WB affiliation for WTTA, we and Bay TV each agreed to make payments in the future to The WB of $10.0 million, or $20.0 million in total. Our agreement to make such payment was conditioned upon Bay TV entering into the aforementioned LMA agreement, which we subsequently entered into in January 1999. Our obligation to make a $10.0 million payment to The WB was structured as a $5.0 million reduction of each of the payments owed to us by The WB under our multi-station affiliation agreement in January of each of 2006 and 2007, assuming that The WB was still operating a television network at the time such payments were due. Additionally, Bay TV agreed to make $5.0 million cash payments to The WB in January 2006 and January 2007 pursuant to the granting of The WB affiliation for WTTA. Additionally, our multi-station WB affiliation agreement provides that The WB's obligation to make a $5.0 million payment to us in each of January 2006 and 2007 is expressly conditioned upon receipt by The WB of corresponding payments from Bay TV.

After Bay TV failed to make its first $5.0 million payment to The WB on its due date January 16, 2006, The WB withheld $5.0 million from the amount due to us pursuant to our multi-station affiliation agreement. On January 24, 2006, The WB announced that it was combining with the UPN television network to form The CW television network and that a station owned by CBS in Tampa will become The CW affiliate.

We are currently engaged in negotiations with The WB regarding a number of issues surrounding their recent announcement, including the impact of the elimination of WTTA's WB network affiliation and the amount we and Bay TV agreed to pay for the affiliation in Tampa. Depending on the result of these negotiations we may take a variety of actions, including requesting that The WB either pay us the full amount which was due on January 16, 2006, or assign to us any rights to enforce payment by Bay TV so that we may initiate appropriate action directly. We are currently engaged in negotiations with Bay TV regarding payment terms and certain other provisions of our LMA agreement.

On March 2, 2006, we announced that we entered into an agreement with MyNetworkTV, a division of Twentieth Television, Inc. that will provide original programming from 8:00pm to 10:00pm (EST/PST) Monday through Saturday beginning on September 5, 2006. This agreement relates to 17 of our stations, including WTTA.

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

On May 31, 2005, we entered into an agreement with Auto Properties LLC, an affiliate of Atlantic Automotive to sell our 17.5% equity interest, or 21.22 shares, in Atlantic Automotive to Auto Properties LLC for approximately $21.5 million in cash. On August 2, 2005, the agreement between us and Auto Properties LLC was nullified and we entered into new stock purchase agreements with David D. Smith and Steven B. Fader, an unrelated third party, and entered into a stock redemption agreement with Atlantic Automotive, totaling approximately $21.5 million. Pursuant to the stock purchase agreements, on August 2, 2005, 9.87 shares were sold to each party for $10.0 million in cash and pursuant to the stock redemption agreements, Atlantic Automotive redeemed the remaining 1.48 shares of our equity interest for $1.5 million in cash.

In August 1999, we established a small business investment company called Allegiance Capital Limited Partnership (Allegiance) with an investment of $2.4 million. Our controlling shareholders and our Chief Financial Officer and Executive Vice President are also limited partners in Allegiance, along with Allegiance Capital Management Corporation (ACMC), the general partner. ACMC controls all decision making, investing and management of operations of Allegiance in exchange for a monthly management fee based on actual expenses incurred which currently averages approximately $40,800 and which is paid by the limited partners. We have invested $10.4 million as of December 31, 2005 and we are, together with the other limited partners, committed to investing up to a combined total of $15.0 million.

On July 1, 2005, Sinclair Communications, LLC (Sinclair Communications), a subsidiary of Sinclair Broadcast Group, Inc. (SBG), and Cunningham Communications, Inc. (Cunningham Communications) entered into Amendment No. 2 (the Amendment) to an original Lease Agreement (the Lease), dated July 1, 1987, as amended July 1, 1997. The Amendment allows Sinclair Communications to lease tower and building space utilized for digital television transmission. The Amendment became effective July 1, 2005 and expires on June 30, 2007. Cunningham Communications is owned by David D. Smith, SBG's President, Chief Executive Officer and Director, as well as Frederick Smith, J. Duncan Smith and Robert Smith, members of SBG's Board of Directors and the

controlling shareholders of SBG. The Lease was amended to increase the monthly rent by $25,357 for a total current monthly rent of $82,860. The monthly rent will increase by the greater of 5% or the Consumer Price Index for Inflation in July of 2006. In addition, on July 1, 2005, Sinclair Communications made a lump sum payment of $565,800 to Cunningham Communications as a requirement of the Amendment upon execution.

In response to the disaster caused by hurricane Katrina, the Sinclair Relief Fund (the Fund) was formed by David D. Smith, Frederick Smith, J. Duncan Smith and Barry M. Faber, our Vice President and General Counsel. The Fund is a qualified charitable organization formed to provide monetary aid and relief to the victims of natural disasters. On September 21, 2005, we made a $50,000 contribution to the Fund. This contribution was authorized by the Audit Committee.

12. DISCONTINUED OPERATIONS:

In accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we reported the financial position and results of operations for WEMT-TV, KOVR-TV and KSMO-TV as discontinued operations in the accompanying consolidated balance sheets and consolidated statements of operations. 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 balance sheets and consolidated statements of operations. The operating results of WEMT, KOVR and KSMO are not included in our consolidated results from continuing operations for the years ended December 31, 2005, 2004 and 2003. In accordance with EITF No. 87-24, *Allocation of Interest to Discontinued Operations*, we have allocated $3.6 million, $7.7 million and $6.8 million of interest expense to discontinued operations for the years ended December 31, 2005, 2004 and 2003, respectively. Since we continue to own the rights to collect the amounts due to us through the closing dates of the non-license television broadcast assets, accounts receivable related to all of our discontinued operations is included in the accompanying consolidated balance sheets, net of allowance for doubtful accounts, for all periods presented. Such amounts were $0.2 million (net of allowance of $0.4 million) and $9.8 million (net of allowance of $0.4 million) as of December 31, 2005 and 2004, respectively.

WEMT Disposition

On May 16, 2005, we entered into an agreement to sell WEMT-TV in Tri-Cities, Tennessee, including the Federal Communications Commission (FCC) license (the broadcast license) to an unrelated third party for $7.0 million. On the same day, we completed the sale of the WEMT non-license television broadcast assets for $5.6 million of the total $7.0 million sale price and recorded a deferred gain of $3.2 million, which is stated separately on the consolidated balance sheets. We operated WEMT under a joint sales agreement until the closing of the broadcast license on February 8, 2006. Net assets and liabilities held for sale related to WEMT were $1.9 million and $4.5 million as of December 31, 2005 and 2004, respectively. The net cash proceeds will be used in the normal course of operations and for capital expenditures.

KOVR Disposition

On December 2, 2004, we entered into an agreement to sell KOVR-TV in Sacramento, California, including the FCC license and our investment in KOVR Joint Venture (collectively KOVR) to an unrelated third party. The FCC approved the transfer of the license to the unrelated third party and we completed the sale on April 29, 2005 for a cash purchase price of $285.0 million. We recorded a gain of $129.5 million, net of $70.0 million of taxes, as a gain from discontinued operations in our consolidated statements of operations for the year ended December 31, 2005. The net proceeds were used to repay bank debt.

KSMO Disposition

On November 12, 2004, we entered into an agreement to sell KSMO-TV in Kansas City, Missouri, including the FCC license (KSMO broadcast license) to an unrelated third party for $33.5 million. On the same day, we completed the sale of the KSMO non-license television broadcast assets for $26.8 million of the total $33.5 million sale price. The FCC approved the transfer of the broadcast license to the unrelated third party and we completed the sale of the license assets, including the broadcast license, on September 29, 2005 for a cash price of approximately $6.7 million. We recorded $16.5 million, net of $10.0 million in taxes, as gain from discontinued operations in our consolidated statements of operations for the year ended December 31, 2005. The gain is comprised of the previously deferred gain of $26.1 million and the gain of $0.4 million from the sale of the license assets, net of taxes, respectively. The net cash proceeds were used in the normal course of operations and for capital expenditures.

Other Dispositions

During 2003, we reduced our long-term liabilities related to accruals of $1.6 million as a result of the expiration of certain statutes of limitations related to the sale of radio stations in prior years. This adjustment was recorded in discontinued operations.

13. EMPLOYEE BENEFIT PLANS:

The Sinclair Broadcast Group, Inc. 401(k) Profit Sharing Plan and Trust (the 401(k) Plan) covers our eligible employees. Contributions made to the 401(k) Plan include an employee elected salary reduction amount, company-matching contributions and an additional discretionary amount determined each year by the Board of Directors. Our 401(k) Plan expense from continuing operations for the years ended December 31, 2005, 2004 and 2003 was $1.6 million, $1.5 million and $1.3 million, respectively. There were no additional discretionary contributions during these periods.

14. STOCK BASED COMPENSATION PLANS:

Stock Option Plans

Incentive Stock Option Plan. In connection with our initial public offering in June 1995, our Board of Directors adopted an Incentive Stock Option Plan (ISOP) pursuant to which options for shares of Class A Common Stock may be granted to certain employees. The number of shares of Class A Common Stock reserved for issuance under the ISOP was 800,000. In June 1996, the Board of Directors adopted, upon approval of the shareholders by proxy, an amendment to our ISOP. The purpose of the amendment was (i) to increase the number of shares of Class A Common Stock approved for issuance under the plan from 800,000 to 1,000,000, (ii) to lengthen the period after date of grant before options become exercisable from two years to three years and (iii) to provide immediate termination and three-year ratable vesting of options in certain circumstances. Options granted pursuant to the ISOP must be exercised within 10 years following the grant date. As of December 31, 2005, 714,200 shares have been granted under the ISOP and no shares (including forfeited shares) were available for future grants because the ISOP expired in June 2005, the tenth anniversary of the ISOP.

Designated Participants Stock Option Plan. In connection with our initial public offering in June 1995, our Board of Directors adopted an Incentive Stock Option Plan for Designated Participants (Designated Participants Stock Option Plan) pursuant to which options for shares of Class A Common Stock were granted to certain of our key employees. The Designated Participants Stock Option Plan provides that the number of shares of Class A Common Stock reserved for issuance under that plan is 136,000. Options granted pursuant to Designated Participants Stock Option Plan must be exercised within 10 years following the grant date. As of December 31, 2005, no shares were available for future grants because the Plan expired in June 2005, the tenth anniversary date of the Plan.

Long-Term Incentive Plan. In June 1996, our Board of Directors adopted, upon approval of the shareholders by proxy, the 1996 Long-Term Incentive Plans (LTIP). The purpose of the LTIP is to reward key individuals for making major contributions to our success and that of our subsidiaries and to attract and retain the services of qualified and capable employees. Options granted pursuant to the LTIP must be exercised within 10 years following the grant date. A total of 14,000,000 shares of Class A Common Stock are reserved for awards under this plan. As of December 31, 2005, 7,020,114 shares (including forfeited shares) were available for future grants.

On April 21, 2005, we accelerated the vesting of all unvested options held by employees, executive officers and non-employee directors. As a result of the accelerated vesting, options to purchase approximately 400,000 shares became immediately exercisable. The acceleration of the vesting resulted in a modification to the original options. In accordance with FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Based Compensation*, we recorded an immaterial compensation charge based on the intrinsic value of the awards (as defined by the Interpretation) as measured on the modification date. The exercise prices of these options range from $7.39 to $15.19 per share and there was no material impact to earnings as a result of this acceleration because most options had an exercise price that was above the trading price on the vesting date.

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 2002	6,595,758	$ 16.66	5,073,533	$ 16.08
2003 Activity:				
Granted	428,500	$ 9.45	—	—
Exercised	(159,162)	$ 9.24	—	—
Forfeited	(356,213)	$ 20.83	—	—
Outstanding at end of 2003	6,508,883	$ 16.07	5,531,870	$ 16.09
2004 Activity:				
Granted	475,250	$ 12.23	—	—
Exercised	(110,488)	$ 10.00	—	—
Forfeited	(297,125)	$ 20.25	—	—
Outstanding at end of 2004	6,576,520	$ 15.73	5,950,757	$ 15.73
2005 Activity:				
Granted	**2,000**	**$ 8.24**	**—**	**—**
Exercised	**(20,750)**	**$ 7.76**	**—**	**—**
Forfeited	**(205,050)**	**$ 14.91**	**—**	**—**
Outstanding at end of 2005	**6,352,720**	**$ 15.78**	**6,352,720**	**$ 15.78**

Additional information regarding stock options at December 31, 2005 is as follows:

Outstanding	Exercise Price	Weighted-Average Remaining Contractual Life (In Years)	Exercisable	Weighted-Average Exercise Price
1,150,700	$ 6.68 – 9.98	5.3	1,150,700	$ 9.04
3,709,020	$ 10.09 – 15.06	1.9	3,709,020	$ 14.46
167,000	$ 15.19 – 20.94	1.6	167,000	$ 18.98
1,326,000	$ 24.20 – 28.42	2.3	1,326,000	$ 24.89
6,352,720	$ 6.68 – 28.42	2.6	6,352,720	$ 15.78

15. EARNINGS PER SHARE:

The following table reconciles income (numerator) and shares (denominator) used in our computations of earnings per share for the years ended December 31, 2005, 2004 and 2003 (in thousands):

For the Years Ended December 31,	**2005**	2004	2003
Income(Numerator)			
Income from continuing operations	**$ 35,615**	$ 14,681	$ 16,142
Net income from discontinued operations, including gain on sale of broadcast assets related to discontinued operations	**$ 151,695**	$ 9,341	$ 8,250
Net income	**187,310**	24,022	24,392
Preferred stock dividends	**(5,004)**	(10,180)	(10,350)
Net income available to common shareholders	**$ 182,306**	$ 13,842	$ 14,042
Shares (Denominator)			
Weighted-average number of common shares	**85,380**	85,590	85,651
Dilutive effect of outstanding stock options	**9**	151	142
Weighted-average number of common equivalent shares outstanding	**85,389**	85,741	85,793

For the years ended December 31, 2005, 2004 and 2003, we applied the treasury stock method to measure the dilutive effect of our outstanding stock options and included the respective common share equivalents in the denominator of the diluted EPS computation.

For the years ended December 31, 2005, 2004 and 2003, our Convertible Debentures (formerly Convertible Exchangeable Preferred Stock) and Convertible Senior Notes were anti-dilutive, and were not included in the computation of diluted EPS.

16. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

Sinclair Television Group, Inc. (STG) is a wholly-owned subsidiary of Sinclair Broadcast Group, Inc. (SBG) and was incorporated in 2003. On September 30, 2003, we completed the creation of a modified holding company structure, whereby we transferred substantially all of our television broadcast assets and liabilities to STG. As such, STG has become the primary obligor under our Bank Credit Agreement, the 8.75% Senior Subordinated Notes, due 2011 and the 8% Senior Subordinated Notes, due 2012. Our Class A Common Stock, Class B Common Stock, 6% Convertible Debentures, due 2012 and the 4.875% Convertible Senior Subordinated Notes, due 2018 remain at SBG and are neither obligations nor securities of STG.

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

The following condensed consolidating financial statements present the financial position, results of operations and cash flows of SBG, STG, KDSM, LLC, the direct and indirect non-guarantor subsidiaries of SBG and the eliminations necessary to arrive at our information on a consolidated basis. These statements are presented in accordance with the disclosure requirements under Securities and Exchange Commission Regulation S-X, Rule 3-10.

CONDENSED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2005 (in thousands)

	Sinclair Broadcast Group, Inc.	Guarantor Subsidiaries: Sinclair Television Group, Inc.	Guarantor Subsidiaries: KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$ —	$ 8,002	$ 28	$ 1,625	$ —	$ 9,655
Accounts receivable	195	122,040	1,473	4,205	—	127,913
Other current assets	580	75,664	981	4,537	—	81,762
Assets held for sale	—	3,678	—	—	—	3,678
Total current assets	775	209,384	2,482	10,367	—	223,008
Property and equipment, net	9,546	286,760	4,462	3,587	—	304,355
Investment in consolidated subsidiaries	516,742	—	—	—	(516,742)	—
Other long-term assets	22,950	57,929	542	6,693	(4,351)	83,763
Total other long-term assets	539,692	57,929	542	6,693	(521,093)	83,763
Acquired intangible assets	—	1,611,442	5,585	57,500	—	1,674,527
Total assets	$ 550,013	$ 2,165,515	$ 13,071	$ 78,147	$ (521,093)	$ 2,285,653
Accounts payable and accrued liabilities	$ 8,557	$ 77,295	$ 410	$ 4,822	$ —	$ 91,084
Current portion of long-term debt	1,195	3,242	—	33,500	—	37,937
Other current liabilities	—	91,983	1,513	764	—	94,260
Liabilities held for sale	—	1,407	—	—	—	1,407
Total current liabilities	9,752	173,927	1,923	39,086	—	224,688
Long-term debt	318,245	1,121,333	2,328	—	—	1,441,906
Other liabilities	(1)	395,262	1,208	4,924	(4,351)	397,042
Total liabilities	327,996	1,690,522	5,459	44,010	(4,351)	2,063,636
Common stock	854	—	—	—	—	854
Additional paid-in capital	590,377	578,814	17,608	79,266	(675,688)	590,377
Accumulated deficit	(369,214)	(103,821)	(9,996)	(45,129)	158,946	(369,214)
Total shareholders' equity	222,017	474,993	7,612	34,137	(516,742)	222,017
Total liabilities and shareholders' equity	$ 550,013	$ 2,165,515	$ 13,071	$ 78,147	$ (521,093)	$ 2,285,653

CONDENSED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2004
(in thousands)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$ —	$ 7,861	$ 27	$ 2,603	$ —	$ 10,491
Accounts receivable	179	127,327	1,482	3,074	—	132,062
Other current assets	741	83,288	866	4,692	(122)	89,465
Assets held for sale	—	103,523	—	—	—	103,523
Total current assets	920	321,999	2,375	10,369	(122)	335,541
Property and equipment, net	10,957	317,625	5,119	2,837	—	336,538
Investment in consolidated subsidiaries	342,874	—	—	—	(342,874)	—
Other long-term assets	42,875	60,008	428	9,252	(3,171)	109,392
Total other long-term assets	385,749	60,008	428	9,252	(346,045)	109,392
Acquired intangible assets	—	1,630,840	5,749	47,603	—	1,684,192
Total assets	$ 397,626	$ 2,330,472	$ 13,671	$ 70,061	$ (346,167)	$ 2,465,663
Accounts payable and accrued liabilities	$ 10,365	$ 65,360	$ 467	$ 8,277	$ (122)	$ 84,347
Current portion of long-term debt	3,080	12,366	—	33,500	—	48,946
Other current liabilities	—	138,515	1,871	869	—	141,255
Liabilities held for sale	—	14,698	—	—	—	14,698
Total current liabilities	13,445	230,939	2,338	42,646	(122)	289,246
Long-term debt	157,629	1,430,758	2,282	—	—	1,590,669
Other liabilities	1	355,288	997	6,082	(3,171)	359,197
Total liabilities	171,075	2,016,985	5,617	48,728	(3,293)	2,239,112
Preferred stock	33	—	—	—	—	33
Common stock	851	—	—	—	—	851
Additional paid-in capital	752,130	614,723	19,783	62,975	(697,481)	752,130
Accumulated deficit	(526,463)	(301,236)	(11,729)	(41,642)	354,607	(526,463)
Total shareholders' equity	226,551	313,487	8,054	21,333	(342,874)	226,551
Total liabilities and shareholders' equity	$ 397,626	$ 2,330,472	$ 13,671	$ 70,061	$ (346,167)	$ 2,465,663

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2005 (in thousands)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$ —	$ 660,987	$ 8,483	$ 22,597	$ —	$ 692,067
Program and production	—	150,426	1,770	—	—	152,196
Selling, general and administrative	14,835	138,858	2,133	2,572	—	158,398
Depreciation, amortization and other operating expenses	1,861	185,507	2,934	21,716	—	212,018
Total operating expenses	16,696	474,791	6,837	24,288	—	522,612
Operating (loss) income	(16,696)	186,196	1,646	(1,691)	—	169,455
Equity in earnings of subsidiaries	195,662	—	—	—	(195,662)	—
Interest income	5	638	—	7	—	650
Interest expense	(15,354)	(101,078)	(265)	(1,895)	—	(118,592)
Other income (expense)	16,626	6,510	351	(2,322)	—	21,165
Total other income (expense)	196,939	(93,930)	86	(4,210)	(195,662)	(96,777)
Income tax benefit (provision)	7,067	(46,545)	—	2,415	—	(37,063)
Income from discontinued operations, net of taxes	—	5,671	—	—	—	5,671
Gain from sale of discontinued operations, net of taxes	—	146,024	—	—	—	146,024
Net income (loss)	$ 187,310	$ 197,416	$ 1,732	$ (3,486)	$ (195,662)	$ 187,310

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004
(in thousands)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$ —	$ 684,205	$ 8,218	$ 13,054	$ —	$ 705,477
Program and production	—	153,109	1,622	—	—	154,731
Selling, general and administrative	15,183	146,717	2,436	2,484	—	166,820
Depreciation, amortization and other operating expenses	2,276	204,439	2,874	16,088	—	225,677
Total operating expenses	17,459	504,265	6,932	18,572	—	547,228
Operating (loss) income	(17,459)	179,940	1,286	(5,518)	—	158,249
Equity in earnings of subsidiaries	27,758	—	—	—	(27,758)	—
Interest income	12	179	—	—	—	191
Interest expense	(8,660)	(109,727)	(259)	(1,754)	—	(120,400)
Other income (expense)	20,600	(27,930)	254	(4,761)	—	(11,837)
Total other income (expense)	39,710	(137,478)	(5)	(6,515)	(27,758)	(132,046)
Income tax benefit (provision)	1,771	(17,536)	—	4,243	—	(11,522)
Income from discontinued operations, net of taxes	—	9,341	—	—	—	9,341
Net income (loss)	$ 24,022	$ 34,267	$ 1,281	$ (7,790)	$ (27,758)	$ 24,022

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2003 (in thousands)

		Guarantor Subsidiaries				
	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$ —	$ 662,666	$ 8,072	$ 14,568	$ —	$ 685,306
Program and production	—	145,945	1,681	—	—	147,626
Selling, general and administrative	14,536	131,549	2,363	1,972	—	150,420
Depreciation, amortization and other operating expenses	2,673	208,706	3,382	17,786	—	232,547
Total operating expenses	17,209	486,200	7,426	19,758	—	530,593
Operating (loss) income	(17,209)	176,466	646	(5,190)	—	154,713
Equity in earnings of subsidiaries	47,814	—	—	—	(47,814)	—
Interest income	468	92	—	—	—	560
Interest expense	(5,187)	(113,320)	(582)	(2,076)	—	(121,165)
Other income (expense)	3,874	17,167	(14,041)	(1,849)	(12,300)	(7,149)
Total other income (expense)	46,969	(96,061)	(14,623)	(3,925)	(60,114)	(127,754)
Income tax benefit (provision)	6,932	(20,984)	—	3,235	—	(10,817)
Income from discontinued operations, net of taxes	—	8,250	—	—	—	8,250
Net income (loss)	$ 36,692	$ 67,671	$ (13,977)	$ (5,880)	$ (60,114)	$ 24,392

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005
(in thousands)

	Sinclair Broadcast Group, Inc.	Guarantor Subsidiaries: Sinclair Television Group, Inc.	Guarantor Subsidiaries: KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	$ (10,099)	$ 70,553	$ 2,213	$ (8,118)	$ —	$ 54,549
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	(279)	(16,316)	(38)	(40)	—	(16,673)
Payment for acquisition of television stations	—	(15,540)	—	—	—	(15,540)
Variable interest entity elimination entries	—	8,676	—	(8,676)	—	—
Distributions from equity investments	—	62	—	—	—	62
Investments in equity and cost investees	(670)	—	—	(300)	—	(970)
Proceeds from the sale of property	—	66	—	—	—	66
Proceeds from the sale of broadcast assets related to discontinued operations	—	295,190	—	—	—	295,190
Proceeds from the sale of equity investees	21,500	—	—	—	—	21,500
Proceeds from insurance settlements	—	1,193	—	—	—	1,193
Loans to affiliates	(126)	—	—	—	—	(126)
Proceeds from loans to affiliates	125	—	—	—	—	125
Net cash flows from (used in) investing activities	20,550	273,331	(38)	(9,016)	—	284,827
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable, commercial bank financing and capital leases	—	52,000	—	—	—	52,000
Repayments of notes payable, commercial bank financing and capital leases	(5,170)	(355,197)	—	—	—	(360,367)
Proceeds from exercise of stock options	178	—	—	—	—	178
Payments for deferred financing costs	(100)	(1,679)	—	(134)	—	(1,913)
Increase (decrease) in intercompany payables	21,794	(35,910)	(2,174)	16,290	—	—
Dividends paid on Series D Convertible Preferred Stock	(5,004)	—	—	—	—	(5,004)
Dividends paid on Class A and Class B Common Stock	(19,201)	—	—	—	—	(19,201)
Repayments of notes and capital leases to affiliates	(2,948)	(2,957)	—	—	—	(5,905)
Net cash flows (used in) from financing activities	(10,451)	(343,743)	(2,174)	16,156	—	(340,212)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	—	141	1	(978)	—	(836)
CASH AND CASH EQUIVALENTS, beginning of period	—	7,861	27	2,603	—	10,491
CASH AND CASH EQUIVALENTS, end of period	$ —	$ 8,002	$ 28	$ 1,625	$ —	$ 9,655

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004
(in thousands)

	Sinclair Broadcast Group, Inc.	Guarantor Subsidiaries: Sinclair Television Group, Inc.	Guarantor Subsidiaries: KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	$ (443)	$ 128,135	$ 2,042	$ (9,621)	$ —	$ 120,113
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	(1,249)	(43,349)	(283)	—	—	(44,881)
Variable interest entity elimination entries	—	18,128	—	(18,128)	—	—
Consolidation of variable interest entities	—	—	—	239	—	239
Investments in equity and cost investees	(2,465)	(3,084)	—	—	—	(5,549)
Proceeds from the sale of property	—	39	—	—	—	39
Proceeds from the sale of broadcast assets related to discontinued operations	—	28,561	—	—	—	28,561
Proceeds from insurance settlements	—	2,521	—	—	—	2,521
Loans to affiliates	(143)	—	—	—	—	(143)
Proceeds from loans to affiliates	1,511	—	—	—	—	1,511
Net cash flows (used in) from investing activities	(2,346)	2,816	(283)	(17,889)	—	(17,702)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable, commercial bank financing and capital leases	—	533,000	—	—	—	533,000
Repayments of notes payable, commercial bank financing and capital leases	(2,019)	(616,881)	—	(1,500)	—	(620,400)
Proceeds from exercise of stock options	1,152	—	—	—	—	1,152
Payments for deferred financing costs	(6)	(818)	—	(129)	—	(953)
Increase (decrease) in intercompany payables	32,418	(59,138)	(1,776)	28,496	—	—
Dividends paid on Series D Convertible Preferred Stock	(10,180)	—	—	—	—	(10,180)
Repurchase of Series D Convertible Preferred Stock	(4,752)	—	—	—	—	(4,752)
Repurchase of Class A Common Stock	(9,550)	—	—	—	—	(9,550)
Dividends paid on Class A and Class B Common Stock	(4,274)	—	—	—	—	(4,274)
Repayment of notes and capital leases to affiliates	—	(4,693)	—	—	—	(4,693)
Net cash flows from (used in) financing activities	2,789	(148,530)	(1,776)	26,867	—	(120,650)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	—	(17,579)	(17)	(643)	—	(18,239)
CASH AND CASH EQUIVALENTS, beginning of period	—	25,440	44	3,246	—	28,730
CASH AND CASH EQUIVALENTS, end of period	$ —	$ 7,861	$ 27	$ 2,603	$ —	$ 10,491

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2003 (in thousands)

	Sinclair Broadcast Group, Inc.	Guarantor Subsidiaries: Sinclair Television Group, Inc.	Guarantor Subsidiaries: KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	$ (14,201)	$ 185,378	$ (8,774)	$ (3,648)	$ (12,300)	$ 146,455
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	(884)	(68,494)	(153)	—	—	(69,531)
Payment for acquisition of television stations	—	(18,000)	—	—	—	(18,000)
Investments in equity and cost investees	(2,361)	(3,338)	—	—	—	(5,699)
Proceeds from the sale of property	—	138	—	—	—	138
Proceeds from insurance settlements	—	3,328	—	—	—	3,328
Loans to affiliates	(1,115)	—	—	—	—	(1,115)
Proceeds from loans to affiliates	903	—	—	—	—	903
Net cash flows used in investing activities	(3,457)	(86,366)	(153)	—	—	(89,976)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable, commercial bank financing and capital leases	150,000	168,336	—	—	—	318,336
Repayments of notes payable, commercial bank financing and capital leases	(1,901)	(127,199)	—	—	—	(129,100)
Proceeds from exercise of stock options	1,431	—	—	—	—	1,431
Payments for deferred financing costs	(4,820)	(2,582)	—	—	—	(7,402)
Increase (decrease) in intercompany payables	103,342	(111,384)	2,766	5,276	—	—
Dividends paid on Series D Convertible Preferred Stock	(10,350)	—	—	—	—	(10,350)
Payment of KDSM dividend	(12,300)	—	—	—	12,300	—
Redemption of parent preferred securities	(206,200)	—	206,200	—	—	—
Repurchase of Class A Common Stock	(1,544)	—	—	—	—	(1,544)
Redemption of High Yield Trust Originated Preferred Securities	—	—	(200,000)	—	—	(200,000)
Repayment of notes and capital leases to affiliates	—	(4,447)	—	—	—	(4,447)
Net cash flows from (used in) financing activities	17,658	(77,276)	8,966	5,276	12,300	(33,076)
NET INCREASE IN CASH AND CASH EQUIVALENTS	—	21,736	39	1,628	—	23,403
CASH AND CASH EQUIVALENTS, beginning of period	—	3,704	5	1,618	—	5,327
CASH AND CASH EQUIVALENTS, end of period	$ —	$ 25,440	$ 44	$ 3,246	$ —	$ 28,730

17. QUARTERLY FINANCIAL INFORMATION (UNAUDITED): (in thousands, except per share data)

For the Quarter Ended (a)		03/31/05	06/30/05	09/30/05	12/31/05
Total revenues, net	**$**	**163,860**	**$ 183,633**	**$ 165,790**	**$ 178,784**
Operating income	**$**	**32,575**	**$ 52,340**	**$ 40,291**	**$ 44,249**
Income (loss) from continuing operations	**$**	**8,448**	**$ 15,345**	**$ 13,369**	**$ (1,547)**
Income from discontinued operations	**$**	**2,861**	**$ 1,279**	**$ 701**	**$ 830**
Gain from sale of discontinued operations	**$**	**—**	**$ 128,516**	**$ 17,508**	**$ —**
Net income (loss) available to common shareholders	**$**	**8,807**	**$ 142,638**	**$ 31,578**	**$ (717)**
Basic earnings (loss) per share from continuing operations	**$**	**0.07**	**$ 0.15**	**$ 0.16**	**$ (0.02)**
Basic earnings per share from discontinued operations	**$**	**0.04**	**$ 1.52**	**$ 0.21**	**$ 0.01**
Basic earnings (loss) per share	**$**	**0.11**	**$ 1.67**	**$ 0.37**	**$ (0.01)**
Diluted earnings (loss) per share from continuing operations	**$**	**0.07**	**$ 0.15**	**$ 0.16**	**$ (0.02)**
Diluted earnings per share from discontinued operations	**$**	**0.04**	**$ 1.52**	**$ 0.21**	**$ 0.01**
Diluted earnings (loss) per share	**$**	**0.11**	**$ 1.67**	**$ 0.37**	**$ (0.01)**

For the Quarter Ended (a)		03/31/04	06/30/04	09/30/04	12/31/04
Total revenues, net	$	163,314	$ 186,617	$ 168,110	$ 187,436
Operating income	$	25,389	$ 47,347	$ 34,349	$ 51,164
(Loss) income from continuing operations	$	(1,707)	$ 20,413	$ 1,933	$ (5,958)
Income from discontinued operations	$	1,998	$ 2,398	$ 1,577	$ 3,368
Net (loss) income available to common shareholders	$	(2,299)	$ 20,225	$ 1,005	$ (5,089)
Basic (loss) earnings per share from continuing operations	$	(0.05)	$ 0.21	$ (0.01)	$ (0.10)
Basic earnings per share from discontinued operations	$	0.02	$ 0.03	$ 0.02	$ 0.04
Basic (loss) earnings per share	$	(0.03)	$ 0.24	$ 0.01	$ (0.06)
Diluted (loss) earnings per share from continuing operations	$	(0.05)	$ 0.21	$ (0.01)	$ (0.10)
Diluted earnings per share from discontinued operations	$	0.02	$ 0.03	$ 0.02	$ 0.04
Diluted (loss) earnings per share	$	(0.03)	$ 0.24	$ 0.01	$ (0.06)

(a) Results previously reported in our Form 10-Q's for 2005 and 2004 and our Form 10-K, as amended, for the year ended December 31, 2004, have been restated to reflect discontinued operations related to the sale of WEMT-TV in Tri-Cities, Tennessee.

18. SUBSEQUENT EVENTS:

Related Party Disclosure

After Bay TV failed to make its first $5.0 million payment to The WB on its due date of January 16, 2006, The WB withheld $5.0 million from the amount due to us pursuant to our multi-station affiliation agreement. For more information, see *Note 11. Related Party Transactions*.

The CW Network

On January 24, 2006, CBS Corporation (CBS) and Warner Bros. Entertainment (Warner Bros.) announced their intent to merge the operations of their respective networks, UPN and The WB, under a broadcasting network to be called The CW. At the same time, it was announced that certain television stations owned by Tribune Broadcasting and CBS would enter into affiliation agreements with The CW. Although CBS and Warner Bros. have taken the position that this event will constitute the cessation of operations for both the WB and UPN television networks, we have notified both CBS and Warner Bros. that we have questions about whether their plans actually constitute either or both networks ceasing operations and have reserved all rights that we may have to continue as their affiliates in certain markets in the event they are not deemed to have ceased operations.

We have not received termination notices from CBS or Warner Bros., although we have been contacted by them regarding the future operations of the UPN and WB networks. At this time, we cannot predict which of our stations will be affiliated with The CW, nor can we predict whether CBS or Warner Bros. will honor certain agreements, including affiliation agreements, that were made with us in the past.

WEMT Disposition

We operated WEMT-TV in Tri-Cities, Tennessee under a joint sales agreement until the closing on the sale of the broadcast license on February 8, 2006. For more information related to the sale of WEMT, see *Note 12. Discontinued Operations*.

WTXL Termination

On February 19, 2006, we terminated our outsourcing agreement with the unrelated third party owner of WTXL-TV in Tallahassee, Florida.

MyNetworkTV

On March 2, 2006, we announced that we entered into an agreement with MyNetworkTV, a division of Twentieth Television, Inc. that will provide original programming from 8:00pm to 10:00pm (EST/PST) Monday through Saturday beginning on September 5, 2006. This agreement impacts 17 of our stations, including 10 stations affiliated with The WB, all six of our UPN affiliates and one of our independent stations.

The net book value of the network affiliation agreements related to our WB and UPN stations that will be airing MyNetworkTV programming was $6.3 million as of December 31, 2005. The net book value of the network affiliation agreements related to our remaining eight WB stations was $2.7 million as of December 31, 2005.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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

2005	High		Low	
First Quarter	**$**	**9.14**	**$**	**7.48**
Second Quarter	**$**	**9.13**	**$**	**7.45**
Third Quarter	**$**	**9.57**	**$**	**8.71**
Fourth Quarter	**$**	**10.00**	**$**	**8.22**

2004	High		Low	
First Quarter	$	15.03	$	12.05
Second Quarter	$	13.51	$	10.27
Third Quarter	$	10.34	$	7.16
Fourth Quarter	$	9.21	$	6.26

As of March 9, 2006, there were approximately 82 shareholders of record of our common stock. This number does not include beneficial owners holding shares through nominee names.

We did not repurchase any Class A Common Stock during 2005.

Dividend Policy

In May 2004, we declared a quarterly cash dividend on our Class A and Class B Common Stock for the first time in our company's history. For the quarters ended June 30, 2004, September 30, 2004 and December 31, 2004, we paid dividends of $0.025 per share of our common stock. During 2005, the Board of Directors voted to increase that dividend on three occasions. The dividends declared were as follows:

For the quarter ended	Quarterly Dividend Per Share		Annual Dividend Per Share		Date dividends were paid
March 31, 2005	$	0.050	$	0.200	April 15, 2005
June 30, 2005	$	0.075	$	0.300	July 15, 2005
September 30, 2005	$	0.075	$	0.300	October 14, 2005
December 31, 2005	$	0.100	$	0.400	January 13, 2006

Future dividends on our common shares, if any, will be at the discretion of our Board of Directors and will depend on several factors including our results of operations, cash requirements and surplus, financial condition, covenant restrictions and other factors that the Board of Directors may deem relevant. Our current dividend of $0.10 per share per quarter is not in excess of any applicable restrictions or conditions contained within the indentures of our various senior subordinated notes. We expect to continue to pay this dividend in the foreseeable future.

Convertible Bond Repurchases

During the fourth quarter, we repurchased, in the open market, $5.0 million of our 6.0% Convertible Debentures, due 2012 at face value.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM: CONSOLIDATED FINANCIAL STATEMENTS

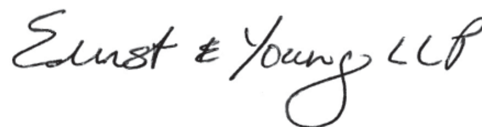
The Board of Directors and Shareholders of Sinclair Broadcast Group, Inc.

We have audited the accompanying consolidated balance sheets of Sinclair Broadcast Group, Inc. (a Maryland corporation) and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sinclair Broadcast Group, Inc. and subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Sinclair Broadcast Group, Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2006 expressed an unqualified opinion thereon.



Ernst & Young LLP
Baltimore, Maryland
March 8, 2006

GROUP MANAGERS

John Quigley
Asheville, North Carolina/ Greenville/Spartanburg/Anderson, South Carolina; Springfield/ Champaign, Illinois

William J. Fanshawe
Baltimore, Maryland; Cincinnati, Ohio; Lexington, Kentucky; Rochester, New York

Steve Mann
Birmingham, Alabama; Nashville, Tennessee

Alan B. Frank
Buffalo, New York; Charleston/ Huntington, West Virginia; Dayton, Ohio; Pittsburgh, Pennsylvania; San Antonio, Texas

Thomas L. Tipton
Cape Girardeau, Missouri/Paducah, Kentucky; St. Louis, Missouri

Joseph A. Koff
Charleston, South Carolina; Greensboro/Winston-Salem/ Highpoint, North Carolina; Oklahoma City, Oklahoma

Aaron Olander
Flint/Saginaw/Bay City, Michigan; Portland, Maine; Springfield, Massachusetts; Syracuse, New York

Robert D. Weisbord
Las Vegas, Nevada; Minneapolis/ St. Paul, Minnesota

David Ford
Madison, Wisconsin; Milwaukee, Wisconsin

Neal Davis
Peoria/Bloomington, Illinois

Darren Shapiro
Raleigh/Durham, North Carolina

Julie Nelson
Tallahassee, Florida; Tampa, Florida

GENERAL MANAGERS / STATION MANAGERS

John V. Connors
Asheville, North Carolina/ Greenville/Spartanburg/ Anderson, South Carolina

Scott D. Campbell
Birmingham, Alabama

Nick Magnini
Buffalo, New York

Michael Sullivan
Cedar Rapids, Iowa

David Tynan
Charleston, South Carolina

Harold Cooper
Charleston/Huntington, West Virginia

Jonathan P. Lawhead
Cincinnati, Ohio

Daniel P. Mellon
Columbus, Ohio

Dean Ditmer
Dayton, Ohio

Mike Wilson
Des Moines, Iowa

David Schwartz
Flint/Saginaw/ Bay City, Michigan

Kerry Johnson
Madison, Wisconsin

Joe Tracy
Minneapolis/St. Paul, Minnesota

Scott Sanders
Norfolk, Virginia

John Rossi
Oklahoma City, Oklahoma

Carl M. Leahy
Mobile, Alabama/ Pensacola, Florida

Neal Davis
Raleigh/Durham, North Carolina

William Lane
Richmond, Virginia

John Seabers
San Antonio, Texas

Will Meyl
Springfield, Massachusetts

Bob W. Franklin
Tallahassee, Florida

Ronald Inman
Greensboro/Winston-Salem/ Highpoint, North Carolina

G1440, Inc.
Lawrence M. Fiorino, CEO

Acrodyne Communications, Inc.
Nat S. Ostroff, CEO

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
Vice President & Chief Accounting Officer

Barry M. Faber
Vice President & General Counsel

Nat S. Ostroff
Vice President, New Technology

Lucy A. Rutishauser
Vice President, Corporate Finance & Treasurer

Donald H. Thompson
Vice President, Human Resources

Thomas I. Waters, III
Vice President, Purchasing

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
Vice President, Group Programming & Promotions

Joseph Defeo
Vice President, News Director

Steven M. Marks
Chief Operating Officer, Television

Delbert R. Parks III
Vice President, Operations & Engineering

Darren Shapiro
Vice President, Sales

Gregg Siegel
Vice President, National Sales

Jeff Sleete
Vice President, Marketing

Annual Meeting

The Annual Meeting of Stockholders will be held at Sinclair Broadcast Group's Corporate Offices, 10706 Beaver Dam Road
Hunt Valley, MD 21030
Thursday, May 11, 2006 at 10:00am.

Independent Registered Public Accounting Firm

Ernst & Young LLP
621 East Pratt Street
Baltimore, MD 21202

Transfer Agent and Registrar

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

Mellon Investor Services
Shareholder Relations
P.O. Box 3315
South Hackensack, NJ 07606
www.melloninvestor.com

Form 10-K, Annual Report

A copy of the Company's 2005 Form 10-K, as filed with the Securities and Exchange Commission, is available at no charge 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: investor@sbgi.net

Common Stock

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

SBG
SINCLAIR BROADCAST GROUP