"Cumulative Consolidated Interest Expense" means, as of any date of determination, Consolidated Interest Expense from September 30, 1993 to the end of the Company's most recently ended full fiscal quarter prior to such date, taken as a single accounting period.

"Cumulative Operating Cash Flow" means, as of any date of determination, Operating Cash Flow from September 30, 1993 to the end of the Company's most recently ended full fiscal quarter prior to such date, taken as a single accounting period.

"Debt to Operating Cash Flow Ratio" means, as of any date of determination, the ratio of (a) the aggregate principal amount of all outstanding Indebtedness of the Company and its Restricted Subsidiaries as of such date on a Consolidated basis plus the aggregate liquidation preference or redemption amount of all Disqualified Equity Interests of the Company (excluding any such Disqualified Equity Interests held by the Company or a Wholly Owned Restricted Subsidiary of the Company), to (b) Operating Cash Flow of the Company and its Restricted Subsidiaries on a Consolidated basis for the four most recent full fiscal quarters ending immediately prior to such date, determined on a pro forma basis (and after giving pro forma effect to (i) the incurrence of such Indebtedness and (if applicable) the application of the net proceeds therefrom, including to refinance other Indebtedness, as if such Indebtedness was incurred, and the application of such proceeds occurred, at the beginning of such four-quarter period; (ii) the incurrence, repayment or retirement of any other Indebtedness by the Company and its Restricted Subsidiaries since the first day of such four-quarter period as if such Indebtedness was incurred, repaid or retired at the beginning of such four-quarter period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average balance of such Indebtedness at the end of each month during such four-quarter period); (iii) in the case of Acquired Indebtedness, the related acquisition as if such acquisition had occurred at the beginning of such four-quarter period; and (iv) any acquisition or disposition by the Company and its Restricted Subsidiaries of any company or any business or any assets out of the ordinary course of business, or any related repayment of Indebtedness, in each case since the first day of such four-quarter period, assuming such acquisition or disposition had been consummated on the first day of such four-quarter period).

"Default" means any event which is, or after notice or passage of any time or both would be, an Event of Default.

"Disqualified Equity Interests" means any Equity Interests that, either by their terms or by the terms of any security into which they are convertible or exchangeable or otherwise, are or upon the happening of an event or passage of time would be required to be redeemed prior to any Stated Maturity of the principal of the Notes or are redeemable at the option of the holder thereof at any time prior to any such Stated Maturity, or are convertible into or exchangeable for debt securities at any time prior to any such Stated Maturity at the option of the holder thereof.

"Equity Interest" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person, including any Preferred Equity Interests.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means, with respect to any asset or property, the sale value that would be obtained in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy.

"Film Contract" means contracts with suppliers that convey the right to broadcast specified films, videotape motion pictures, syndicated television programs or sports or other programming.

"Founders' Notes" means the term notes, dated September 30, 1990, made by the Company to Julian S. Smith and to Carolyn C. Smith pursuant to a stock redemption agreement, dated June 19, 1990, among the Company, certain of its Subsidiaries, Julian S. Smith, Carolyn C. Smith, David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith.

"Generally Accepted Accounting Principles" or "GAAP" means generally accepted accounting principles in the United States, consistently applied, which are in effect on the date of the Indenture.

"Governmental Approval" means the final non-appealable grant by the Federal Communications Commission of the Permitted Acquisition to the extent required by applicable rules and regulations of the Federal Communications Commission.

"Guarantee" means the guarantee by any Guarantor of the Company's Indenture Obligations pursuant to a guarantee given in accordance with the Indenture.

"Guaranteed Debt" of any Person means, without duplication, all Indebtedness of any other Person referred to in the definition of Indebtedness contained in this Section guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss, (iii) to supply funds to, or in any other manner invest in, the debtor (including any agreement to pay for property or services without requiring that such property be received or such services be rendered), (iv) to maintain working capital or equity capital of the debtor, or otherwise to maintain the net worth, solvency or other financial condition of the debtor or (v) otherwise to assure a creditor against loss; *provided* that the term "guarantee" shall not include endorsements for collection or deposit, in either case in the ordinary course of business.

"Guarantor" means the Subsidiaries listed as guarantors in the Indenture or any other guarantor of the Indenture Obligations.

"Indebtedness" means, with respect to any Person, without duplication, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities arising in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such Person in connection with any letters of credit issued under letter of credit facilities, acceptance facilities or other similar facilities and in connection with any agreement to purchase, redeem, exchange, convert or otherwise acquire for value any Equity Interests of such Person, or any warrants, rights or options to acquire such Equity Interests, now or hereafter outstanding, (ii) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments, (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business, (iv) all obligations under Interest Rate Agreements of such Person, (v) all Capital Lease Obligations of such Person, (vi) all Indebtedness referred to in clauses (i) through (v) above of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien, upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, (vii) all Guaranteed Debt of such Person, (viii) all Disqualified Equity Interests valued at the greater of their voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends, and (ix) any amendment, supplement, modification, deferral, renewal, extension, refunding or refinancing of any liability of the types referred to in clauses (i) through (viii) above; *provided, however*, that the term Indebtedness shall not include any obligations of the Company and its Restricted Subsidiaries with respect to Film Contracts entered into in the ordinary course of business. The amount of Indebtedness of any Person at any date shall be, without duplication, the principal amount that would be shown on a balance sheet of such Person prepared as of such date in accordance with GAAP and the maximum determinable liability of any Guaranteed Debt referred to in clause (vii) above at such date. The Indebtedness of the Company and its Restricted Subsidiaries shall not include any Indebtedness of Unrestricted Subsidiaries so long as such Indebtedness is non-recourse to the Company and the Restricted Subsidiaries. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Equity Interests which do not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Equity Interests as if such Disqualified Equity Interests were purchased on any date on which Indebtedness shall be required to be determined pursuant to the

Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Equity Interests, such Fair Market Value to be determined in good faith by the Board of Directors of the issuer of such Disqualified Equity Interests.

"Indenture Obligations" means the obligations of the Company and any other obligor under the Indenture or under the Notes, including any Guarantor, to pay principal, premium, if any, and interest when due and payable, and all other amounts due or to become due under or in connection with the Indenture, the Notes and the performance of all other obligations to the Trustee and the holders under the Indenture and the Notes, according to the terms thereof.

"Independent Director" means a director of the Company other than a director (i) who (apart from being a director of the Company or any Subsidiary) is an employee, insider, associate or Affiliate of the Company or a Subsidiary or has held any such position during the previous five years or (ii) who is a director, an employee, insider, associate or Affiliate of another party to the transaction in question.

"Interest Rate Agreements" means one or more of the following agreements which shall be entered into by one or more financial institutions: interest rate protection agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) and/or other types of interest rate hedging agreements from time to time.

"Investments" means, with respect to any Person, directly or indirectly, any advance, loan (including guarantees), or other extension of credit or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase, acquisition or ownership by such Person of any Equity Interests, bonds, notes, debentures or other securities or assets issued or owned by any other Person and all other items that would be classified as investments on a balance sheet prepared in accordance with GAAP.

"Lien" means any mortgage, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation or other encumbrance upon or with respect to any property of any kind (including any conditional sale or other title retention agreement, any leases in the nature thereof, and any agreement to give any security interest), real or personal, movable or immovable, now owned or hereafter acquired.

"Maturity," when used with respect to any Note, means the date on which the principal of such Note becomes due and payable as provided in the Note or as provided in the Indenture, whether at Stated Maturity, the offer date, or the redemption date and whether by declaration of acceleration, Offer in respect of excess proceeds, Change of Control, call for redemption or otherwise.

"Minority Note" means the promissory note, dated December 26, 1986, made by the Company to Frederick M. Himes, B. Stanley Resnick and Edward A. Johnston, as representatives, pursuant to a stock purchase agreement, dated December 22, 1986, among the Company, Commercial Radio Institute, Inc., Chesapeake Television, Inc. and certain individuals.

"Net Cash Proceeds" means (a) with respect to any Asset Sale by any Person, the proceeds thereof in the form of cash or Temporary Cash Investments including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Temporary Cash Investments (except to the extent that such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary) net of (i) brokerage commissions and other reasonable fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale, (ii) provisions for all taxes payable as a result of such Asset Sale, (iii) payments made to retire Indebtedness where payment of such Indebtedness is secured by the assets or properties the subject of such Asset Sale, (iv) amounts required to be paid to any Person (other than the Company or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale and (v) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an officers' certificate delivered to the Trustee and (b) with

respect to any issuance or sale of Equity Interests, or debt securities or Equity Interests that have been converted into or exchanged for Equity Interests, as referred to under "– Certain Covenants – *Limitation on Restricted Payments*," the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed for, cash or Temporary Cash Investments (except to the extent that such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees and expenses actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Operating Cash Flow" means, for any period, the Consolidated Net Income of the Company and its Restricted Subsidiaries for such period, plus (a) extraordinary net losses and net losses on sales of assets outside the ordinary course of business during such period, to the extent such losses were deducted in computing Consolidated Net Income, plus (b) provision for taxes based on income or profits, to the extent such provision for taxes was included in computing such Consolidated Net Income, and any provision for taxes utilized in computing the net losses under clause (a) hereof, plus (c) Consolidated Interest Expense of the Company and its Restricted Subsidiaries for such period, plus (d) depreciation, amortization and all other non-cash charges, to the extent such depreciation, amortization and other non-cash charges were deducted in computing such Consolidated Net Income (including amortization of goodwill and other intangibles, including Film Contracts and write-downs of Film Contracts, plus (e) in computing the Operating Cash Flow Ratio under the first paragraph of "Certain Covenants – *Limitation on Indebtedness*," the bonuses paid by the Company on September 27, 1993 to certain executive officers in the aggregate amount of $10,000,000, minus (f) any cash payments contractually required to be made with respect to Film Contracts (to the extent not previously included in computing such Consolidated Net Income).

"Pari Passu Indebtedness" means any Indebtedness of the Company or any Guarantor that is *pari passu* in right of payment to the Notes or any Guarantees, as the case may be.

"Permitted Acquisition" shall mean the acquisition by the Company of (i) the assets related to WCGV-TV in Milwaukee, Wisconsin and WTTO-TV in Birmingham, Alabama and (ii) the programming and certain other assets of WNUV-TV in Baltimore, Maryland and WVTV-TV in Milwaukee, Wisconsin.

"Permitted Acquisition Indebtedness" shall mean any Pari Passu Indebtedness or Subordinated Indebtedness incurred by the Company to finance the Permitted Acquisition.

"Permitted Investment" means (i) Investments in any Wholly Owned Restricted Subsidiary; (ii) Indebtedness of the Company or a Restricted Subsidiary described under clauses (vi) and (vii) of the definition of "Permitted Indebtedness"; (iii) Temporary Cash Investments; (iv) Investments acquired by the Company or any Restricted Subsidiary in connection with an Asset Sale permitted under "– Certain Covenants – *Limitation on Sale of Assets*" to the extent such Investments are non-cash proceeds as permitted under such covenant; (v) guarantees of Indebtedness otherwise permitted by the Indenture; (vi) Investments in existence on the date of the Indenture; (vii) loans up to an aggregate of $1,000,000 outstanding at any one time to employees pursuant to benefits available to the employees of the Company or any Restricted Subsidiary from time to time in the ordinary course of business; (viii) any Investments in the Notes; (ix) a Guarantee by any Guarantor and any other guarantee given by a Guarantor of any Indebtedness of the Company in accordance with the Indenture; (x) Investments by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment (I) such Person becomes a Restricted Subsidiary or (II) such Person is merged, consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary; (xi) other Investments that do not exceed $5,000,000 at any time outstanding; and (xii) "Permitted Investments" (as defined in the Pledge Agreement) pursuant to the Pledge Agreement.

"Permitted Subsidiary Indebtedness" means:

(i) Indebtedness of any Guarantor under Capital Lease Obligations incurred in the ordinary course of business; and

(ii) Indebtedness of any Guarantor (a) issued to finance or refinance the purchase or construction of any assets of such Guarantor or (b) secured by a Lien on any assets of such Guarantor where the lender's sole recourse is to the assets so encumbered, in either case (x) to the extent

the purchase or construction prices for such assets are or should be included in "property and equipment" in accordance with GAAP and (y) if the purchase or construction of such assets is not part of any acquisition of a Person or business unit.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivisions thereof.

"Pledge Agreement" means the Pledge and Assignment Agreement dated the date of the Indenture between the Company and the Trustee.

"Preferred Equity Interest," as applied to the Equity Interest of any Person, means an Equity Interest of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such person, over Equity Interests of any other class of such Person.

"Public Equity Offering" means, with respect to any Person, an underwritten public offering by such Person of some or all of its Equity Interests (other than Disqualified Equity Interests), the net proceeds of which (after deducting any underwriting discounts and commissions) exceed $10,000,000.

"Qualified Equity Interests" of any Person means any and all Equity Interests of such Person other than Disqualified Equity Interests.

"Restricted Subsidiary" means a Subsidiary of the Company other than an Unrestricted Subsidiary.

"Sale and Leaseback Transaction" means any transaction or series of related transactions pursuant to which the Company or a Restricted Subsidiary sells or transfers any property or asset in connection with the leasing, or the resale against installment payments, of such property or asset to the seller or transferor.

"Securities Act" means the Securities Act of 1933, as amended.

"Stated Maturity," when used with respect to any Indebtedness or any installment of interest thereon, means the date specified in such Indebtedness as the fixed date on which the principal of such Indebtedness or such installment of interest is due and payable.

"Subordinated Indebtedness" means Indebtedness of the Company or any Guarantor subordinated in right of payment to the Notes or any Guarantee, as the case may be.

"Subsidiary" means any Person a majority of the equity ownership or the Voting Stock of which is at the time owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries.

"Temporary Cash Investments" means (i) any evidence of Indebtedness, maturing not more than one year after the date of acquisition, issued by the United States of America, or an instrumentality or agency thereof and guaranteed fully as to principal, premium, if any, and interest by the United States of America, (ii) any certificate of deposit, maturing not more than one year after the date of acquisition, issued by, or time deposit of, a commercial banking institution that is a member of the Federal Reserve System and that has combined capital and surplus and undivided profits of not less than $500,000,000, whose debt has a rating, at the time as of which any investment therein is made, of "P-1" (or higher) according to Moody's Investors Service, Inc. ("Moody's") or any successor rating agency or "A-1" (or higher) according to Standard & Poor's Corporation ("S&P") or any successor rating agency, (iii) commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate or Subsidiary of the Company) organized and existing under the laws of the United States of America with a rating, at the time as of which any investment therein is made, of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P and (iv) any money market deposit accounts issued or offered by a domestic commercial bank having capital and surplus in excess of $500,000,000.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

"Unrestricted Subsidiary" means (i) any Subsidiary of the Company that at the time of determination shall be an Unrestricted Subsidiary (as designated by the Board of Directors of the Company, as provided below) and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary if all of the following conditions apply: (a) such Subsidiary is not liable, directly or indirectly, with respect to any Indebtedness other than Unrestricted Subsidiary Indebtedness and (b) any Investment in such Subsidiary made as a result of designating such Subsidiary an Unrestricted Subsidiary shall not violate the provisions of the "Certain Covenants – *Limitation on Unrestricted Subsidiaries*" covenant. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a board resolution giving effect to such designation and an officers' certificate certifying that such designation complies with the foregoing conditions. The Board of Directors of the Company may designate any Unrestricted Subsidiary as a Restricted Subsidiary; *provided* that immediately after giving effect to such designation, the Company could incur $1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to the restrictions under the "Certain Covenants – *Limitation on Indebtedness*" covenant. Notwithstanding the foregoing or any other provision of the Indenture to the contrary, no assets of the broadcasting operations known as of the date of the Indenture as WBFF-TV, WTTE-TV and WPGH-TV may be held at any time by Unrestricted Subsidiaries, other than assets transferred to Unrestricted Subsidiaries in the ordinary course of business that in the aggregate are not material to such broadcasting operations.

"Unrestricted Subsidiary Indebtedness" of any Unrestricted Subsidiary means Indebtedness of such Unrestricted Subsidiary (i) as to which neither the Company nor any Restricted Subsidiary is directly or indirectly liable (by virtue of the Company or any such Restricted Subsidiary being the primary obligor on, guarantor of, or otherwise liable in any respect to, such Indebtedness), except Guaranteed Debt of the Company or any Restricted Subsidiary to any Affiliate, in which case (unless the incurrence of such Guaranteed Debt resulted in a Restricted Payment at the time of incurrence) the Company shall be deemed to have made a Restricted Payment equal to the principal amount of any such Indebtedness to the extent guaranteed at the time such Affiliate is designated an Unrestricted Subsidiary and (ii) which, upon the occurrence of a default with respect thereto, does not result in, or permit any holder of any Indebtedness of the Company or any Restricted Subsidiary to declare, a default on such Indebtedness of the Company or any Restricted Subsidiary or cause the payment thereof to be accelerated or payable prior to its Stated Maturity.

"Voting Stock" means stock of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of a corporation (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"Wholly Owned Restricted Subsidiary" means a Restricted Subsidiary all the Equity Interest of which is owned by the Company or another Wholly Owned Restricted Subsidiary.

UNDERWRITING

Chase Securities, Inc. and Lehman Brothers Inc. have each agreed, subject to the terms and conditions set forth in an underwriting agreement (the "Underwriting Agreement") among the Company and the Underwriters, to purchase the principal amount of the Notes set forth opposite its name below. Pursuant to the Underwriting Agreement, the Underwriters will be obligated to purchase all of the Notes if they purchase any of them.

Underwriters	Principal Amount
Chase Securities, Inc.	$120,000,000
Lehman Brothers Inc.	80,000,000
Total	$200,000,000

The several Underwriters propose to offer the Notes to the public at the public offering price set forth on the cover page of this Prospectus, and to certain dealers at such price less a concession not in excess of .50% of the principal amount of the Notes. The Underwriters may allow, and such dealers may reallow, a discount not in excess of .25% of the principal amount of the Notes to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

There is no public market for the Notes and the Company does not intend to apply for listing of the Notes on any national securities exchange or for quotation of the Notes through Nasdaq. The Company has been advised by the Underwriters that, following the completion of the Offering of the Notes, the Underwriters presently intend to make a market in the Notes; however, they are under no obligation to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes or that an active public market will develop or, if developed, will continue. If an active public market does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected.

The Company and the Subsidiaries have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). In the event that the Notes are redeemed pursuant to "Description of the Notes – Special Mandatory Redemption," the Underwriters have agreed to reimburse the Company for certain expenses relating to the Offering.

The Company has agreed that, without prior written consent of Chase Securities, Inc., it will not for a period of 180 days after the date of this Prospectus issue or sell debt securities, other than (i) the Notes and (ii) after 30 days after the date of this Prospectus, any debt securities issued in connection with the Proposed Acquisitions.

The Underwriters have advised the Company that they do not intend to confirm sales in excess of 5% of the Notes offered hereby to any accounts over which either Underwriter exercises discretionary authority.

Chase Bank, an affiliate of Chase Securities, Inc., is a lender and agent under the Bank Credit Agreement. The net proceeds of the Offering will be utilized in part to repay indebtedness under the Bank Credit Agreement. Moreover, in connection with the financing of the acquisitions of WPGH and the entering into of the Bank Credit Agreement, Chase Bank received the Warrants, which were subsequently purchased by the Company in September 1993 for $9.0 million with borrowings under the Revolving Credit Facility. Under the Rules of Fair Practice of the National Association of Securities Dealers, Inc. (the "NASD"), when more than 10% of the proceeds of a public offering of debt securities is to be paid to a member of the NASD participating in the Offering, or an affiliate thereof, the yield at which the debt securities are distributed to the public must be no lower than that recommended by a "Qualified Independent Underwriter" as defined in Section 2(l) of Schedule E of the By-Laws of the NASD. Chase Securities, Inc., one of the Underwriters, is a member of the NASD and is an affiliate of Chase Bank. Chase Bank will in the aggregate receive more than 10% of the net proceeds from the Offering of the Notes as a result of the use of such proceeds to repay loans made under the Bank

Credit Agreement. Accordingly, Lehman Brothers Inc. has agreed to act as the qualified independent underwriter in connection with the Offering. The yield on the Notes, when sold to the public at the public offering price set forth on the cover of this Prospectus, will be no lower than that recommended by such qualified independent underwriter. Lehman Brothers Inc. as the qualified independent underwriter has performed due diligence with respect to the information contained herein pursuant to the applicable requirements of the NASD and has participated in the preparation of the Registration Statement of which this Prospectus is a part.

LEGAL MATTERS

The validity of the Notes and certain other legal matters regarding the Notes will be passed upon for the Company by Thomas & Libowitz, P.A., Baltimore, Maryland, counsel to the Company, and by Piper & Marbury, Baltimore, Maryland, special securities counsel to the Company. Certain federal regulatory matters will be passed upon for the Company by Fisher, Wayland, Cooper & Leader, Washington, D.C. Certain legal matters in connection with the Offering will be passed upon for the Underwriters by Fried, Frank, Harris, Shriver & Jacobson (a partnership including professional corporations), One New York Plaza, New York, New York 10004. Fried, Frank, Harris, Shriver & Jacobson will rely upon the opinion of Piper & Marbury with respect to all matters of Maryland law. Basil A. Thomas, a director of the Company, is of counsel to Thomas & Libowitz, P.A.

EXPERTS

The consolidated financial statements and schedules of the Company as of December 31, 1991 and 1992 and June 30, 1993, and for the three-month period ended December 31, 1990 and for each of the years in the period ended December 31, 1992 and the six months ended June 30, 1993, included in this registration statement have been audited by Arthur Andersen & Co., independent certified public accountants, as indicated in their reports with respect thereto, and are included herein, in reliance upon the authority of said firm as experts in giving said reports.

The financial statements of BBM Partners, L.P. as of December 31, 1991 and 1992, and for each of the years in the period ended December 31, 1992 included in this Prospectus have been so included in reliance upon the report of Price Waterhouse, independent accountants, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

This Prospectus constitutes a part of the Registration Statement filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act. As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information contained in the Registration Statement and the exhibits and schedules thereto. Statements contained herein concerning the provisions of any document filed as an exhibit to the Registration Statement or otherwise filed with the Commission are not necessarily complete, and in each instance reference is made to the copy of the document so filed. Each such statement is qualified in its entirety by such reference. For further information regarding the Company and the Notes offered hereby, reference is hereby made to the Registration Statement and such exhibits and schedules which may be obtained from the Commission at its principal office in Washington, D.C. upon payment of the fees prescribed by the Commission.

Annual reports of the Company containing audited financial statements as well as unaudited quarterly financial reports will be furnished to the Trustee under the Indenture relating to the Notes. In addition, for at least the Company's fiscal year ending December 31, 1993, the Company will be required to file reports and other information under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with the Commission and will furnish such reports to the registered holders of the Notes. The Registration Statement, the exhibits and schedules forming a part thereof and the reports and other information filed by the Company with the Commission in accordance with the Exchange Act

may be inspected and copied at the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following regional offices of the Commission: 75 Park Place, Room 1228, New York, New York 10007 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60621. Copies of such material may be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. at prescribed rates. The Indenture provides that the Company will furnish copies of the periodic reports required to be filed with the Commission under the Exchange Act to the holders of the Notes. If the Company is not subject to the periodic reporting and informational requirements of the Exchange Act, it will, to the extent permitted under the Exchange Act, and whether or not it is subject to Section 13(e) or 15(d) of the Exchange Act, file with the Commission, and provide the Trustee and the holders of the Notes with, annual reports containing the information required to be contained in Form 10-K promulgated under the Exchange Act, quarterly reports containing the information required to be contained in Form 10-Q promulgated under the Exchange Act, and from time to time such other information as is required to be contained in Form 8-K promulgated under the Exchange Act. If the Company is not then filing such reports with the Commission, the Company will also provide copies of such reports, at its cost, to prospective purchasers of the Notes upon request.

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of
Sinclair Broadcast Group, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Sinclair Broadcast Group, Inc. (a Maryland corporation) and Subsidiaries as of December 31, 1991 and 1992, and June 30, 1993, and the related consolidated statements of operations, stockholders' equity and cash flows for the three months ended December 31, 1990, the years ended December 31, 1991 and 1992, and the six months ended June 30, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sinclair Broadcast Group, Inc. and Subsidiaries, as of December 31, 1991 and 1992, and June 30, 1993, and the results of their operations and their cash flows for the three months ended December 31, 1990, the years ended December 31, 1991 and 1992, and the six months ended June 30, 1993, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Baltimore, Maryland,
September 23, 1993

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	December 31, 1991	December 31, 1992	June 30, 1993
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 1)	$ 1,380	$ 1,823	$ 1,115
Accounts receivable, net of allowance for doubtful accounts of $380, $472 and $521, respectively	13,640	17,471	15,290
Refundable income taxes (Note 7)	978	1,800	1,574
Current portion of program contract costs (Notes 1 and 5)	9,615	7,643	5,625
Deferred barter costs (Note 1)	260	449	774
Prepaid expenses and other current assets (Note 11)	3,769	3,659	1,747
Deferred tax asset (Note 7)	850	1,150	450
Total current assets	30,492	33,995	26,575
PROPERTY AND EQUIPMENT, net (Notes 2, 4 and 8)	15,952	13,726	12,552
PROGRAM CONTRACT COSTS, noncurrent portion (Notes 1 and 5)	11,526	7,127	4,980
LOANS TO OFFICERS AND AFFILIATES, net of deferred gain of $657 and $632 in 1992 and 1993, respectively (Notes 1 and 6)	4,056	4,923	11,502
OTHER ASSETS, net of deferred gain of $5,233 in 1991	11,833	13,038	4,776
ACQUIRED INTANGIBLE BROADCASTING ASSETS, net of accumulated amortization of $5,259, $12,142 and $14,643, respectively (Notes 1 and 11)	75,368	66,919	64,941
Total Assets	$149,227	$139,728	$125,326
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	$ 1,818	$ 2,373	$ 2,145
Accrued special bonuses to executive officers (Note 14)	–	–	10,000
Income taxes payable (Note 7)	358	186	–
Accrued liabilities (Note 11)	9,961	3,533	3,034
Current portion of long-term liabilities-			
Notes payable and commercial bank financing (Note 3)	7,606	10,734	10,813
Capital leases payable (Notes 2 and 8)	620	727	784
Notes and capital leases payable to affiliates (Note 4)	4,888	320	354
Program contracts payable (Notes 1 and 5)	11,187	13,295	11,521
Deferred barter revenues (Note 1)	580	451	773
Total current liabilities	37,018	31,619	39,424
LONG-TERM OBLIGATIONS:			
Notes payable and commercial bank financing (Note 3)	68,660	69,378	57,473
Capital leases payable (Notes 2 and 8)	2,641	1,931	1,531
Notes and capital leases payable to affiliates (Note 4)	16,281	15,962	15,800
Program contracts payable (Notes 1 and 5)	13,407	10,743	9,299
Deferred taxes payable (Note 7)	2,206	1,900	450
Deferred gains (Note 6)	459	353	299
	140,672	131,886	124,276
WARRANTS OUTSTANDING (Note 3)	11,607	11,607	10,059
COMMITMENTS AND CONTINGENCIES (Notes 3, 5, 10 and 11)			
STOCKHOLDERS' EQUITY (Notes 1, 3 and 11):			
Common stock, $.01 par value, 25,000,000 shares authorized and 691,980 shares issued and outstanding	7	7	7
Additional paid-in capital	132	4,708	4,733
Accumulated deficit	(3,191)	(8,480)	(13,749)
Total stockholders' equity	(3,052)	(3,765)	(9,009)
Total Liabilities and Stockholders' Equity	$149,227	$139,728	$125,326

The accompanying notes are an integral part of these consolidated balance sheets.

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Three Months Ended December 31,	Years Ended December 31,		Six Months Ended June 30,	
	1990	1991	1992	1992 (Unaudited)	1993
REVENUES:					
Advertising revenues, net of agency commissions of $1,600, $6,738, $10,011, $4,436 and $5,100, respectively	$ 9,181	$39,698	$58,544	$26,484	$30,180
Revenues realized from barter arrangements (Note 1)	1,024	5,660	8,805	4,286	4,406
Net broadcast revenues	10,205	45,358	67,349	30,770	34,586
OPERATING EXPENSES:					
Program and production (Note 1)	3,488	13,380	17,454	8,518	8,921
Selling, general and administrative	2,960	11,807	13,663	5,953	5,778
Amortization of program contract costs and net realizable value adjustments	1,196	9,711	16,288	7,084	4,889
Depreciation and amortization of property and equipment	332	2,051	2,654	1,352	1,207
Amortization of acquired intangible broadcasting assets and other assets (Notes 1 and 11)	237	6,316	11,978	6,431	5,761
Special bonuses to be paid to executive officers (Note 14)	–	–	–	–	10,000
	8,213	43,265	62,037	29,338	36,556
Broadcast operating income	1,992	2,093	5,312	1,432	(1,970)
OTHER INCOME (EXPENSE):					
Interest expense (Notes 3, 4, 8 and 11)	(1,402)	(8,895)	(12,997)	(6,620)	(5,783)
Interest income	94	461	1,117	573	545
Other income (Note 12)	56	101	90	52	861
	(1,252)	(8,333)	(11,790)	(5,995)	(4,377)
INCOME (LOSS) BEFORE (PROVISION) BENEFIT FOR INCOME TAXES	740	(6,240)	(6,478)	(4,563)	(6,347)
(PROVISION) BENEFIT FOR INCOME TAXES (Note 7)	(288)	1,580	1,189	837	880
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	452	(4,660)	(5,289)	(3,726)	(5,467)
EXTRAORDINARY ITEM – GAIN ON PURCHASE OF WARRANTS (Note 3)	–	–	–	–	198
NET INCOME (LOSS)	$ 452	$ (4,660)	$ (5,289)	$ (3,726)	$ (5,269)

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

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Note 1)
(in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
BALANCE, September 30, 1990	$7	$ 132	$ 1,017	$ 1,156
Net income	—	—	452	452
BALANCE, December 31, 1990	7	132	1,469	1,608
Net loss	—	—	(4,660)	(4,660)
BALANCE, December 31, 1991	7	132	(3,191)	(3,052)
Realization of deferred gain	—	4,576	—	4,576
Net loss	—	—	(5,289)	(5,289)
BALANCE, December 31, 1992	7	4,708	(8,480)	(3,765)
Realization of deferred gain	—	25	—	25
Net loss	—	—	(5,269)	(5,269)
BALANCE, June 30, 1993	$7	$4,733	$(13,749)	$(9,009)

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

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended December 31,	Years Ended December 31,		Six Months Ended June 30,	
	1990	1991	1992	1992 (Unaudited)	1993
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ 452	$(4,660)	$ (5,289)	$(3,726)	$ (5,269)
Adjustments to reconcile net income (loss) to net cash flows from operating activities-					
Amortization of program contract costs and net realizable value adjustments	1,196	9,711	16,288	7,084	4,889
Depreciation and amortization of property and equipment	332	2,051	2,654	1,352	1,207
Amortization of acquired intangible broadcasting assets and other assets	237	6,316	11,978	6,431	5,761
Realization of deferred gain	(117)	(21)	(105)	(52)	(54)
Amortization of debt discount	–	610	2,096	916	1,035
Gain on life insurance proceeds	–	–	–	–	(844)
Gain on purchase of warrants	–	–	–	–	(198)
Changes in assets and liabilities, net of effects of acquisitions and dispositions-					
(Increase) decrease in accounts receivable, net	(773)	(4,800)	(3,831)	473	2,181
(Increase) decrease in refundable income taxes	(266)	(670)	(822)	(813)	226
(Increase) decrease in prepaid expenses and other current assets	(780)	(2,837)	(2,939)	(679)	1,912
(Increase) decrease in deferred tax asset	–	(390)	(300)	–	700
(Increase) decrease in other assets and acquired intangible broadcasting assets	(740)	(5,144)	2,601	–	(1,424)
Increase (decrease) in accounts payable and accrued liabilities	3,188	2,932	(5,873)	(6,928)	(727)
Increase in special bonuses to be paid to executive officers	–	–	–	–	10,000
(Decrease) increase in income taxes payable	(16)	257	(172)	(358)	(186)
Decrease in deferred taxes payable	(80)	(756)	(306)	(149)	(1,450)
Net effect of change in deferred barter revenues and change in deferred barter costs	124	(175)	(318)	–	(3)
Payments on program contracts payable	(1,171)	(4,688)	(10,427)	(4,619)	(3,941)
Net cash flows from operating activities	$1,586	$(2,264)	$ 5,235	$(1,068)	$13,815

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

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended December 31,	Years Ended December 31,		Six Months Ended June 30,	
	1990	1991	1992	1992 (Unaudited)	1993
NET CASH FLOWS FROM OPERATING ACTIVITIES	$1,586	$ (2,264)	$ 5,235	$(1,068)	$13,815
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property and equipment	—	(1,730)	(426)	(194)	(95)
Loans to officers and affiliates, net of noncash item of $1,496 in 1991	(70)	(653)	(830)	(699)	(123)
Repayments of loans to officers and affiliates	231	109	205	15	102
Acquisition of WPGH, Inc.	—	(55,000)	—	—	—
Proceeds from life insurance benefits	—	—	—	—	1,075
Net cash flows from investing activities	161	(57,274)	(1,051)	(878)	959
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from notes payable and commercial bank financing, net of noncash items of $15,006 and $3,061 in 1990 and 1991, respectively	4,549	77,258	25,037	8,036	3,150
Issuance of warrants	—	11,606	—	—	—
Purchase of warrants	—	—	—	—	(1,350)
Repayments of notes payable, commercial bank financing and capital leases	(2,844)	(30,641)	(23,891)	(1,567)	(17,154)
Repayments of notes and capital leases payable to affiliates	(50)	(1,068)	(4,887)	(4,780)	(128)
Net cash flows from financing activities	1,655	57,155	(3,741)	(1,689)	(15,482)
Net increase (decrease) in cash and cash equivalents	3,402	(2,383)	443	(257)	(708)
CASH AND CASH EQUIVALENTS, beginning of period	361	3,763	1,380	1,380	1,823
CASH AND CASH EQUIVALENTS, end of period	$3,763	$ 1,380	$ 1,823	$ 1,123	$ 1,115
SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR:					
Interest	$ 334	$ 5,604	$13,192	$ 7,357	$ 4,592
Income taxes	$ 415	$ 362	$ 489	$ 81	$ 535

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

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1990, 1991 AND 1992, JUNE 30, 1992 (UNAUDITED) AND 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying consolidated financial statements, prepared on the accrual basis of accounting, include the accounts of Sinclair Broadcast Group, Inc. (SBG), Commercial Radio Institute, Inc. (CRI), Chesapeake Television, Inc. (WBFF), WPGH, Inc. (WPGH) and WTTE Channel 28, Inc. (WTTE) and all other subsidiaries. Through August 1993, CRI was a wholly-owned subsidiary of SBG, and WBFF, WPGH and WTTE are wholly-owned subsidiaries of CRI. In September 1993, CRI was merged into SBG.

On September 30, 1990, SBG issued notes payable to former SBG majority owners in the aggregate amount of $14,215,000 in consideration of stock redemptions. Through the notes, the former majority owners have subordinated security interests in all of the assets of the Companies. The notes include stated interest rates of 8.75%, although the effective interest rate approximates 9.4%, and are personally guaranteed by the current stockholders of SBG. As of December 31, 1991 and 1992, SBG had prepaid approximately $689,000 and $469,000 of the related interest. The notes are due May 31, 2005. The stock redemption was accounted for under the "push-down" method of accounting, as substantially all of the common stock of SBG became owned by a management control group through the above-described redemption of approximately 73% of SBG's common stock and the transaction described below. The purchase price was allocated based upon the fair value of the assets and liabilities of the Company and resulted in additional recorded acquired intangible broadcasting assets of $13,759,000.

The accompanying financial statements reflect the results of operations of SBG and subsidiaries since the redemption date of September 30, 1990, reflecting a new basis of accounting as a result of the application of "push-down" accounting. Information prior to September 30, 1990, represent the financial results of the "predecessor" of SBG and subsidiaries. The companies mentioned above, as well as the predecessor, which are collectively referred to hereafter as "the Company or Companies", own and operate television stations in Baltimore, Maryland; Pittsburgh, Pennsylvania; and Columbus, Ohio.

Principles of Consolidation

All significant intercompany transactions and account balances have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and overnight investments at a commercial bank.

Programming

The Companies have agreements with distributors for the rights to television programming over contract periods which generally run from one to seven years. Contract payments are made in installments over terms that are generally shorter than the contract period. Each contract is recorded as a liability when the license period begins and the program is available for its first showing. The portion of the program contracts payable due within one year is reflected as a current liability in the accompanying consolidated financial statements.

The rights to program materials are reflected in the accompanying consolidated balance sheets at the lower of unamortized cost or estimated net realizable value. Estimated net realizable values are based upon management's expectation of future advertising revenues to be generated by the program

material. Amortization of program contract costs is generally computed under either the straight-line method based on license period or based on usage, whichever yields the greater amortization for each program. Program contract costs to be amortized in the succeeding year are classified as current assets.

Amortization expense and net realizable value adjustments were $1,196,000, $9,711,000 and $16,288,000 for the three months ended December 31, 1990, and the years ended December 31, 1991 and 1992, respectively, and $5,084,000 and $4,888,000 for the six months ended June 30, 1992 and 1993, respectively. Due to programming commitments entered into in 1992, certain program contracts acquired in connection with the WPGH acquisition were subsequently determined to have no value to the Companies. Approximately $3,000,000 of charges were included in amortization of program contract costs and net realizable value adjustments during 1992 related to these contracts.

WBFF, WTTE and WPGH are affiliated with the Fox Broadcasting Company (Fox). Under the affiliation agreements and subsequent renewals, WBFF, WTTE and WPGH are committed to make available certain time periods for Fox programming through October 15, 1998, in exchange for advertising air time and other defined compensation. Net revenues related to these affiliation agreements were approximately $1,411,000, $6,348,000, $10,698,000, $4,450,000 and $6,032,000, respectively, during the three months ended December 31, 1990, the years ended December 31, 1991 and 1992, and during the six months ended June 30, 1992 and 1993.

Barter Arrangements

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

Certain program contracts provide for the exchange of advertising air time in lieu of cash payments for the rights to such programming. These contracts are recorded as the programs are aired at the estimated fair value of the advertising air time given in exchange for the program rights.

Other Assets

Other assets primarily relate to the $6,000,000 term note, prepaid noncompete agreements and deferred financing costs (see Note 11).

Acquired Intangible Broadcasting Assets

Acquired intangible broadcasting assets are being amortized over periods of 3 to 40 years. These amounts result from the acquisition of minority interests in 1986 and the stock redemptions in 1988 and 1990 (see Note 11), as well as the acquisition of WPGH (see Note 13). The weighted average life of the related assets which include goodwill and the WPGH FCC license, decaying advertising base, Fox affiliation agreement and other intangible assets is approximately 9 years.

Interim Financial Statements

The consolidated financial statements for the six months ended June 30, 1992 are unaudited, but in the opinion of management, such financial statements have been presented on the same basis as the audited financial statements and include all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of the financial position and results of operations for that period.

2. PROPERTY AND EQUIPMENT:

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

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

Property and equipment consists of the following as of December 31, 1991 and 1992 and June 30, 1993 (in thousands):

	December 31,		June 30,
	1991	1992	1993
Land and improvements	$ 578	$ 578	$ 578
Buildings and improvements	2,993	2,993	2,993
Leasehold improvements	2,128	2,139	2,164
Station equipment	8,173	8,455	8,329
Office furniture and equipment	1,422	1,500	1,608
Automotive equipment	311	307	307
Property, equipment and autos under capital leases	7,631	7,672	7,672
	23,236	23,644	23,651
Less—Accumulated depreciation and amortization	7,284	9,918	11,099
	$15,952	$13,726	$12,552

3. NOTES PAYABLE AND COMMERCIAL BANK FINANCING:

In order to obtain the necessary financing to purchase WPGH, CRI refinanced its previously existing $25,000,000 term note on August 30, 1991. The resulting $95,000,000 secured debt facility consists of $80,000,000 in term loans with annual reductions in equal quarterly installments which began on September 30, 1992. The $80,000,000 term loan consists of two tranches which are payable over 73 to 76 months and includes a $57,000,000 interest rate hedging provision. The lenders have also made available a $15,000,000 senior secured revolving line of credit. A portion of this facility was restricted in use to service certain obligations to previous minority stockholders as described in Note 11. Under these loan agreements, the Company is restricted from declaring or paying dividends. As discussed in Note 14, additional restrictions have been applied subsequent to June 30, 1993.

CRI has the option to elect interest rates among various base rates plus certain percentages over the base rate, which fluctuate depending upon operating cash flows. The agreement imposes various restrictions and covenants on the Companies including certain restrictions as to dispositions and purchases of assets, dispositions and purchases of businesses, additional indebtedness, guarantees of indebtedness, issuance or redemptions of common stock, additional loans to affiliates and the maintenance of certain financial ratios and cash flow requirements. An availability fee of 1/2% per annum on any unborrowed committed amount is payable quarterly. Additionally, a prepayment fee exists within the first 36 months for any permanent reduction in the total commitment.

Average interest rates incurred under the term loan during 1991, 1992 and the six months ended June 30, 1992 and 1993 were 10.2%, 9.5%, 9.8% and 9.3%, respectively. Effective interest rates, including the amortization of debt discount and deferred financing costs were 13.8%, 13.1%, 13.3% and 13.6%, respectively.

For the revolver portion of the secured debt facility, average borrowings and the highest borrowings outstanding were approximately $2,000,000 and $3,000,000 during 1991, $10,000,000 and $13,000,000 during 1992, $10,000,000 and $12,000,000 during the six months ended June 30, 1992, and $8,100,000 and $13,000,000 during the six months ended June 30, 1993, respectively. The average interest rate and highest interest rate were 9.5% and 10.0% during 1991, 7.4% and 8.5% during 1992, 7.6% and 8.5% during the six months ended June 30, 1992, and 6.3% and 8.0% during the six months ended June 30, 1993, respectively.

Under the previous secured revolving credit facility, average borrowings and the highest borrowings outstanding were $500,000 and $2,500,000 during 1991. The average interest rate and highest interest rate during 1991 were 9.1% and 9.6%.

In conjunction with the refinancing discussed above, CRI also entered into a warrant agreement with the bank. The warrants were valued at $11,607,000 in accordance with an independent appraisal and were recorded as warrants outstanding with a corresponding reduction to the face amount of the commercial bank financing. The warrant value is being amortized as debt discount expense over the term of the debt. Amortization of debt discount expense was $610, $2,096, $916 and $1,035 for the years ended December 31, 1991 and 1992 and the six months ended June 30, 1992 and 1993.

This agreement provided the bank an option to convert the warrants to 15% of the issued and outstanding shares of common stock of WPGH at the occurrence of certain triggering events, or at the expiration date of August 30, 2001. On June 15, 1993, the Company purchased 13.33% of the warrants outstanding for $850,000. The difference between the carrying value of the warrants and the purchase price, net of related expenses of $500,000, was recorded as an extraordinary gain.

The warrants were puttable for cash based on predefined formulas after certain triggering events. Triggering events for put rights of the warrants are defined as the earlier of September 30, 1993, the date upon which the outstanding debt becomes due or is refinanced, a merger or consolidation of CRI or WPGH, a sale, lease or other disposition of all or substantially all of the assets of CRI or WPGH or their subsidiaries, any change in control or if it becomes legally burdensome to hold such warrants. The warrants were callable after March 31, 1994.

The warrant agreement includes certain restrictions which prohibit WPGH from issuing any preferred stock or stock rights. Further, among other restrictive covenants, WPGH may not repurchase, redeem or otherwise acquire any shares of common stock of any class, other than from present shareholders. CRI may not incur, at any time, any indebtedness which in the aggregate is in excess of $125,000,000. WPGH and its subsidiaries are restricted from incurring, at any time, any indebtedness which, in the aggregate, is in excess of $58,500,000. The warrant holders also had the right to participate in any sales of WPGH's stock on a pro-rata basis and share in the proceeds of certain asset or stock sales subsequent to the redemption of the warrants.

In September 1993, the Company purchased the remaining warrants outstanding for $9,000,000. The carrying value of these warrants as of June 30, 1993, was $10,059,000.

Notes payable and commercial bank financing consisted of the following as of December 31, 1991 and 1992, and June 30, 1993 (in thousands):

	December 31, 1991	December 31, 1992	June 30, 1993
Secured debt facility payable to a commercial bank, interest ranging among various base rates plus certain percentages above the base rate	$80,000	$71,333	$66,331
Secured revolving credit facility payable to a commercial bank, interest ranging among various base rates plus certain percentages above the base rate	1,000	13,000	5,500
Mortgages payable to various financial institutions, interest ranging from 12% to 15%	503	448	415
Unsecured installment notes to former minority stockholders of CRI and WBFF, interest ranging from 7% to 18%	5,759	4,231	3,905
	87,262	89,012	76,151
Less – Unamortized debt discount	(10,996)	(8,900)	(7,865)
	76,266	80,112	68,286
Current portion	(7,606)	(10,734)	(10,813)
	$68,660	$69,378	$57,473

Notes payable, as of June 30, 1993, mature as follows (in thousands):

1993	$ 5,384
1994	10,879
1995	13,039
1996	13,163
1997	33,486
1998	12
1999 and thereafter	188
	$76,151

Substantially all of the Companies' assets have been pledged as security for notes payable and commercial bank financing. In addition, the stockholders have pledged their stock in SBG to the commercial bank and have delivered mortgages and security agreements, as well as the $6,000,000 note received from the sale of WPTT as described in Note 8 (held by former SBG majority stockholders effective March 1, 1993), as additional collateral. Further, Cunningham Communications, Inc. (Cunningham), Keyser Investment Group, Inc. (Keyser), and Gerstell Development Limited Partnership (Gerstell), all businesses that are owned and controlled by the stockholders, were required to guarantee obligations to the commercial bank. Cunningham, Keyser, and Gerstell are landlords of the Company's operating subsidiaries. The guarantees of Cunningham, Keyser, and Gerstell are secured by pledges of substantially all of the assets of each corporation.

The unsecured installment notes payable to former minority stockholders are payable in semiannual payments of $702,000 through 1997. Should SBG exercise the right to prepay the notes, a prepayment penalty not to exceed $940,000 also becomes due to the noteholders.

4. NOTES AND CAPITAL LEASES PAYABLE TO AFFILIATES:

Notes and capital leases payable to affiliates, resulting from the transactions described in Notes 1, 8 and 11, consisted of the following as of December 31, 1991 and 1992, and June 30, 1993 (in thousands):

	December 31, 1991	December 31, 1992	June 30, 1993
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	$13,309	$13,117	$13,117
Notes payable to former officer as described in Note 11, interest at 16%	4,363	—	—
Unsecured note payable to former officer, interest at prime rate plus 1%	120	—	—
Capital lease for building, interest rate 17.5%	1,705	1,689	1,671
Capital leases for broadcasting tower facilities, interest rates averaging 10%	1,672	1,476	1,366
	21,169	16,282	16,154
Current portion	4,888	320	354
	$16,281	$15,962	$15,800

Notes and capital leases payable to affiliates, as of June 30, 1993, mature as follows (in thousands);

1993	$ 405
1994	1,331
1995	1,365
1996	1,398
1997	894
1998	672
1999 and thereafter	12,032
Total minimum payments due	18,097
Less—Amount representing interest on capital leases)	$ 1,943
	$16,154

5. PROGRAM CONTRACTS PAYABLE:

Future payments required under program contracts payable as of June 30, 1993, are as follows (in thousands):

1993	$ 6,153
1994	8,694
1995	4,903
1996	820
1997	211
1998 and thereafter	39
	20,820
Less—Current portion	(11,521)
Long-term portion of program contracts payable	$ 9,299

Included in the 1993 amounts are payments due in arrears of $1,746,000. In addition, the Companies have entered into noncancelable commitments for future program rights aggregating $14,700,000 as of June 30, 1993. As is consistent with prior years, program contracts payable and the assets related to these commitments have not been recognized in the accompanying consolidated financial statements as all of the conditions specified in the related license agreements have not been met.

6. LOANS TO OFFICERS AND AFFILIATES:

On September 30, 1990, SBG sold Channel 63, Inc. (WIIB) to certain SBG stockholders. The proceeds of this sale of $1,500,000 consisted of a note which was amended and restated on June 30, 1992. The remaining principal balance at that date was approximately $1,459,000 and is payable in equal principal and interest installments of $16,000 until September 2000, on which date a balloon payment of approximately $431,000 is due. The note earns 6.88% annual interest.

During 1992, a $900,000 note was received from the SBG stockholders and during 1993 a $6,559,000 note was received from a former majority owner in the transactions described in Note 8.

Also during the three months ended December 31, 1990, the years ended December 31, 1991 and 1992, and the six months ended June 30, 1992 and 1993, the Companies loaned the SBG stockholders an additional $70,000, $400,000, $830,000, $699,000 and $122,000, respectively. The 1992 and 1993 advances included $163,000 and $71,000 of accrued interest. The loans are payable to SBG on demand and earn interest at rates ranging from prime plus 1% to 7.9%.

During 1990, WBFF sold certain station equipment to an affiliate for $512,000. The sale is accounted for on an installment basis since the affiliate is in the start-up phase. The note is to be paid over five years and earns annual interest at 11%. In connection with the start-up of this affiliate, the Company loaned $3 million to certain SBG stockholders. This note is accruing interest at prime plus 1% and requires quarterly principal repayments of the remaining balance over six years beginning May 1, 1994. As of June 30, 1993, the balance outstanding was approximately $2,493,000.

7. INCOME TAXES:

SBG, including its consolidated subsidiaries, files consolidated federal income tax returns and separate company state tax returns.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". The Company retroactively adopted the new accounting and disclosure rules effective January 1, 1990, resulting in an increase in net income of $390,000 and $291,000 in the years ended December 31, 1991 and 1992, respectively, from what would have been reported under the previous method.

The provision (benefit) for income taxes consists of the following (in thousands):

	Three Months Ended December 31,	Years Ended December 31,		Six Months Ended June 30,	
	1990	1991	1992	1992 (unaudited)	1993
Current					
Federal	$300	$ (392)	$ (858)	$(884)	$(180)
State	68	(42)	275	109	50
	368	(434)	(583)	(775)	(130)
Deferred					
Federal	(64)	(988)	(573)	(49)	(600)
State	(16)	(158)	(33)	(13)	(150)
	(80)	(1,146)	(606)	(62)	(750)
	$288	$(1,580)	$(1,189)	$(837)	$(880)

The following is a reconciliation of the statutory federal income taxes to the recorded provision (benefit) (in thousands):

	Three Months Ended December 31, 1990	Years Ended December 31, 1991	Years Ended December 31, 1992	Six Months Ended June 30, 1992 (unaudited)	Six Months Ended June 30, 1993
Statutory federal income taxes	$252	$(2,122)	$(2,203)	$(1551)	$(2,158)
Adjustments–					
State income taxes, net of federal effect	34	(119)	160	63	(254)
Goodwill amortization	95	430	484	243	235
Nontaxable gain on life insurance proceeds	–	–	–	–	(337)
Portion of tax loss carryforward generated recorded as a valuation allowance	–	–	–	–	1,800
Other	(93)	231	370	408	(166)
Provision (benefit) for income taxes	$288	$(1,580)	$(1,189)	$ (837)	$ (880)

During the six months ended June 30, 1993, the Company generated taxable losses of approximately $7,300,000, resulting in a deferred tax asset of $2,793,000. The total deferred tax asset as of June 30, 1993 of $2,400,000 required an additional valuation allowance of $1,800,000–the amount by which the net deferred tax asset exceeded the deferred tax liability.

Temporary differences between the financial reporting carrying amounts and the tax basis of assets and liabilities give rise to deferred taxes. The principal sources of temporary differences and their effects on the provision (benefit) for deferred income taxes are as follows (in thousands):

	Three Months Ended December 31, 1990	Years Ended December 31, 1991	Years Ended December 31, 1992	Six Months Ended June 30, 1992 (unaudited)	Six Months Ended June 30, 1993
Program contract amortization and net realizable value adjustments	$(163)	$ (644)	$(853)	$(405)	$ 328
Depreciation and amortization	66	169	(220)	(117)	(210)
Bad debt reserves	(24)	14	(37)	(18)	(20)
Tax credit carryforwards generated	–	–	(450)	–	–
Loss carryforward for tax purposes	–	–	–	–	(2,793)
Capital lease accounting	21	66	100	49	60
Deferred gain recognition	(27)	34	34	17	15
Deferred commission recognition	–	(280)	89	44	–
Other	47	(515)	731	368	70
Increase in valuation reserve	–	–	–	–	1,800
	$ (80)	$(1,156)	$(606)	$ (62)	$ (750)

Total deferred tax assets and deferred tax liabilities as of December 31, 1991 and 1992, and June 30, 1993, and the sources of the difference between financial accounting and tax bases of the Company's assets and liabilities which give rise to the deferred tax assets and deferred tax liabilities and the tax effects of each are as follows (in thousands):

	December 31, 1991	December 31, 1992	June 30, 1993
Deferred Tax Assets:			
Tax credit carryforwards	$ –	$ 450	$ 450
Loss carryforward for tax purposes	–	–	2,793
Accounts receivable	152	189	208
Deferred commissions	415	326	282
Program contracts	1,187	2,041	1,325
Other	646	394	186
Valuation allowance	(600)	(600)	(2,400)
	$1,800	$2,800	$2,844
Deferred Tax Liabilities:			
FCC license	$1,557	$1,493	$1,461
Property and equipment	1,380	1,138	960
Capital lease accounting	155	254	315
Other	64	665	108
	$3,156	$3,550	$2,844

8. RELATED PARTY TRANSACTIONS:

Certain of the Companies have entered into sale-leaseback transactions in which they sold certain facilities to Cunningham Communications, Inc. (Cunningham), a corporation owned by various SBG stockholders, and then leased the facilities under noncancelable capital leases which expire in 1997 and 1998. These assets collateralize certain Cunningham notes payable. Aggregate rental payments related to these capital leases during the three months ended December 31, 1990, the years ended December 31, 1991 and 1992, and the six months ended June 30, 1992 and 1993, were $168,000, $285,000, $354,000, $173,000 and $182,000, respectively.

In August 1991, WBFF entered into a ten year capital lease at approximately $300,000 per year for a new administrative and studio facility with Keyser, a corporation owned by the SBG stockholders.

Effective August 30, 1991, SBG sold substantially all of the assets of CRI which were primarily represented by the Pittsburgh television station, WPTT. The majority of the sales price was financed through a term note of $6,000,000 and a $1,000,000 subordinated convertible debenture to CRI. The debenture is convertible for up to 80% of the nonvoting capital stock of WPTT, subject to FCC approval. The term note is secured by all of the assets and outstanding stock of the newly incorporated station. The gain of $5,233,000, net of the investment in WPTT at the sale date, was deferred until the realizability of the related notes was determined to be probable. Related to the sale of WPTT, CRI has entered into lease agreements whereby the new owner of WPTT rents usage of the tower and the station building owned by CRI.

In March 1993, CRI assigned the rights to the $6,000,000 term note received from the sale of WPTT, plus accrued interest, to the former majority stockholders of SBG in exchange for $50,000 in cash and a note for $6,559,000. The new note bears interest at 7.21% and requires interest only payments through September 2001. Monthly principal payments of $109,000 plus interest are payable beginning November 2001 until September 2006, at which time the remaining principal balance plus accrued interest, if any, is due. The deferred gain of $4,486,000 related to the $6,000,000 note was recognized in 1992 as the realizability from the former stockholders (to whom SBG owed $13,117,000 as of December 31, 1992) was determined to be probable. This amount was recognized as additional paid-in capital due to the related party nature of the transaction.