SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1991, 1992 AND 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying consolidated financial statements 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 were wholly-owned subsidiaries of CRI. In September 1993, CRI was liquidated into SBG. The companies mentioned above, which are collectively referred to hereafter as "the Company or Companies", own and operate television stations in Baltimore, Maryland; Pittsburgh, Pennsylvania; and Columbus, Ohio.

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, 1992, SBG had prepaid approximately $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. 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.

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, money-market funds and overnight investments at a commercial bank, all with maturities less than 90 days.

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 a four year accelerated method or based on usage, whichever yields the greater amortization for each program. Program contract costs, estimated by management to be amortized in the succeeding year, are classified as current assets.

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.

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 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 (recorded as loans to officers and affiliates as of December 31, 1993), prepaid noncompete agreements and deferred financing costs (see Notes 8 and 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, advertising base, Fox affiliation agreement and other intangible assets is approximately nine years.

Bonuses Declared

In September 1993, the Company paid special bonuses to executive officers totaling $10,000,000.

Non-Cash Transactions

During 1991, 1992 and 1993 the Company entered into the following non-cash transactions (in thousands):

	1991	1992	1993
• Acceptance of a note from a related party in exchange for assignment of an existing note (Note 8)	$ -	$ -	$ 6,559
• Acceptance of note from a related party in exchange for certain property (Note 8)	$ -	$ -	$ 2,100
• Capital leases entered with related parties (Note 8)	$ 1,496	$ -	$ 2,882
• Program contract costs acquired/obligations assumed	$ 11,540	$ 9,917	$ 3,602
• Deferred financing fees to be refunded by underwriters (Note 3)	$ -	$ -	$ 1,000

Reclassifications

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

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:

Building 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, equipment and autos under capital lease	Shorter of 10 years or the lease term

Subsequent to December 31, 1993, the Company purchased a corporate jet for $1,375,000 and an administrative building for $500,000. Property and equipment consists of the following as of December 31, 1992 and 1993 (in thousands):

	1992	1993
Land and improvements	$ 578	$ 138
Building and improvements	2,993	1,877
Leasehold improvements	2,139	2,161
Station equipment	8,455	7,778
Office furniture and equipment	1,500	1,606
Automotive equipment	307	312
Property, equipment and autos under capital leases	7,672	10,477
	23,644	24,349
Less – Accumulated depreciation and amortization	(9,918)	(12,154)
	$13,726	$12,195

3. NOTES PAYABLE AND COMMERCIAL BANK FINANCING:

In December 1993, the Company raised $200,000,000 through the issuance of 10% senior subordinated notes, due 2003 (the Notes). Interest on the Notes is due June 15 and December 15 of each year, commencing June 15, 1994. Interest expense for the year ended December 31, 1993, was $1,222,000. The Notes are issued under an Indenture among SBG, its subsidiaries (the guarantors) and the trustee. Costs associated with the offering totaled $5,136,000, including underwriting discount of $4,000,000. These costs were capitalized and are being amortized over the life of the debt, less the costs written off or to be refunded related to the $100,000,000 held in escrow, as described below.

Proceeds of $100,000,000 were placed in escrow with the trustee, pending the closing of the acquisition described in Note 14. The Company is required to redeem this portion of the Notes at 100% of the principal amount, plus accrued interest, if, in the opinion of the Company, the acquisition cannot be completed, as defined in the Indenture, in all material respects on or prior to June 1, 1994. Subsequent to year-end, as described in Note 14, the Company determined that a redemption was required and notified the trustee of their intent to redeem $100,000,000 of the Notes. This portion of the Notes is therefore included in current portion of notes payable and commercial bank financing. The remaining portion of the proceeds of the Notes was used to repay the secured debt facility and for general corporate purposes.

The Company will receive a refund of $1,000,000 of fees from the underwriters, in connection with the redemption, which is included in receivables. In addition, the Company has recognized an extraordinary loss on the planned redemption of the senior subordinated notes of $1,102,000, which represents the direct financing costs of the debt to be redeemed, less the refund to be received. In connection with the repayment of the secured debt facility, the Company recognized an extraordinary loss of $10,962,000 in 1993. This loss consisted of the recognition of unamortized debt discount of $7,017,000 and the write-off of deferred debt issuance costs of $3,945,000. The total extraordinary losses of $12,064,000 are recorded, net of $2,900,000 in income tax benefits, as loss on repayment of commercial bank debt and planned redemption of senior subordinated notes in the 1993 financial statements.

In addition to the redemption provision discussed above, the Company has the option to redeem the Notes any time after December 15, 1998. Redemption prices are as follows:

Redemption Date	Redemption Price (as a % of principal amount)
On or after December 15, 1998	105%
1999	104%
2000	103%
2001	100%

Furthermore, at any time on or prior to December 15, 1996, the Company may redeem up to 25% of the original principal amount of the Notes with the net proceeds of a public equity offering at 109% of the principal amount. The Notes also may be redeemed by the holder at 101% of the principal amount upon occurrence of a change of control, as defined in the Indenture.

The Indenture contains covenants limiting indebtedness, transactions with affiliates, liens, sales of assets, issuances of guarantees of, and pledges for, indebtedness, transfer of assets, dividends, mergers and consolidations.

The secured debt facility originally consisted of $80,000,000 in term loans and a $15,000,000 senior secured revolving line of credit from a commercial bank. All borrowings outstanding under this facility were repaid in December 1993. The revolving line of credit is still available to the Company. Average borrowings and the highest borrowings outstanding were approximately $10,000,000 and $13,000,000 during 1992, and $5,375,000,and $13,000,000 during 1993, respectively. Under this line of credit, the average interest rate and highest interest rate were 7.4% and 8.5% during 1992 and 6.9% and 8.0% during 1993, respectively. This line of credit is currently partially restricted, as discussed in Note 14.

In 1991, in conjunction with the secured debt facility discussed above, WPGH 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. A corresponding reduction to the face amount of the commercial bank financing was recorded as a debt discount and was being amortized over the term of the debt. Amortization of debt discount expense was $611,000, $2,096,000 and $1,883,000 for the years ended December 31, 1991, 1992 and 1993, respectively. The remaining discount of $7,017,000 was recognized as part of the extraordinary loss on repayment of commercial bank debt.

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. In June 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 debt-related expenses of $500,000, was recorded as an extraordinary gain of $198,000. In September 1993, the Company purchased the remaining warrants outstanding for $9,000,000 and recognized an additional extraordinary gain of $1,059,000, resulting in a total gain of $1,257,000.

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

	1992	1993
Senior subordinated notes, interest at 10%	$ -	$200,000
Secured debt facility payable to a commercial bank, interest ranging among various base rates plus certain percentages above the base rate	71,333	-
Secured revolving credit facility payable to a commercial bank, interest ranging among various base rates plus certain percentages above the base rate	13,000	-
Mortgages payable to various financial institutions, interest ranging from 12% to 15%	448	389
Unsecured installment notes to former minority stockholders of CRI and WBFF, interest ranging from 7% to 18%	4,231	3,533
	89,012	203,922
Less - Unamortized debt discount	(8,900)	-
	80,112	203,922
Senior subordinated notes to be redeemed	-	(100,000)
Remaining current portion	(10,734)	(869)
	$ 69,378	$103,053

Notes payable, as of December 31, 1993, mature as follows (in thousands):

1994	$100,869
1995	1,038
1996	1,160
1997	655
1998	12
1999 and thereafter	100,188
	$203,922

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, 1992 and 1993 (in thousands):

	1992	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 in May 2005	$13,117	$13,068
Capital lease for building, interest at 17.5%	1,689	1,652
Capital leases for broadcasting tower facilities, interest rates averaging 10%..	1,476	1,240
Capital leases for building and tower, interest at 8.25%.......	-	2,822
	16,282	18,782
Current portion	(320)	(1,197)
	$15,962	$17,585

Notes and capital leases payable to affiliates, as of December 31, 1993, mature as follows (in thousands):

1994..	$ 1,816
1995..	1,872
1996..	1,932
1997..	1,455
1998..	1,257
1999 and thereafter..	13,100
Total minimum payments due..............................	21,432
Less-Amount representing interest on leases.......	(2,650)
	$18,782

5. PROGRAM CONTRACTS PAYABLE:

Future payments required under program contracts payable as of December 31, 1993, are as follows (in thousands):

1994..	$11,858
1995..	5,504
1996..	1,381
1997..	313
1998..	30
1999 and thereafter..	4
	19,090
Less-Current portion...	(11,858)
Long-term portion of program contracts payable	$ 7,232

Included in the 1994 amounts are payments due in arrears of $2,188,000. In addition, the Companies have entered into noncancelable commitments for future program rights aggregating $20,398,000 as of December 31, 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.

The Company has estimated the fair value of these program contract payables and commitments at approximately $30,280,000 as of December 31, 1992, and $32,458,000 as of December 31, 1993, based on future cash flows discounted at the Company's current borrowing rate.

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 years ended December 31, 1992 and 1993, the Companies loaned the SBG stockholders an additional $830,000 and $2,344,000, respectively. The 1992 and 1993 advances included $163,000 and $145,000 of accrued interest. The 1993 advance includes the $2,100,000 note from Gerstell Development Limited Partnership discussed in Note 8. The loans are payable to SBG, have various due dates, and earn interest at rates ranging from prime plus 1% to 7.9%.

In September 1993, several officers repaid $666,000 of loans which had been made to them by the Company. These loans had been included in loans to officers and affiliates.

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, certain SBG stockholders issued a note allowing them to borrow up to $3 million from the Company. This note is accruing interest at prime plus 1% and requires quarterly principal repayments of the remaining balance over six years beginning March 31, 1994. As of December 31, 1992 and 1993, the balance outstanding was approximately $2,422,000 and $2,582,000, respectively.

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". In 1992, 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 as of December 31, 1991, 1992 and 1993 (in thousands):

	1991	1992	1993
Provision (benefit) for income taxes before extraordinary items	$ (1,580)	$ (1,189)	$ 960
Income tax effect of extraordinary items	-	-	(2,900)
	$ (1,580)	$ (1,189)	$ (1,940)
Current:			
Federal	$ (392)	$ (858)	$ 2,255
State	(42)	275	855
	(434)	(583)	3,110
Deferred:			
Federal	(988)	(573)	(4,102)
State	(158)	(33)	(948)
	(1,146)	(606)	(5,050)
	$ (1,580)	$ (1,189)	$ (1,940)

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

	1991	1992	1993
Statutory federal income taxes	$(2,122)	$(2,203)	$(3,533)
Adjustments-			
State income taxes, net of federal effect	(119)	160	530
Goodwill amortization	430	484	325
Nontaxable gain on life insurance proceeds	-	-	(337)
Nontaxable gain on sale of warrants	-	-	(427)
Additional taxable income to be recognized in prior year returns	-	-	950
Not-to-compete agreement	131	131	131
Other	100	239	421
Benefit for income taxes	$(1,580)	$(1,189)	$(1,940)

During the year ended December 31, 1993, the Company generated taxable losses of approximately $6,900,000. However, as permitted by the Internal Revenue Service, the Company has elected to amortize all intangibles acquired after July 1991 over 15 years and has retroactively restated tax amortization related to the WPGH acquisition. This restatement will cause additional taxable income to be recognized in the Company's amended 1991 and 1992 tax returns (which will be partially offset by 1993 taxable losses and prior year unutilized tax credits). Previously unrecognized tax benefits of $3,797,000 were generated related to deductible acquired intangibles considered nondeductible prior to the election.

The Company has recorded current payables of $755,000 as a result of liabilities generated for prior years by the reduced tax amortization. After affecting for these changes, the Company had deferred tax assets of $4,300,000 as of December 31, 1993. Management believes that this net deferred asset will be realized through future operating results based on 1993's actual operating profits and its projection of future years' results.

The Company has no net operating losses available for carryforward as of December 31, 1993.

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 as of December 31, 1991, 1992 and 1993, (in thousands):

	1991	1992	1993
Program contract amortization and net realizable value adjustments	$(644)	$(853)	$ (628)
Depreciation and amortization	169	(220)	(868)
Bad debt reserves	14	(37)	(13)
Tax credit carryforwards used (generated)	–	(450)	385
Capital lease accounting	66	100	142
Deferred gain recognition	34	34	34
Deferred commission recognition	(280)	89	89
Acquired intangibles amortization	–	–	(3,107)
Loss on planned redemption of senior subordinated notes	–	–	(419)
Other	(505)	731	(65)
Decrease in valuation reserve	–	–	(600)
	$(1,146)	$(606)	$(5,050)

Total deferred tax assets and deferred tax liabilities as of December 31, 1992 and 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):

	1992	1993
Deferred Tax Assets:		
Tax credit carryforwards	$ 450	$ 65
Bad debt reserves	189	202
Deferred commissions	326	237
Program contracts	2,040	2,668
Acquired intangibles	–	3,107
Deferred loss on planned redemption of senior subordinated notes	–	419
Other	395	73
Valuation allowance	(600)	–
	$2,800	$6,771
Deferred Tax Liabilities:		
FCC license	$1,493	$1,401
Depreciation and amortization	1,160	292
Capital lease accounting	255	397
Other	642	381
	$3,550	$2,471

8. <u>RELATED PARTY TRANSACTIONS:</u>

Certain of the Companies have entered into sale-leaseback transactions in which they have 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 years ended December 31, 1991, 1992 and 1993, were $285,000, $354,000 and $371,000, 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 entered into lease agreements whereby the new owner of WPTT rents usage of the tower and the station building owned by CRI. The tower was subsequently sold, as discussed below.

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. The new note is included in loans to officers and affiliates in the accompanying balance sheets.

During 1992, the $1,000,000 subordinated convertible debenture received from the sale of WPTT was assigned to SBG's current stockholders in exchange for $100,000 in cash and a $900,000 note which bears interest at 7.9%. As the remaining note is due from current stockholders, the portion of the gain related to the original $1,000,000 debenture is being recognized as a capital contribution as cash is received. For the years ended December 31, 1992 and 1993, $90,000 and $48,000, respectively, were recognized as additional paid-in capital.

In conjunction with the WPTT transaction, on August 30, 1991, CRI purchased substantially all of the assets of another Pittsburgh television station, WPGH. The results of operations of WPTT through August 30, 1991 and the results of operations of WPGH from August 30, 1991 through December 31, 1992 are included in the accompanying consolidated financial statements. CRI paid $55,000,000 for WPGH which included approximately $11,656,000 for property and programming costs and $9,993,000 of acquired intangible broadcasting assets. A deferred tax liability and corresponding additional goodwill of $1,950,000 was also recorded due to differences between the book and tax basis of the acquired assets. The remainder was allocated to other intangible assets based upon an independent appraisal and is being amortized over periods ranging from 3 to 25 years.

In January 1992, WPGH entered into a management agreement with Keyser Communications, Inc. (KCI), an affiliated company owned by the stockholders of the Company, whereby WPGH places on WPTT certain of WPGH's excess programming on behalf of KCI. Program contracts deemed to have no value to WPGH were utilized under this arrangement during 1992 and 1993. Amortized cost and net book value as of the beginning of the year for these contracts were approximately $1,460,000 and $1,200,000 in 1992 and $935,000 and $220,000 in 1993, respectively. In consideration for this programming, WPGH earns a 10% commission on all net revenues generated for this and other programming plus the promotional use of any unsold inventory on WPTT. Any out-of-pocket expenses are reimbursed by KCI, although WPGH does pay for commissions earned on the sales. Commissions and reimbursements, net of commissions paid, of approximately $112,000 in 1992 and $120,000 in 1993, and promotional commercial inventory valued at approximately $40,000 in 1992 and $26,000 in 1993, were received under this arrangement.

In September 1993, the Company entered into sale-leaseback transactions in which they sold certain facilities to Gerstell Development Limited Partnership (Gerstell), an entity wholly-owned by the SBG stockholders, for $2,200,000. WPGH then leased many of the assets sold under noncancelable capital leases, with initial terms of seven years and four seven year renewal options. Aggregate rental payments under these leases were $120,000 in 1993. Gerstell financed the acquisition partly through a $2,100,000 note issued to the Company. The note bears interest at 6.18%, with principal payments beginning on November 1, 1994, and a final maturity date of October 1, 2013. In addition, Gerstell has arranged for a $2,000,000 loan from a commercial bank, which is guaranteed by the Company.

Pursuant to a second agreement, Gerstell purchased the tower leased to WPTT from SBG for $115,000 in cash.

In conjunction with the transactions discussed above, the Company sold off certain rental contracts related to the property sold to Gerstell. After considering these sales, the Company recognized no gain or loss on the transactions.

9. EMPLOYEE BENEFIT PLAN:

The Sinclair Broadcast Group, Inc. 401(k) profit sharing plan and trust (the SBG Plan) covers eligible employees of each of the Companies. Contributions made to the SBG Plan include an employee elected salary reduction amount, company matching contributions and a discretionary amount determined each year by the Board of Directors. The Company's 401(k) expense for the years ended December 31, 1991, 1992 and 1993, were $79,000, $109,000 and $148,000, respectively. There were no discretionary contributions during these periods.

10. CONTINGENCIES AND OTHER COMMITMENTS:

Litigation

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

Operating Leases

The Companies have entered into operating leases for certain automotive and office equipment, a parcel of land and WTTE's broadcasting tower facility under terms ranging from three to ten years. The rent expense under these leases, as well as certain leases under month-to-month arrangements, for the years ended December 31, 1991, 1992 and 1993, aggregated approximately $268,000, $239,000 and $373,000, respectively. Future minimum payments under the leases are as follows (in thousands):

1994	$283
1995	50
1996	37
1997	37
1998	37
1999 and thereafter	74
	$518

11. TRANSACTIONS WITH FORMER OFFICERS:

In December 1986, the Companies entered into certain not-to-compete agreements with a former officer in the aggregate amount of $345,000 per year. The agreements ended May 1993.

On January 1, 1988, the Companies issued a note payable to another former officer in the amount of $4,000,000 in consideration of a stock redemption. This note payable matured and was repaid in February 1992, along with interest due in arrears for this note.

Also during 1990, the Companies paid $5,979,000 to this former officer in consideration of a stock redemption and extensions of the existing not-to-compete and consulting agreements through 1993. As this transaction was a final redemption related to a step acquisition which began in 1986, this redemption was also accounted for under the purchase method of accounting. As such, the agreement resulted in additional recorded acquired intangible broadcasting assets of $1,242,000 and other assets of $4,800,000 in the Companies' 1990 financial statements.

On January 1, 1988, the former officer also loaned the Companies $363,000, through a term promissory note. This note also matured February 1992. Interest on these notes accrued at 5.5% per annum to be paid annually. Additional interest of 10.5% per annum, on the unpaid principal balance, was paid at maturity along with the entire principal portion.

Additionally, the Companies entered into various consulting and not-to-compete agreements with this former officer and a related consulting company. Under these agreements, annual consulting fees, which were guaranteed by CRI and WBFF, of $563,000 and aggregate not-to-compete payments totaling $2,657,000 were payable through 1991. Payments under these agreements were $2,157,000 and $2,512,000 during 1991 and 1992, respectively, with the final payment made in February 1992.

The expense under these agreements is being recorded on a straight-line basis over the life of the agreements and is recorded in the Companies' consolidated statements of operations within the respective expense classifications to which they relate. Expenses recorded in excess of cash payments are recorded as accrued liabilities. Expenses recorded under these agreements were $2,525,000 and in both 1991 and 1992 and $2,400,000 in 1993.

Subsequent to December 31, 1993, the Company signed a two year consulting agreement with the same former officer and a related consulting company. Under this agreement, the Company paid $742,500 for services to be provided during 1994 and 1995.

12. LIFE INSURANCE PROCEEDS:

In May 1993, the Company received life insurance proceeds in excess of the carrying value of the related policies of approximately $844,000. This nontaxable gain has been recorded as other income.

13. ACQUISITION OF WPGH:

The unaudited pro forma summary consolidated results of operations for the year ended December 31, 1991, assuming the acquisition of WPGH and the sale of WPTT had occurred on January 1, 1991, is as follows (in thousands):

	1991 (Unaudited)
Revenues, net	$56,547
Operating expense, net of depreciation and amortization	30,168
Depreciation and amortization	23,327
Other expenses, net	14,311
Benefit for income taxes	(3,300)
Net loss	$(7,959)

14. PROPOSED ACQUISITIONS:

During 1993, the Company entered into an agreement with ABRY Communications, Inc. (ABRY) to purchase two of their stations for an aggregate purchase price of approximately $60 million, plus approximately $56 million for covenants not-to-compete and consulting agreements in these and the Company's current markets. These two stations, both of which are Fox affiliates, are WCGV in Milwaukee, Wisconsin, and WTTO in Birmingham, Alabama.

The Company has also entered into agreements to purchase the program contracts and certain other assets of television station WNUV in Baltimore, Maryland, and WVTV in Milwaukee, Wisconsin from ABRY. These agreements are for an aggregate purchase price of approximately $65 million. The Company will not be acquiring the FCC license and certain other related assets of either station. Management intends to enter program service agreements with the owners of WNUV and WVTV whereby the Company, in exchange for an hourly fee, will obtain the right to program and sell advertising on substantially all of these stations' inventory of broadcast time. All of these acquisitions were conditioned on the consummation of ABRY's sale of the remaining assets of WNUV and WVTV to Glencairn Ltd (Glencairn).

A standby letter of credit has been issued in the amount of $6.25 million and placed with an escrow agent to hold for the ABRY acquisitions. Restrictions against the Company's revolving line of credit in that amount are in place as long as the letter of credit remains outstanding. The execution of the letter of credit is limited to specific breaches of the agreements. On May 15, 1994, the limitations on the execution of the letter of credit expire. Subsequent to this date the Company is at risk for the $6.25 million if the Company is unable to complete the acquisitions. Management expects to be able to determine, prior to May 15, 1994, whether they will be able to close the acquisitions.

The completion of this acquisition is dependent upon Federal Communications Commission (FCC) approval. Subsequent to year-end, ABRY and Glencairn determined that approval would not be forthcoming as the transaction was originally structured and withdrew their application for transfer of the FCC license of WNUV. ABRY and the Company are in the process of discussing modifications to the acquisition agreements, including waiver of the requirement that the transaction between ABRY and Glencairn be consummated in order to complete the full transaction. Management determined that the changes were such that a mandatory special redemption of $100 million of the Notes was required under the Indenture as described in Note 3. Management continues to pursue FCC approval of the acquisitions and expects to be able to fund the acquisitions, if approved, through borrowings from a commercial bank.

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

INDEX TO SCHEDULES

All schedules except those listed above are omitted as not applicable or not required or the required information is included in the financial statements or in the notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited in accordance with generally accepted auditing standards, the consolidated balance sheets, statements of operations, changes in stockholders' equity and cash flows of Sinclair Broadcast Group, Inc. included in this registration statement and have issued our report thereon dated March 22, 1994. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the accompanying index are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen & Co.

Baltimore, Maryland,
March 22, 1994

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

(in thousands)

Description	Balance at Beginning of Period	Additions	Deductions: Amounts Collected	Deductions: Amounts Written off	Balance at End of Period: Current	Balance at End of Period: NonCurrent
1991						
Bay Television, Inc. 11%, maturing March 1995	$ 443	$ –	$ 87	$ –	$ 97	$ 259
Frederick Smith, David Smith, J. Duncan Smith, Robert Smith Prime plus 1%, maturing on December 31, 1999	1,570	559	–	–	–	2,129
Frederick Smith, David Smith, J. Duncan Smith, Robert Smith 10.25%, maturing September 2000	1,496	–	23	–	60	1,413
Robert Smith 7.87%, maturing September 2004	–	100	10	–	11	79
1992						
Bay Television, Inc. 11%, maturing March 1995	356	–	97	–	100	159
Frederick Smith, David Smith, J. Duncan Smith, Robert Smith Prime plus 1%, maturing on December 31, 1999	2,129	293	–	–	–	2,422
Frederick Smith, David Smith, J. Duncan Smith, Robert Smith 6.88%, maturing September 2000	1,473	–	61	–	98	1,314
Robert Smith 7.87%, payable on demand	90	13	11	–	92	–
David Smith 7.87%, payable on demand	–	262	–	–	262	–
J. Duncan Smith 7.87%, payable on demand	–	262	–	–	262	–
Frederick Smith, David Smith, J. Duncan Smith., Robert Smith 7.9%, maturing April 2002	–	900	21	–	66	813

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

(in thousands)

Description	Balance at Beginning of Period	Additions	Deductions: Amounts Collected	Deductions: Amounts Written off	Balance at End of Period: Current	Balance at End of Period: NonCurrent
1993						
Bay Television, Inc. 11%, maturing March 2004	$ 259	$ –	$ 108	$ –	$ 119	$ 32
Frederick Smith, David Smith, J. Duncan Smith, Robert Smith Prime plus 1%, maturing on December 31, 1999	2,422	160	–	–	121	2,461
Frederick Smith, David Smith, J. Duncan Smith, Robert Smith 6.88%, maturing September 2000	1,412	–	104	–	108	1,200
Robert Smith 7.87%, payable on demand	92	40	132	–	–	–
David Smith 7.87%, payable on demand	262	5	267	–	–	–
J. Duncan Smith 7.87%, payable on demand	262	5	267	–	–	–
Frederick Smith, David Smith, J. Duncan Smith, Robert Smith 7.9%, maturing April 2002	879	–	65	–	–	814
Julian and Carolyn Smith, 7.21%, maturing September 2006	–	6,559	–	–	–	6,559
Gerstell Development Limited Partnership, 6.18%, principal payments due from November 1994 to October 2013	–	2,100	–	–	–	2,100
Various short-term receivables	–	34	–	–	34	–
Receivable from underwriters	–	1,000	–	–	1,000	–

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

INDEBTEDNESS OF AND TO RELATED PARTIES – NOT CURRENT
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993
(in thousands)

	Indebtedness of				Indebtedness to			
Description	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period	Balance at Beginning of Period	Additions	Deductions	Balanc at En of Peric
1991								
Julian and Carolyn Smith 8.75%, maturing May 2005	–	–	–	–	$14,215	–	$906	$13,30
Robert Simmons From prime plus 1% to 16%, maturing February 1992	–	–	–	–	4,483	–	–	4,48
Cunningham Communications, Inc. 10%, maturing June 1997	–	–	–	–	1,834	—	162	1,67
Keyser Investment Group, Inc. 17.5%, maturing May 1994 with renewal options through August 2001	–	–	–	–	–	1,705	–	1,70
1992								
Julian and Carolyn Smith 8.75%, maturing May 2005	–	–	–	–	13,309	–	192	13,11
Robert Simmons From prime plus 1% to 16%, maturing February 1992	–	–	–	–	4,483	–	4,483	
Cunningham Communications, Inc. 10%, maturing June 1997	–	–	–	–	1,672	–	196	1,47
Keyser Investment Group, Inc. 17.5%, maturing May 1994 with renewal options through August 2001	–	–	–	–	1,705	–	16	1,68
1993								
Julian and Carolyn Smith 8.75%, maturing May 2005	–	–	–	–	13,117	–	49	13,06
Cunningham Communications, Inc. 10%, maturing June 1997	–	–	–	–	1,476	–	236	1,24
Keyser Investment Group, Inc. 17.5%, maturing May 1994 with renewal options through August 2001	–	–	–	–	1,689	–	37	1,65
Gerstell Development Limited Partnership 8.25%, maturing September 2000	–	–	–	–	–	2,882	60	2,82

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993
(in thousands)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
1991					
Allowance for doubtful accounts.........	$414	$707	$ --	$741	$380
1992					
Allowance for doubtful accounts.........	380	320	--	228	472
1993					
Allowance for doubtful accounts.........	472	255	--	222	505

SCHEDULE X

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY STATEMENTS OF OPERATIONS INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

(in thousands)

	Charged to Costs and Expenses		
Item	1991	1992	1993
Advertising Costs	$ 1,653	$ 1,569	$ 1,616