Depreciation and amortization expenses increased from $7.2 million on a pro forma basis for 1990 to $18.1 million for 1991, or 151.8%. This increase is attributable primarily to increased program purchases and acquired intangible asset amortization expenses associated with the acquisition of WPGH, and the increased asset base available for depreciation as a result of WBFF's new news facilities.

Broadcast operating income decreased from $8.7 million on a pro forma basis for 1990 to $2.1 million for 1991, or 75.9%, due to the aforementioned increases in operating, amortization and depreciation expenses.

Interest expense increased from $5.8 million on a pro forma basis for 1990 to $8.9 million for 1991, or 54.4%, primarily as a result of the higher level of debt incurred by the Company to acquire WPGH.

Income before provision for income taxes was $3.4 million on a pro forma basis in 1990 as compared to a net loss before provision for income taxes of $6.2 million for 1991. This change was attributable primarily to increased amortization expense due to the WPGH acquisition.

Liquidity and Capital Resources

The capital structure of the Company consists of the Company's outstanding long-term debt and stockholders' deficit. The stockholders' deficit consists of common stock, additional paid-in capital and accumulated deficit. The Company's balance of cash and cash equivalents was $2.4 million at September 30, 1993.

The Company's primary source of liquidity is cash provided by operations. Cash from operations increased from $2.3 million for the nine months ended September 30, 1992 to $10.5 million for the nine months ended September 30, 1993, an increase of $8.2 million. This increase is due primarily to a reduction in net loss of $3.1 million and an accrued payment to a former officer at the Company made in the nine months ended September 30, 1992, which was not made in the nine months ended September 30, 1993. This increase was offset by capital expenditures of $255,000, net debt repayments of $849,000 and payments on program contracts of $6.4 million. In addition, the Company received $553,000 in net repayments of loans to officers and affiliates and $1.1 million from proceeds from life insurance policies. As a result, cash increased by $605,000 for the nine months ended September 30, 1993.

Cash from operations increased from a use of $2.3 million for 1991 to a source of $5.2 million for 1992, an increase of $7.5 million. This increase was offset by capital expenditures of $426,000, net loans to officers and affiliates of $625,000, net debt repayments of $3.7 million and payments on program contracts of $10.4 million. As a result, cash increased by $443,000 for 1992.

Cash from operations decreased from a source of $3.9 million for 1990 to a use of $2.3 million for 1991, a decrease of $6.2 million. Capital expenditures were $1.7 million for 1991, net loans to officers and affiliates were $653,000 and payments on program contracts were $4.7 million. The acquisition of WPGH resulted in cash purchase price payments of $55.0 million, net borrowings of $45.5 million and issuance of warrants for $11.6 million. As a result, cash decreased by $2.4 million for 1991.

The Company has the rights to air numerous syndicated programs. See "Business – Programming." As of September 30, 1993, the Company had commitments totalling $18.7 million to acquire future program rights through 1998. The Company anticipates that it will incur contract program expenses of approximately $9.0 million in each of 1993 and 1994.

Since January 1, 1991, the Company has invested approximately $2.4 million of capital expenditures in its television stations. The Company anticipates that its capital expenditures for each of 1993 and 1994 will be approximately $500,000.

The net proceeds of the Offering will be used to repay in full the Term Loan. The Company is a party to an interest rate swap agreement with respect to $34.0 million through April 1994 which has fixed a portion of the Company's floating rate debt at the interest rate of 10.61% per annum. In connection with the Offering, the Company will terminate the swap agreement.

The Company believes that the consummation of the Offering will increase its financial flexibility. At September 30, 1993 after giving pro forma effect to the Offering, the total amount of indebtedness of the Company and its Subsidiaries, excluding the Notes, would have been approximately $31.3 million. The Company anticipates borrowing approximately $175 million of indebtedness in connection with the Proposed Acquisitions. See "Proposed Acquisitions."

The Company has a $15.0 million Revolving Credit Facility and, as of November 8, 1993, had $8.75 million available under the Revolving Credit Facility as a result of an outstanding letter of credit of $6.25 million. The letter of credit was incurred in connection with the Proposed Acquisitions. The Revolving Credit Facility bears interest of LIBOR plus 2¼ percentage points.

The Company anticipates that funds from operations and from its Revolving Credit Facility will be sufficient to meet its working capital, capital expenditures and debt service requirements for the foreseeable future. However, to the extent such funds are not sufficient, the Company may need to incur additional indebtedness or refinance existing indebtedness. The Company's Revolving Credit Facility, the Indenture and the instruments governing indebtedness incurred in connection with the Proposed Acquisitions will restrict such incurrence.

Income Taxes

The benefit for income taxes for the nine months ended September 30, 1993 was 1.9% of net loss before provision for income taxes. This amount was less than statutory rates primarily due to not recording the full tax benefit of losses incurred due to uncertainties of realization of these tax benefits under SFAS 109 and non-deductible goodwill amortization recorded during the period. The benefit for income taxes for the nine months ended September 30, 1992 was 18.7% of the net loss before benefit for income taxes primarily due to non-deductible goodwill amortization and state income taxes paid during the period. The benefit for income taxes for 1992 was 18.4% of the net loss before benefit for income taxes and was due to the non-deductibility of goodwill expenses and other miscellaneous deductions such as travel and entertainment. The benefit for income taxes for 1991 was 25.3% of the net loss before benefit for income taxes primarily due to non-deductible goodwill amortization.

Seasonality

The Company's results are subject to seasonal fluctuations which result in higher fourth quarter broadcast operating income as compared with the first, second and third quarters. This seasonality is primarily attributable to increased expenditures by advertisers in anticipation of holiday season spending and an increase in viewership during this period.

Certain Accounting Matters

Pursuant to the stock redemption effected in 1990, the Company issued the $14.2 million Founders' Notes. The stock redemption was accounted for under the "push-down" method of accounting, as substantially all of the common stock of the Company became owned by a management control group.

The purchase price was allocated based upon the fair value of the assets and liabilities of the Company as of the date of the redemption and resulted in additional recorded acquired intangible broadcasting assets of $13.8 million. As a result of this, the results of operations of the Company prior to the redemption are not comparable to results for periods subsequent thereto. Financial information for periods prior to September 30, 1990 is presented as "predecessor" financial information.

The Financial Accounting Standards Board has issued SFAS No. 106, "Employers' Accounting for Post Retirement Benefits Other Than Pensions" and SFAS No. 112, "Employers' Accounting for Post Employment Benefits." The Company does not offer any benefits of the type covered by these standards. Therefore, the adoption of these standards will not have a material effect on the Company's results of operations or financial condition.

Inflation

Inflation in recent years has not had a significant impact on the Company's operations, and it is not expected to materially adversely affect the Company in the future, unless it increases substantially and the Company suffers from a negative impact on the economy in general.

BUSINESS

Industry Background

Commercial television broadcasting began in the United States on a regular basis in the 1940s over a portion of the broadcast spectrum commonly known as the "VHF Band" (very-high frequency broadcast channels numbered two through 13). Television channels were later assigned by the FCC under an additional broadcast spectrum commonly known as the "UHF Band" (ultra-high frequency broadcast channels numbered 14 through 83). Currently there are a limited number of channels available for broadcasting in any one geographic area, and the license to operate a broadcast station is granted by the FCC.

Although UHF stations and VHF stations compete in the same market, UHF stations have historically suffered a competitive disadvantage, in part because: (i) receivers of many households were originally designated only for VHF reception; (ii) UHF signals were more affected by terrain and other obstructions than VHF signals; and (iii) VHF stations were able to provide higher quality signals to a wider area. This historic disadvantage of UHF stations has gradually declined through: (i) carriage on cable systems; (ii) improvement in television receivers; (iii) improvement in television transmitters; and (iv) wider use of all channel antennae.

All television stations throughout the United States are grouped into approximately 210 generally recognized media markets which are ranked in size according to various formulae based upon actual or potential audience. Each market is determined as an exclusive geographic area consisting of all counties in which the home-market commercial stations receive the greatest percentage of total viewing hours.

A majority of commercial television stations in the United States are affiliated with one of the three major television networks (the American Broadcasting Companies, Inc. ("ABC"), the National Broadcasting Company, Incorporated ("NBC") and CBS, Inc. ("CBS")). Each of these networks provides the majority of their affiliates' programming each day without charge in exchange for a substantial majority of the available advertising time in the programs supplied. Each network sells this advertising time and retains the revenue. The affiliate retains the revenue from time sold during breaks in and between network programs and in programming the affiliate produces or purchases from non-network sources.

In contrast to a major network-affiliated station, an independent station supplies over-the-air programming through the acquisition of rights to broadcasted programs through syndication. This syndicated programming is generally acquired by the independent stations for cash. Independent stations which acquire a program through syndication are usually given exclusive rights to show the program in the station's market for either a period of years or a number of episodes agreed upon between the independent station and the syndicator of the programming. Types of syndicated programs aired on the independent stations include feature films, popular series previously shown on network television, and series produced for direct distribution to television stations.

Fox has established an affiliation of independent stations, commonly known as the "fourth network," which operates on a basis similar to the three major networks. However, the hours of programming supplied by Fox to its affiliates are significantly less than that of the three major networks and, as a result, Fox affiliates retain a significantly higher portion of the available inventory of broadcast time for their own use than major network affiliates. Fox currently has 146 affiliated stations broadcasting to 92% of United States television households and in 97 of the top 100 media markets in the country.

Two groups of media companies recently announced their intentions to establish separate affiliations of independent television stations similar to the Fox network. The Company cannot predict at this time the impact of the development of such networks upon the broadcast television industry, the Fox network or the Company's business.

Television stations primarily derive their revenues from the sale of national, regional and local advertising. All network-affiliated stations, including those affiliated with Fox, are required to carry spot advertising sold by their networks and inserted into that network's programming broadcast by the stations. This substantially reduces the amount of spot advertising for sale directly by the network-affiliated

stations. Network affiliates are generally compensated for the broadcast of network advertising according to a formula which apportions the compensation received for the advertising between the network and its affiliates. Stations directly sell all of the remaining spot advertising to be inserted in network programming and all of the spot advertising in non-network programming, retaining all of the revenues received from these sales of advertising, less commissions. Through barter and cash-plus-barter arrangements, however, a national syndicated program distributor typically retains up to 50% of the available advertising time for programming it supplies, in exchange for no or reduced fees to the station for such programming.

Advertisers wishing to reach a national audience usually purchase time directly from the major networks or the Fox network or advertise nationwide on an ad hoc basis. National advertisers who wish to reach a particular region or local audience buy advertising time directly from local stations through national advertising sales representative firms. Additionally, local businesses purchase advertising time directly from the stations' local sales staff. Advertising rates are based upon the size of the market in which the station operates, a program's popularity among the viewers that an advertiser wishes to attract, the number of advertisers competing for the available time, demographic composition of the market served by the station, the availability of alternative advertising media in the market area, aggressive and knowledgeable sales forces and development of projects, features and marketing programs that tie advertiser messages to programming. Because broadcast television stations rely on advertising revenues, declines in advertising budgets, particularly in recessionary periods, will adversely affect the broadcast business. Conversely, increases in advertising budgets targeting specific demographic groups, based upon the superior coverage of broadcast television stations or the dominant competitive position of a particular station, may contribute to an increase in the revenue and operating cash flow of a particular broadcast television station.

Arbitron Co. ("Arbitron") and A. C. Nielsen Co. ("Nielsen") are two national audience measuring services which periodically publish data on estimated audiences for television stations in various television markets throughout the country. The estimates are expressed in terms of the percentage of the total potential audience in the media market viewing a station, referred to as the station's "rating," and of the percentage of the audience actually watching the television station, referred to as the station's "share." The two rating services provide such data on the basis of total television households and of selected demographic groupings in the media markets being measured. The specific geographic media markets are called areas of dominant influence (each, an "ADI") by Arbitron and designated market areas (each, a "DMA") by Nielsen. The geographic area covered by an ADI corresponds roughly to the geograpic area covered by the corresponding DMA. Each rating service uses one of two methods of measuring the station's actual viewership. In larger geographic markets, ratings are determined by a combination of meters connected directly to selected television sets and periodic surveys of television viewing, while in smaller markets only periodic surveys are completed. Of the Company's markets, Baltimore is a Nielsen and Arbitron metered market and Columbus is a Nielsen and Arbitron survey market. Pittsburgh is an Arbitron metered market and a Nielsen survey market. All Arbitron and Nielsen information contained herein represents estimates of such data by Arbitron and Nielsen, respectively. Arbitron has recently announced that it intends to discontinue its national audience measuring services.

The following schedule indicates the household ratings/shares of the four broadcast television networks during the periods indicated:

Household Ratings/Shares(1)

Broadcast Season	Fox	ABC	NBC	CBS
1987-1988	3.8/7	11.9/21	14.4/25	12.1/21
1988-1989	5.5/10	11.7/20	14.3/25	11.5/20
1989-1990	6.3/11	11.7/21	12.9/22	11.0/19
1990-1991	6.3/11	11.2/20	11.5/20	11.2/20
1991-1992	7.5/13	11.0/19	11.6/20	12.2/21
1992-1993(2)	7.7/12	12.5/20	10.9/18	13.6/22

(1) Based on Nielsen Television Index data from September to September.

(2) 1992-1993 ratings are September 21, 1992 through February 24, 1993.

As the schedule indicates, the Fox network's ratings have increased from 3.8 during the 1987-1988 broadcast season to 7.7 during the 1992-1993 broadcast season while the net share increased from seven to 12 points.

Broadcast television stations compete for advertising revenues primarily with other broadcast television stations, and to a lesser extent, with radio stations and cable system operators serving the same market. Major network programming and Fox programming generally achieve higher audience levels than syndicated programs aired by independent stations. However, since greater amounts of advertising time are available for sale in syndicated programs by independent stations and Fox affiliates, they typically achieve a share of the television market advertising revenues greater than their share of the market's audience.

Broadcast television stations compete with other television stations in their markets for the acquisition of programming. Generally, cable systems do not compete with local stations for programming, but various national cable networks do from time to time acquire programming that could have been offered to local television stations. Public broadcasting stations generally compete with commercial broadcasters for viewers but not for advertising dollars. Historically, the cost of programming had increased because of an increase in the number of new independent stations and a shortage of quality programming. However, over the past five years, program prices have stabilized and, in some instances, have declined as a result of recent increases in the supply of programming and the failure of some independent stations.

Cable television penetration in the Baltimore, Pittsburgh and Columbus markets is 59%, 75% and 62%, respectively, according to the July 1993 Arbitron Television Market Report. Cable-originated programming has emerged as a competitor for viewers of broadcast television programming, although no single cable programming network regularly attains audience levels amounting to more than a small fraction of any broadcast network. In the 1980's, the advertising share of cable networks increased significantly. Notwithstanding such increases in cable viewership and advertising, over-the-air broadcasting remains the dominant distribution system for mass market television advertising.

The Company's Television Stations

The following table sets forth general information for each of the Company's stations as of May 1993.

Station	Market Area	Channel/ Frequency	Approx. Market Population	Approx. Market Television Household	Market Rank	Total Commercial Stations in Market (a)	Station Audience Share (b)	Rank in Market (c)
WBFF	Baltimore	45/UHF	2,600,000	973,000	22	5	9	4
WPGH	Pittsburgh	53/UHF	2,822,500	1,138,000	17	5	9	4
WTTE	Columbus	28/UHF	1,814,000	697,000	34	4	8	4

(a) Total number of commercial broadcast television stations in the media market delivering at least 1% of the 6:00 a.m. to 2:00 a.m., Sunday to Saturday audience.

(b) Based on the average of the Arbitron rating share for 6:00 a.m. to 2:00 a.m., Sunday to Saturday for May 1993.

(c) Station's rank in the market based on its share of total viewing on broadcast television stations in the market, 6:00 a.m. to 2:00 a.m., Sunday to Saturday.

WBFF: Baltimore, Maryland

WBFF operates in the 22nd largest media market in the country, with over 970,000 television households and a population of approximately 2.6 million. The average household effective buying income in the Baltimore metropolitan area was $41,863 as of July 1993. Because of its large and diverse population, as well as its proximity to Washington, D.C., the seventh ranked media market in the country, Baltimore is attractive to advertisers. It is home to a large number of state and federal employees, and has significant concentrations of business in the education, health care and defense industries.

In June 1991, WBFF instituted local news programming in the Baltimore market. This local news programming, "The News at Ten," airs daily at 10:00 p.m., seven days a week, with news updates during regular programming hours. The program premiered in the July 1991 Nielsen ratings with a five household share and has since grown to a nine household share as of July 1993. During its first two years of operation, WBFF has been awarded 13 Emmy awards, 11 Associated Press awards, two Maryland Bar Association awards, one National Bar Association award, and numerous other awards from the Society of Professional Journalists and the New York Festival, as well as numerous technical awards. WBFF actively produces documentaries for prime time, focusing on such issues as the destruction of the Brazilian rain forests, the juvenile justice system, the Chesapeake Bay and health care reform. The introduction of news programming in the Baltimore area has increased WBFF's strong presence in the community by highlighting local concerns and featuring investigative reporting aimed at examining local issues. In addition, it provides access to advertising sources targeted specifically to local news. Further, the hour-long 10:00 p.m. local news program allows WBFF to present news prior to and in greater depth than the half-hour 11:00 p.m. local news aired on the major network affiliates.

The strengths of the Fox network are well suited to WBFF's programming strategy. The Company believes the station's 6:00 p.m. to 8:00 p.m. line-up of "Star Trek: The Next Generation," "Married . . . With Children" and "Cheers" helps increase the prime time Fox viewing audience in the key demographic group of adults, ages 18-49. The improved ratings of the Fox programming, particularly in the 9:00 p.m. to 10:00 p.m. time slot, has helped deliver a large audience to "The News at Ten."

As a locally owned station, WBFF prides itself on its involvement in the community. WBFF has annually aired the Arthritis Telethon and the Easter Seals Telethon. As additional community involvement, WBFF periodically airs a segment entitled "Maryland's Most Wanted," which is presented in coordination with the Baltimore City Police Department and the Maryland State Police, and has resulted in arrests locally. Additionally, WBFF offers its "Champions of Courage," which promotes an essay contest for public schools in the inner city of Baltimore.

WBFF is also the leading station in children's programming in Baltimore. WBFF has pioneered the concept of a "Kids Club" which the Company believes is directly responsible for generating additional ratings and promotional opportunities for the station. The station currently has over 100,000 members as part of its Kids Club. Members receive their own personalized card with an identification number, as well as a magazine that is mailed directly to them on a monthly basis. Throughout the year, WBFF holds Kids Club events that not only generate revenue (for example, the 1993 Halloween Fun Fest drew over 47,000 children and adults and generated an additional $925,000 in advertising revenue), but also enhance the station's image. WBFF also produces "Take-One," a show aimed at informing, educating and entertaining children ages two to 15. The half-hour show debuted in September 1993.

The Company may be required to divest the broadcast license for WBFF if an affiliate is granted a broadcast license in the same market pursuant to a pending FCC application. See "Risk Factors – Possible Divestiture of WBFF."

WPGH: Pittsburgh, Pennsylvania

WPGH operates in the 17th largest media market in the country, with over 1.1 million television households and a population of approximately 2.9 million. The average effective household buying income was $35,639 in July 1993. The Pittsburgh economy, once dependent on heavy manufacturing, has shifted toward a diverse high technology base. Overall, 85% of Pittsburgh's work force is employed in non-manufacturing industries. Pittsburgh is known as one of the leading medical centers in the country. Pittsburgh is home to many Fortune 500 corporations, including USX Corporation, Westinghouse Electric Corporation, Aluminum Company of America (Alcoa), PPG Industries, Inc. and H.J. Heinz Company.

On the strength of its Fox programming, WPGH out performs many of the network shows during prime time in the 18-49 demographic, including all three network affiliates on Wednesdays 8:00 p.m. to 9:00 p.m. with "Beverly Hills 90210," Saturdays 8:00 p.m. to 10:00 p.m. with "Cops" and "Code 3" and Sundays 9:00 p.m. to 9:30 p.m. with "Married . . . With Children."

WPGH is actively involved in areas of community interest. WPGH has annually aired the Arthritis Telethon and participates in promoting fundraising efforts for the SIDS Foundation. WPGH also sponsored the 1993 Pittsburgh Arts Festival. WPGH personnel also appear at public school functions aimed at promoting educational and health goals. Most recently, WPGH sponsored a local community effort by students to pick up trash in the Pittsburgh area in a program called "Stash the Trash."

WPGH is the leading children's programmer in the Pittsburgh market. The station's Fox 53 Kids Club currently has approximately 125,000 members. As part of its Kids Club, WPGH produces local inserts, entitled "Club AM," in its morning block of children's programming. The station also sponsors Kids Club promotional events and on location shoots, and distributes "KC's Clubhouse Magazine" to its Kids Club members. The magazine is sponsored by advertisers looking to market to families and is an added source of revenue for the station.

Within the next two years, the station anticipates producing a local news program to air at 10:00 p.m. WPGH expects to lease new tower facilities and expand studio facilities, both of which will facilitate the introduction of local news production. The Company believes the local news focus in Pittsburgh, as in Baltimore, will be an important link to the local community and will provide access to additional viewership and advertising sources.

WTTE: Columbus, Ohio

WTTE operates in the 34th largest media market in the country, with over 695,000 television households and a population of approximately 1.8 million. The metropolitan area had an average household effective buying income of $37,424 in July 1993. Columbus is Ohio's state capital and home to such Fortune 500 companies as Nationwide Mutual Insurance Company, Wendy's International, Inc., The Limited, Inc. and BancOne Corporation. The media market is characterized by a relatively young population, including 60,000 students at Ohio State University. Columbus has a diversified economy, supported by industries such as education, telecommunications, insurance and retailing, and has recently opened the Greater Columbus Convention Center.

As the sole commercial independent in the Columbus market, WTTE enjoys a wide range of programming possibilities which are available at attractive prices. Because competition is limited to the major network affiliates, the station is better able to utilize counter-programming to its competitive advantage.

WTTE's Kids Club membership has approximately 125,000 members, representing 38% of the children in the market. Club promotions include the Kids Club Newsletter, the Kids Club Birthday Card and a "Kids Expo" which features free entertainment and activities for 20,000 children and parents.

As part of its community involvement efforts, WTTE has annually aired the Arthritis Telethon in the Central Ohio region. WTTE also participates in numerous community and fundraising activities, including support for the United Way and many of its member organizations. WTTE's sponsorship often includes both free publicity for worthy causes and live appearances by local television personalities for area children's events. For two consecutive years, the Ohio Environmental Education Fund has awarded WTTE an environmental education grant which WTTE uses to fund programs promoting environmental awareness among children.

Television Market Historical Operating Data

The following schedule indicates certain historical data with respect to each television market in which the Company operates:

	Year Ended December 31,				
	1988	1989	1990	1991	1992(a)
	(Dollars in thousands)				
Baltimore					
Market revenue (b)	$ 155,015	$ 150,573	$ 153,056	$ 142,536	$ 149,558
Market revenue growth over prior period	9.81%	(2.87)%	1.65%	(6.87)%	4.93%
Market rank (c)	22	22	22	22	22
Television homes (c)	911,000	931,000	939,000	957,000	966,000
WBFF audience share (d)	5.6	8.0	6.3	7.0	6.0
Pittsburgh					
Market revenue (b)	$ 131,340	$ 132,426	$ 137,983	$ 130,010	$ 142,376
Market revenue growth over prior period	1.14%	0.83%	4.20%	(5.78)%	9.51%
Market rank (e)	16	17	17	17	17
Television homes (e)	1,186,800	1,166,000	1,157,000	1,140,000	1,138,000
WPGH audience share (f)	7.0	6.0	6.7	8.3	10.0
Columbus					
Market revenue (b)	$ 102,779	$ 101,575	$ 101,685	$ 96,581	$ 112,218
Market revenue growth over prior period	13.97%	(1.17)%	.11%	5.28%	16.19%
Market rank (c)	33	34	34	34	34
Television homes (c)	650,000	667,000	672,000	668,000	678,000
WTTE audience share (f)	7.0	6.3	7.3	9.0	8.3

(a) Historical data for the six months ended June 30, 1992 and June 30, 1993.

	Market Revenue for the six months ended June 30,		Market Revenue Growth
	1992	1993	
Baltimore	$73,671	$73,906	0.3%
Pittsburgh	66,429	69,000	3.9%
Columbus	51,670	57,625	11.5%

(b) The Company's estimates of total commercial broadcast television revenues, excluding network compensation, in the media market are derived from figures compiled by an independent accounting firm based on data provided to the firm by each commercial broadcast television station in the market.

(c) Based on the Nielsen Station Index for November of each of these years.

(d) Stations' audience share is based on the average of the Nielsen share, for 7:00 a.m. to 1:00 a.m. for three rating periods: the prior year's November book and the February and May books for the year.

(e) Based on the Arbitron Television Market Report for November of each of these years.

(f) Station's audience share is based on the average of the Arbitron share for signon to signoff for three rating periods: the prior year's November book and the February and May books for the applicable year.

Operating Strategy

The Company's operating strategy is: (i) to increase viewership and advertising revenues through the acquisition of quality programming, the use of counter-programming and children's programming, the introduction and development of hour-long local news at 10:00 p.m., and extensive community involvement by its stations; (ii) to aggressively control operating and programming costs; and (iii) to acquire additional broadcasting properties which offer attractive growth opportunities.

Increasing Viewership and Advertising Revenues

The Company believes that an important factor in increasing the viewership of its stations is their affiliations with Fox. These affiliations enable the Company to capture additional viewers by virtue of the quality first-run original programming provided by the Fox network and Fox's promotion of such programming. The Company also seeks to obtain quality syndicated programming at attractive prices. Examples of quality syndicated programming obtained by the Company for future broadcast are "Coach," "The Simpsons" and "Home Improvement." The Company believes that this type of programming attracts audiences with desirable demographic characteristics.

Counter-Programming. The Company's general programming strategy is one of "counter-programming," consisting of offering programs which are alternatives to the type of programs being concurrently shown on competing stations. This strategy is designed to attract additional audience share in demographic groups not served by concurrent programming on competing stations. As an example, WPGH shows weekend movies, "Star Trek: The Next Generation" and "Deep Space Nine" opposite network sports on weekend afternoons. The Company believes that implementation of this strategy has enabled WPGH to obtain a number one ranking in households in the 18-49 and 25-54 demographics during that time period, according to the February 1993 Arbitron report.

Children's Programming. WBFF, WPGH and WTTE are the leading children's programmers in their respective markets. The Company's nationally recognized Kids Club was the forerunner and model for the Fox network-wide marketing efforts promoting children's broadcasting. Each of the Company's stations is developing children's programming that complies with FCC regulations. Children's advertising represented the Company's largest category of advertisers during 1992, accounting for approximately 20% of the Company's net broadcast revenues for such period.

Local News and Community Involvement. The Company believes the production and airing of local news is an important link to the community the station serves and its efforts to expand its viewership. In addition, local news programming provides access to advertising sources targeted specifically to local news. In June 1991, WBFF instituted local news programming in the Baltimore market. This award-winning local news programming airs daily at 10:00 p.m., with news updates during regular programming hours. The program premiered in the July 1991 Nielsen ratings with a five household share and has since grown to a nine household share as of July 1993. The hour-long 10:00 p.m. news program allows WBFF to present news prior to and in greater depth than the half-hour 11:00 p.m. local news aired on the major network affiliates.

Within the next two years, the Company anticipates producing a local news program to air at 10:00 p.m. on WPGH. WPGH expects to lease new tower facilities and expand studio facilities, both of which will facilitate the live news format.

Each of the Company's stations actively participates in various community activities and offers many community services. The Company believes that active community involvement provides increased exposure to its potential markets and ultimately increases viewership and advertising support.

Cost Management

By employing a disciplined approach to managing programming and other costs, the Company has been able to achieve high operating margins. The Company has and believes that it will continue to acquire quality programming at prices consistent with operating revenues generated by the programming. As an owner or operator of multiple stations in the top 50 media markets, the Company believes

that it is able to negotiate favorable terms for the acquisition of programming. Moreover, each station emphasizes control of its programming and operating costs through program specific profit analysis, detailed budgeting, tight control over staffing levels and expense analysis.

Acquisition Strategy

In addition to the stations included in the Proposed Acquisitions, the Company seeks to identify and acquire under-performing television stations in larger mid-size markets (principally the 10th through the 50th largest advertising markets). The Company believes that stations located in the larger mid-size markets offer the best opportunity to achieve growth in market share and broadcast advertising revenues. Additional factors considered by the Company in a potential acquisition include geographic location, demographic profile and competitive dynamics of the market. The Company has considered these factors in determining whether to enter into the Proposed Acquisitions. Other than the stations included in the Proposed Acquisitions, the Company has no commitments, understandings or agreements to acquire any broadcast property. There can be no assurance that the Company will consummate the Proposed Acquisitions or that it will be able to identify and acquire additional broadcast properties.

Fox Affiliation

Each of the Company's current stations, as well as the two stations proposed to be acquired, WCGV and WTTO, are affiliated with Fox pursuant to the affiliation agreements described below. The Fox television network commenced operations in October 1986. During this period, Fox has developed a network of approximately 146 affiliates and Fox programming is currently available in more than 92% of the television households in the United States. The amount of programming provided by Fox to its affiliates has increased from a total of five hours on two nights per week in July 1987 to 20 hours on seven nights per week (including 15 hours of prime time programming) currently. Fox programming is intended to appeal primarily to a target audience of 18 to 49 year old adults.

The Fox network has developed programming to attract the key demographics advertisers seek to reach most often. As the credibility and strength of Fox network programming improves, station affiliates will be better able to compete for prime time advertising revenues. Some of the most popular Fox programs, such as "In Living Color," "Married . . . With Children," "Beverly Hills 90210," "Melrose Place," "The Simpsons" and "Martin," receive comparable ratings in each of the Company's markets to the concurrent programming aired on the major network affiliates, particularly in the 18–49 demographic.

The Fox affiliation agreements with respect to WBFF, WPGH and WTTE currently run until October 1998 and may be extended by Fox thereafter. Pursuant to such agreements, Fox provides the Company's stations with programming in return for the stations broadcasting Fox-inserted commercials in such programming. The stations also retain the right to include a limited amount of commercials during Fox programming and receive additional compensation based on certain performance and other criteria. These agreements are, however, subject to termination by Fox in certain circumstances including, among others: (i) if within any 12-month period a station makes or will make three or more unauthorized preemptions of Fox programming, Fox may terminate upon 30 days' prior written notice; (ii) in the event there is a material change in a station's operations making the affiliation less valuable to Fox, Fox may terminate upon 30 days' prior written notice; (iii) if a station refuses to broadcast certain Fox programming, Fox may terminate upon six months' prior notice; and (iv) if Fox or any affiliated entity of Fox acquires another station within a station's market, Fox may terminate upon 60 days' prior notice. The Company believes that Fox has terminated relatively few of its contracts with other Fox affiliates during the last five years.

Programming

The following table reflects a sampling of the Company's principal syndicated programming contracts:

	Syndicated Program	Date Available for Initial Broadcast	Date of Expiration
WBFF	Home Improvement	September 1995	February 2000
	The Simpsons	September 1994	September 1999
	Coach	September 1994	August 1999
	Cheers	September 1991	January 1999
	Star Trek: The Next Generation	December 1988	November 1998
	Doogie Howser, MD	September 1994	August 1998
	The Wonder Years	September 1992	August 1997
	Married . . . With Children	October 1991	January 1996
	M*A*S*H	October 1990	September 1995
	21 Jump Street	September 1990	August 1995
	Gimme A Break	March 1991	March 1995
	The Jeffersons	January 1989	December 1994
	Good Times	December 1990	September 1994
	Saved By The Bell	September 1992	August 1994
	Diff'rent Strokes	September 1991	August 1994
	Ricki	September 1993	August 1994
WPGH	Home Improvement	September 1995	February 2000
	The Simpsons	September 1994	September 1999
	Star Trek: Deep Space Nine	September 1996	September 1999
	Coach	September 1994	September 1999
	Harry & The Hendersons	September 1994	March 1999
	Doogie Howser, MD	September 1994	August 1998
	The Wonder Years	September 1992	August 1997
	Roseanne	September 1992	March 1997
	Hunter	January 1992	December 1996
	Full House	September 1994	March 1996
	Mama's Family	December 1991	September 1995
	Married . . . With Children	September 1991	March 1995
	Newhart	April 1989	March 1995
WTTE	Home Improvement	September 1995	February 2000
	The Simpsons	September 1994	September 1999
	Coach	September 1994	September 1999
	Star Trek: Deep Space Nine	September 1996	September 1999
	Doogie Howser, MD	September 1994	August 1998
	Star Trek: The Next Generation	December 1988	December 1997
	Roseanne	September 1992	March 1997
	Murphy Brown	September 1992	February 1997
	The Wonder Years	September 1994	September 1996
	Head Of The Class	July 1991	September 1996
	Hunter	September 1991	August 1996
	Perfect Strangers	September 1991	August 1996
	Mama's Family	January 1991	February 1996
	M*A*S*H	September 1990	September 1995
	21 Jump Street	September 1990	August 1995
	Mr. Belvedere	September 1989	August 1995
	The Hogan Family	June 1991	June 1995

Competition

The Company's television stations compete for audience share and advertising revenue with other television stations in their respective markets, as well as with other advertising media, such as newspapers, radio, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail and local cable systems. Some competitors are part of larger organizations with substantially greater financial, technical and other resources than the Company.

Competition in the broadcasting industry occurs primarily in individual markets. Generally, a television broadcasting station in one market does not compete with stations in other market areas. The Company's television stations are located in highly competitive markets. In addition, the Baltimore market is overlapped by both over-the-air and cable carriage of Washington, D.C. stations which tends to spread viewership and advertising expenditures over a larger number of broadcast stations.

Stations compete for audience share primarily on the basis of program popularity, which has a direct effect on advertising rates. A majority of the Company's prime time programming is supplied by Fox. In those periods, the stations are totally dependent upon the performance of the Fox programs in attracting viewers. Non-network time periods are programmed by the station primarily with syndicated programs purchased for cash, cash and barter, or barter-only, and also through self-produced news, public affairs and other entertainment programming.

Advertising rates are based upon the size of the market in which the station operates, a program's popularity among the viewers that an advertiser wishes to attract, the number of advertisers competing for the available time, demographic makeup of the market served by the station, the availability of alternative advertising media in the market area, aggressive and knowledgeable sales forces and development of projects, features and programs that tie advertiser messages to programming. The Company believes that its focus on larger mid-sized markets, its focus on the 18-49 demographic and the strength of its children's programming allows it to compete effectively for advertising within its markets.

Other factors that are material to a television station's competitive position include signal coverage, local program acceptance, network affiliation, audience characteristics and assigned broadcast frequency. The Company's UHF broadcast frequencies have historically been a competitive disadvantage. Improvements in technology and cable carriage have served to mitigate this disadvantage. The broadcasting industry is continuously faced with technological change and innovation, the possible rise in popularity of competing entertainment and communications media, and governmental restrictions or actions of federal regulatory bodies, including the FCC and the Federal Trade Commission, any of which could possibly have a material effect on the Company's operations and results.

The development of methods of television transmission other than over-the-air broadcasting, and in particular the growth of cable television, has significantly altered competition for audience share in the television industry. These other transmission methods can increase competition for a broadcasting station by bringing into its market distant broadcasting signals not otherwise available to the station's audience and also by serving as a distribution system for programming originating on the cable system.

Through the 1970s, television broadcasting in general enjoyed virtual dominance in viewership and television advertising revenues because network-affiliated stations competed only with each other in most local markets. Although cable television systems were initially used to retransmit broadcast television programming to paid subscribers in areas with poor broadcast signal reception, significant increases in penetration into homes occurred throughout the 1970s and 1980s despite signal reception problems. As the technology of satellite program delivery to cable systems advanced in the late 1970s, development of programming for cable television accelerated dramatically, resulting in the emergence of multiple, national-scale program alternatives and the rapid expansion of cable television and higher subscriber growth rates. Historically, cable operators have not sought to compete with broadcast stations for a share of the local news audience. To the extent they elect to do so, increased competition from cable operators for local news audiences could have a material adverse effect on the Company's advertising revenues.

Other sources of competition for audience include home entertainment systems (including video cassette recorder and playback systems, videodiscs and television game devices), multipoint distribution systems, multichannel multipoint distribution systems, wireless cable, satellite master antenna tele-

vision systems and some low-power, in-home satellite services. The Company's television stations also may face future competition from high-powered direct broadcast satellite services which could transmit programming directly to homes equipped with special receiving antennas or to cable television systems for transmission to their subscribers.

Further advances in technology may increase competition for household audiences and advertisers. Video compression techniques, now under development for use with current cable channels or direct broadcast satellites (scheduled to commence operation in 1994), are expected to reduce the bandwidth required for television signal transmission. These compression techniques, as well as other technological developments, are applicable to all video delivery systems, including over-the-air broadcasting, and have the potential to provide vastly expanded programming to highly targeted audiences. Reduction in the cost of creating additional channel capacity could lower entry barriers for new channels and encourage the development of increasingly specialized "niche" programming. This ability to reach very defined audiences may alter the competitive dynamics for advertising expenditures. The Company is unable to predict the effect that technological changes will have on the broadcast television industry or the future results of the Company's operations.

The Company also competes for programming which involves negotiating with national program distributors or syndicators which sell first-run and rerun packages of programming. The Company's stations compete for exclusive access to those programs against in-market broadcast station competitors for syndicated products. Cable systems generally do not compete with local stations for programming, although various national cable networks from time to time have acquired programs that would have otherwise been offered to local television stations.

Fox has recently announced that it will provide programming on a designated Fox channel over one major cable network, and that it plans to negotiate similar transactions with other cable companies. The Company expects that the programming offered by Fox on this channel will be different from the programming broadcast on the Fox affiliates; nevertheless, such programming may have an impact upon the viewers of Fox over-the-air programming. The Company cannot predict the impact of the Fox cable programming or whether the cable companies now carrying WBFF, WPGH and/or WTTE will carry the proposed Fox cable channel. However, the proposed Fox cable channel, if carried by cable companies now carrying the Company's stations, could cause a decline in viewership of the Company's stations which could have a material adverse effect on the Company's operations.

Two groups of media companies recently announced their intentions to establish separate affiliations of independent television stations similar to the Fox network. The Company cannot predict at this time the impact of the development of such networks upon the broadcast television industry, the Fox network or the Company's business.

The Company believes it competes favorably against other stations because of its management skill and experience, the ability of the Company to generate revenue share greater than its audience share, the Fox network affiliation and its local program acceptance. In addition, the Company believes that it benefits from the operation of more than one broadcast property, affording it certain non-quantifiable economies of scale and competitive advantages in the purchase of programming.

Employees

As of October 22, 1993, the Company had approximately 215 full-time employees and 40 part-time employees. With the exception of the employees of WPGH, none of the employees are represented by labor unions under any collective bargaining agreement. No significant labor problems have been experienced by the Company, and the Company considers its overall labor relations to be good.

Properties

Generally, each of the Company's stations has facilities consisting of offices, studios and tower sites. Transmitter and tower sites are located to provide maximum signal coverage of the stations' markets. The following tables generally describe the Company's principal owned and leased real property:

Owned Facilities	Use	Location	Approx. Size (Sq.Ft.)
WTTE(1)	Office/Studio	Westerville, OH	14,400
WPTT(2)	Office/Studio	Monroeville, PA	30,000

(1) This property is owned by WPGH, Inc. and leased to WTTE, Inc.

(2) This property is owned by WPGH, Inc. and leased to WPTT, Inc.

Leased Facilities	Use	Location	Approx. Size (Sq.Ft.)	Lease Expiration Date(1)
WBFF.....	Office/Studio	Baltimore, MD	39,000	9/1/2011
	Tower Site #1 (Dish)	Baltimore, MD	N/A	4/1/2012
	Tower Site #1 (Receivers)	Baltimore, MD	N/A	6/1/2011
	Tower Site #1 (Transmitter/Antenna)	Baltimore, MD	N/A	4/2/2007
	Tower #2 (Auxiliary Transmitter/ Antenna)	Baltimore, MD	N/A	3/16/2008
	Parking Lot	Baltimore, MD	N/A	6/6/94
	Old Office/Studio	Baltimore, MD	13,000	mo. to mo.
WPGH	Office/Studio	Pittsburgh, PA	25,498	10/1/2028
	Tower Site (Antenna)	Pittsburgh, PA	N/A	10/1/2028
WTTE.....	Tower Site (Transmitter/Antenna)	Columbus, OH	N/A	6/1/2003

(1) Lease expiration date assumes exercise of all renewal options of the Company.

All of the Company's leased facilities, except for the tower site (transmitter/antenna) for WTTE, are owned by and leased from affiliated corporations of the Company. All leases are at market rates, and the Company believes that the duration of each lease is adequate. See "Certain Transactions." The WTTE tower site is leased from Ohio State University. All of the properties leased from affiliates are mortgaged and all such leasehold interests have been assigned under the Bank Credit Agreement.

The Company believes that its properties, both owned and leased, are in good operating condition, subject to normal wear and tear, and are suitable and adequate for the Company's current business operations.

Upon consummation of the Proposed Acquisitions, the Company will own tower sites in Birmingham and Windham Springs, Alabama and an office/studio of approximately 35,000 square feet in Milwaukee, Wisconsin. These sites in Alabama and Wisconsin may be sold to an affiliate at fair market value and leased back to the Company at market rental rates in accordance with the Company's standard practice. The purpose of such transactions is to eliminate liability and risk to the Company in connection with ownership and maintenance of the towers and transmitters located on such properties. In addition, the Company will assume the lease of a 9,750 square foot office/studio in Birmingham, Alabama that runs until January 2006, and a tower site in Milwaukee, Wisconsin that runs until December 1999.

Legal Proceedings

The Company currently and from time to time is involved in litigation incidental to the conduct of its business. The Company is not a party to any lawsuit or proceeding which, in the opinion of the Company, is likely to have a material adverse effect on the Company.

Licensing and Regulation

The following is a brief summary of certain provisions of the Communications Act and of specific FCC regulations and policies. Reference should be made to the Communications Act, FCC rules, and the public notices and rulings of the FCC for further information concerning the nature and extent of the federal regulation of broadcast stations.

All television broadcasting is subject to the jurisdiction of the FCC pursuant to the Communications Act. The FCC is empowered to: (i) issue, renew, revoke, and modify broadcast licenses; (ii) prescribe qualifications for holding broadcast licenses; (iii) regulate the broadcast frequency, operating power, and location of, and the transmitting equipment used by stations; (iv) adopt rules and regulations necessary to carry out the provisions of the Communications Act; and (v) impose certain penalties for violations of the Communications Act and of the FCC regulations. Such regulations affect many aspects of the day-to-day operations of television stations.

Usually, television station licenses are granted for a maximum allowable period of five years and are renewable thereafter for additional five year periods. The FCC may revoke licenses for serious violation of its regulations. Petitions to deny renewal of a license or competing applications may be filed for the frequency used by the renewal applicants on or before the first day of the last month of a license term. Generally, however, in the absence of serious violations of FCC rules or policies and upon a showing that the station has dealt significantly with important issues concerning its community of license, the license renewal is expected in the ordinary course. All three of the Company's stations are presently operating under regular five-year licenses, which expire on August 1, 1994 (WPGH), October 1, 1996 (WBFF) and October 1, 1998 (WTTE).

No broadcast licensee can assign or transfer control of the license without the prior approval of the FCC. Under the Communications Act, (i) no license may be held by a corporation of which any officer or director is an alien or of which more than 20% of the capital stock is owned of record, voted, or subject to control by aliens, and (ii) no corporation may control another corporation holding broadcast licenses if any officers or more than 25% of the directors of such parent corporation are aliens, or more than 25% of the capital stock of such parent corporation is owned of record, voted, or subject to control by aliens unless the FCC finds such alien interests in the parent corporation to be in the public interest. The Company and the Subsidiaries are domestic corporations, and the Current Stockholders are all United States citizens.

"Must Carry/Retransmission Rule." In the past, cable systems were required to carry all broadcast stations that met the definition of a "local" or "significantly" viewed station. These rules were called the "Must Carry Rules." However, the "Must Carry Rules," in the form previously adopted by the FCC, were declared unconstitutional. Immediately thereafter, cable systems were not required to carry local television station signals and could shift a station to an undesirable channel position on the cable system. Legislation recently passed in Congress has now established a new version of the "Must Carry Rules." The United States Supreme Court is currently reviewing a challenge to the new "Must Carry Rules." Under the rules as enacted, a local television station had to make an election by June 15, 1993 to: (i) require the appropriate cable systems to carry said local station; or (ii) grant the appropriate cable system the authority to retransmit the broadcast signal of the local station for a fee. Even if the local station elects to grant authority to the cable system to retransmit its broadcast signal, the cable system is under no obligation to carry the local station unless acceptable terms and conditions for said rebroadcast have been agreed to on or before October 5, 1993. If a station is not carried by a cable system in its area or shifted to an undesirable channel, the station could experience a decline in viewership which could adversely affect its revenues. The Company has approached most of its cable systems on a retransmission basis, but on certain outlying cable systems, it has elected must carry status. The Company's stations continue to be carried on all of its cable systems, and the Company does not believe that its election has resulted in the shifting of its stations to less desirable cable channel locations.

Syndicated Exclusivity/Territorial Exclusivity. The FCC has imposed syndicated exclusivity rules and expanded existing network nonduplication rules. These syndicated exclusivity rules allow local broadcast stations to command that cable operators black out certain syndicated non-network program-

ming carried on "distant signals" (*i.e.*, signals of broadcast stations, including so-called super stations, which serve areas substantially removed from the cable system's local community). The network non-duplication rules allow local broadcast network affiliates to require that cable operators black out duplicating network broadcast programming carried on more distant signals. WTTE and WPGH are the only Fox affiliates carried on their respective local cable systems; however, some of the cable systems which carry WBFF also carry the Fox-owned station, Channel 5, in Washington, D.C. This is not in violation of the FCC syndicated exclusivity rules. However, the carriage of two Fox stations on the same cable system could result in a decline of viewership adversely affecting the revenues of WBFF.

Financial Interest/Syndication and Prime Time Access Rules. Previously, financial interest/syndication ("FIN/SYN") rules applied to any network and posed various restrictions on its operation and activities. Network status has been considered to exist under these rules when a broadcast company's weekly programming offerings exceed 15 hours. These rules prohibited networks from engaging in syndication for the sale, licensing, or distribution of television programs for non-network broadcast exhibition in the United States. Further, these rules prohibited networks from sharing profits from any syndication and from acquiring any new financial or proprietary interest in programs of which they are not the sole producer.

The FCC has recently relaxed the restrictions on current FIN/SYN rules, enabling the major networks to acquire specified amounts and kinds of financial interests in program syndication and to engage in program syndication themselves. The Company cannot predict the effect of these relaxed restrictions under the FIN/SYN rules on the Company's ability to acquire desirable programming at reasonable prices.

The FCC's prime time access rule also places programming restrictions on affiliates of "networks." In the past, this rule restricted affiliates of "networks" in the 50 largest television markets (as defined by the rule) generally to no more than three hours of network programming during the four hours of prime time. All of the Company's stations are located in the nation's top 50 markets.

Recently, the FCC changed its definition of "network" to include those entities that deliver more than 15 hours of "prime time programming" (a term defined in those rules) to affiliates reaching 75% of the nation's television homes. Under this definition, Fox and its affiliates, including the Company's station, are not subject to the prime time access rule.

Ownership Limitations. The FCC has adopted a number of rules designed to prevent monopolies or undue concentrations of control. In general, no single entity is currently permitted to own, operate, or have an attributable interest in more than 18 AM radio stations, 18 FM radio stations, and 12 television stations. Another FCC rule prohibits any entity from acquiring an additional television station if, after the acquisition, the entity owns television stations reaching more than 25% of the United States television households. Historically, VHF stations have shared a larger part of the market than UHF stations. As such, only half of the households in the market area of any UHF station owned by an entity are included when calculating whether an entity reaches more than 25% of the United States television households. All of the Company's stations are UHF. The FCC also prohibits ownership in the same geographic area of: (i) television stations and cable systems; (ii) television stations and newspapers; and (iii) television stations and radio stations in markets below the top 25 or, in general, which, even if among the top 25, do not have at least 30 separate broadcast station owners.

When applying its multiple ownership rules, the FCC attributes the interest of corporate licensees to the holders of corporate interests as follows: (i) any voting stock interest amounting to 5% or more of the outstanding voting stock of the corporate broadcast licensee generally will be attributable; (ii) no minority voting stock interest will be attributable if there is a single holder of more than 50% of the outstanding voting stock of a corporate broadcast licensee; and (iii) in general, certain investment companies, insurance companies, and banks holding stock through their trust departments in trust accounts will be considered to have an attributable interest only if they hold 10% or more of the outstanding voting stock of a corporate broadcast licensee. Further, corporate officers and directors and general partners and most limited partners of partnerships may be personally attributed with media interests of the corporations or partnerships of which they are officers, directors, or partners. The present stockholders of the Company hold attributable interests in two entities owning media proper-

ties, namely: Channel 63, Inc., licensee of a UHF television station in Bloomington, Indiana serving the Indianapolis media market under the call letters WIIB, and Bay Television, Inc., licensee of a UHF television station serving the St. Petersburg, Florida market under the call letters WTTA. Neither station is a Fox affiliate. All of the issued and outstanding shares of Channel 63, Inc. are owned by the Current Stockholders. All the issued and outstanding shares of Bay Television, Inc. are owned by the Current Stockholders (75%) and Robert L. Simmons (25%), a former stockholder of the Company. The Company believes that such holdings will not materially restrict its ability to acquire television stations or to pursue its strategy of expansion through acquisitions.

Restrictions on Broadcast Advertising. Advertising of cigarettes and distilled spirits on broadcast stations has been banned for many years. Congressional committees have recently examined legislation proposals which may eliminate or severely restrict the advertising of beer and wine. Although no prediction can be made as to whether any or all of the present proposals will be enacted into law, the elimination of all beer and wine advertising would have an adverse effect upon the revenues of the Company's television stations, as well as the revenues of other stations which carry beer and wine advertising.

The FCC has imposed commercial time limitations in children's programming pursuant to legislation. In programs designed for viewing by children of 12 years of age and under, commercial matter will be limited to 12 minutes per hour on weekdays and 10.5 minutes per hour on weekends. All television stations will be required to broadcast some television programming designed to meet the educational and informational needs of children 16 years of age and under. The Company does not believe that these requirements will have a significant impact on the stations since all of its stations have already limited commercials in such programming.

Programming and Operation. The Communications Act requires broadcasters to serve the "public interest." The FCC gradually has relaxed or eliminated many of the more formalized procedures it had developed in the past to promote the broadcast of certain types of programming responsive to the needs of a station's community of license. Licensees continue to be required, however, to present programming that is responsive to community issues, and to maintain certain records demonstrating such responsiveness. Complaints from viewers concerning a station's programming often will be considered by the FCC when it evaluates renewal applications of a licensee, although such complaints may be filed at any time and generally may be considered by the FCC at any time. Stations also must follow various rules promulgated under the Communications Act that regulate, among other things, political advertising, sponsorship identifications, the advertisement of contests and lotteries, obscene and indecent broadcasts, and technical operations, including limits on radio frequency radiation. In addition, licensees must develop and implement affirmative action programs designed to promote equal employment opportunities, and must submit reports to the FCC with respect to these matters on an annual basis and in connection with a renewal application.

Failure to observe these or other rules and policies can result in the imposition of various sanctions, including monetary forfeitures, or the grant of "short" (less than the full five-year) renewal terms or, for particularly egregious violations, the denial of a license renewal application or the revocation of a license.

Proposed Changes. On March 12, 1992, the FCC initiated a proceeding to solicit comment on whether it should liberalize its radio and television broadcast ownership "attribution" rules by (i) raising the basic benchmark for attributing ownership in a corporate licensee from 5% to 10% of the licensee's voting stock; (ii) increasing from 10% to 20% of the licensee's voting stock the attribution benchmark for "passive investors" in corporate licensees; (iii) broadening the class of investors eligible for "passive investor" status; and (iv) exempting certain widely-held limited partnership interests from attribution where each individual interest represents an insignificant percentage of total partnership equity.

The Congress and the FCC have under consideration, and in the future may consider and adopt, new laws, regulations and policies regarding a wide variety of matters that could affect, directly or indirectly, the operation, ownership and profitability of the Company's broadcast stations, result in the loss of audience share and advertising revenues for the Company's broadcast stations, and affect the ability of the Company to acquire additional broadcast stations or finance such acquisitions. Such

matters include: (i) changes to the license renewal process; (ii) proposals to impose spectrum use or other fees on FCC licensees; (iii) the FCC's equal employment opportunity rules and other matters relating to minority and female involvement in the broadcasting industry; (iv) proposals to change rules relating to political broadcasting; (v) technical and frequency allocation matters; (vi) changes in the FCC's cross-interest, multiple ownership and cross-ownership policies; (vii) changes to broadcast technical requirements; (viii) proposals to allow telephone companies to deliver audio and video programming to the home through existing phone lines; and (ix) proposals to limit the tax deductibility of advertising expenses by advertisers.

The FCC is initiating a Notice of Inquiry proceeding seeking comment on whether the public interest would be served by establishing limits on the amount of commercial matter broadcast by television stations. No prediction can be made at this time as to whether the FCC will impose any limits on commercials at the conclusion of its deliberations, or what effect, if any, the imposition of limits on the commercial matter broadcast by television stations would have upon the Company's operations.

The Company cannot predict what other matters might be considered in the future, nor can it judge in advance what impact, if any, the implementation of any of these proposals or changes might have on its business.

MANAGEMENT

Executive Officers, Directors and Significant Employees

The executive officers, directors and significant employees of the Company are as follows:

Name	Age	Title
David D. Smith(1)	43	President, Chief Executive Officer, Director and Chairman of the Board
Frederick G. Smith(2)	44	Vice President and Director
J. Duncan Smith(2)	39	Secretary and Director
Robert E. Smith(3)	30	Treasurer and Director
Basil A. Thomas(3)	76	Director
David B. Amy	41	Controller
John Quigley	50	General Manager of WTTE
Alan Frank	43	General Manager of WPGH
Steven Marks	36	General Manager of WBFF

(1) Class Three Director.
(2) Class Two Director.
(3) Class One Director.

The Board of Directors is divided into three classes: Class One directors serve until May 1994; Class Two directors serve until May 1996; and Class Three directors serve until May 1998. At the expiration of their respective terms, directors are elected to serve for five-year terms and until their successors are duly elected and qualified. Executive officers are appointed by the Board of Directors annually to serve for one-year terms and until their successors are duly appointed and qualified. David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith are brothers.

David D. Smith has served as President, Chief Executive Officer and Chairman of the Board since September 1990. Prior to that, he served as General Manager of WPTT from 1984, and assumed the financial and engineering responsibility for the Company, including the construction of WTTE in 1984. In 1980, Mr. Smith founded Comark Television, Inc., which applied for and was granted the permit for WPXT-TV in Portland, Maine and which purchased WDSI-TV in Chattanooga, Tennessee. WPXT-TV

was sold one year after construction and WDSI-TV was sold two years after its acquisition. From 1978 to 1986, Mr. Smith founded and operated Comark Communications, Inc., a company engaged in the manufacture of high power transmitters for UHF television stations. His television career began with WBFF in Baltimore, where he helped in the construction of the station and was in charge of technical maintenance until 1978.

Frederick G. Smith has served as Vice President of the Company since 1990 and as a Director since 1986. Prior to joining the Company full time in 1990, Dr. Smith was a surgical dentist engaged in private practice and was employed by a professional corporation of which Dr. Smith was the sole officer, director and stockholder.

J. Duncan Smith has served as Secretary and a Director of the Company since 1988. Prior to that, he worked extensively on the construction of WPTT in Pittsburgh, WTTE in Columbus, WIIB in Bloomington and WTTA in St. Petersburg, as well as on the renovation of the new studio, offices and news facility for WBFF in Baltimore.

Robert E. Smith has served as Treasurer and a Director of the Company since 1988. Prior to that, he served as Program Director at WBFF from 1986. Prior to that, he assisted in the construction of WTTE and worked at Comark Communications, Inc. installing UHF transmitters.

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

David B. Amy has served as Controller of the Company since 1986. Before that, he served as the Business Manager for WPTT. Prior to joining the Company in 1984, Mr. Amy was an accounting manager of Penn Athletic Products Company in Pittsburgh, Pennsylvania.

Alan Frank has served as General Manager of WPGH since September 1991. From 1986 until joining the Company in 1991, Mr. Frank served as station manager and general sales manager at WTOG-TV in Tampa, Florida. Prior to that he served in various executive capacities at WFLX-TV and WPTV-TV in West Palm Beach, Florida.

John Quigley has served as General Manager of WTTE since July 1985. Prior to joining WTTE, Mr. Quigley served in broadcast management positions at WCPO-TV in Cincinnati, Ohio and WPTV-TV in West Palm Beach, Florida.

Steven Marks has served as General Manager of WBFF since July 1991. From 1986 until joining WBFF in 1991, Mr. Marks served as General Sales Manager at WTTE. Prior to that, he was a national sales manager for WFLX-TV in West Palm Beach, Florida.

EXECUTIVE COMPENSATION

The following table sets forth certain information regarding the annual and long-term compensation by the Company for services rendered in all capacities during the year ended December 31, 1992 by the Chief Executive Officer and the three other executive officers of the Company:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation			All Other Compensation(3)
	Salary	Bonus(1)	Other Annual Compensation(2)	
David D. Smith President and Chief Executive Officer	$ 225,813	$ 202,130	$ 3,677	$ 3,305
Frederick G. Smith Vice President	140,954	199,350	6,724	5,379
J. Duncan Smith Secretary	151,385	199,350	10,559	2,942
Robert E. Smith Treasurer	140,954	199,350	8,273	2,911
All executive officers and significant employees as a group (8 persons).....	1,188,416	1,264,007	40,651	27,559

(1) Bonuses are paid in accordance with the Executive Bonus Plan consistent with past practices.

(2) Other annual compensation consists of income for personal use of Company-leased automobiles.

(3) All other compensation consists of the Company's 401(k) contribution, life insurance and long-term disability coverage. The Company's 401(k) contributions for David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith were $2,290, $4,364, $1,927 and $1,896, respectively. Additional life insurance was $540, $540, $540 and $540, respectively and long-term disability coverage was $475, $475, $475 and $475, respectively.

The Company currently pays its independent director $100 for each meeting of the Board of Directors attended and reimburses him for any expenses incurred in connection with his attendence at such meetings.

Employment Agreement

No officer has a written employment agreement with the Company.

Executive Bonus Plan

Key management employees are eligible to participate in the Company's Executive Bonus Plan (the "Bonus Plan"). The Bonus Plan is designed to provide incentives to executive officers and other key employees to achieve certain operating objectives of the Company, and is administered by the Board of Directors. Participants are selected based upon their ability to affect profitability. Annual cash awards are based primarily on the attainment of certain operating objectives. The Bonus Plan is intended to reward specific operating accomplishments and provide competitive levels of compensation for the attainment of those financial objectives. Under the Bonus Plan, target awards are established for executive officers as a percentage of their base salary range. The targeted awards are subject to decrease or increase based on the Company's actual performance and at the discretion of the Board of Directors. The Board of Directors may also grant discretionary awards to certain key employees.

The bonuses in an aggregate amount of $10.0 million paid to the executive officers in the third quarter of 1993 are special bonuses being awarded to such executive officers to reward them for their service with the Company during the period from 1987 to 1993, and have not been made pursuant to the Bonus Plan.

Compensation Committee Interlocks and Insider Participation

All of the executive officers of the Company serve as directors of corporations that have a director or executive officer who is also a director of the Company. During 1992, each of the executive officers of the Company participated, in his capacity as a director, in deliberations of the Company's Board of Directors concerning executive officer compensation. Each of the executive officers has engaged in transactions with the Company. See "Certain Transactions."

CERTAIN TRANSACTIONS

Four Jacks Broadcasting, Inc.

Four Jacks, a company wholly owned by the Current Stockholders, has filed a competing application with the FCC for the broadcast license for VHF Channel 2 in Baltimore, Maryland. Because of the FCC's multiple ownership rules, the principals of Four Jacks have committed themselves in their application for Channel 2 to divest the Company's interest in the broadcast license for WBFF in Baltimore if Channel 2 is awarded to them and before assuming operational control of Channel 2.

Sale of WPTT

In August 1991, the Company sold the FCC license and certain other assets of WPTT in Pittsburgh to WPTT, Inc. for a sale price of $7.0 million. In connection with the acquisition of WPGH, the Company engaged an independent appraiser to appraise the FCC license for WPGH. While no similar appraisal was performed on the WPTT license, the Company utilized the information and conclusions contained in the WPGH appraisal as factors to be considered in assessing the value of the WPTT license and an acceptable sales price for WPTT. The purchase price was financed by WPTT, Inc., the new owner, through (i) a 15-year senior secured term note of $6.0 million (the "WPTT Note"), and (ii) a 20-year 8.5% redeemable subordinated convertible debenture (the "Convertible Debenture") in the aggregate principal amount of $1.0 million. At the same time, the Company entered into agreements to lease the tower and station buildings to WPTT, Inc. for use in the operation of WPTT with annual rental payments of $212,400.

Principal payments on the WPTT Note are required to be made over the five-year period, in the amount of $100,000 each month, commencing on October 1, 2001 and ending on September 30, 2006, at which time any unpaid amounts on the WPTT Note are due. Interest payments, which are computed on a floating interest rate equal to the prime rate plus 4.5%, began on October 1, 1991 and are payable monthly until maturity. At September 30, 1993, the entire principal balance remains outstanding.

The Convertible Debenture, which matures on September 30, 2011, is convertible, in whole or in part, by the holder at any time prior to maturity, subject to the approval of the FCC, into up to 80% of the capital stock of WPTT, Inc., such shares to be non-voting. WPTT, Inc. has agreed not to issue any other debentures or like instruments during the term of the debenture without the express written consent of the holder.

In December 1991, KCI, a corporation wholly owned by the Current Stockholders, entered into a Programming Services Agreement (the "Programming Agreement") with WPTT, Inc. pursuant to which KCI agreed to provide programming to WPTT during certain time periods, and WPTT agreed that KCI could sell, or engage a third party to sell, advertising time on WPTT during such programming. In consideration for WPTT broadcasting the programming provided by KCI, KCI agreed to pay an hourly fee. In January 1992, KCI entered into a management agreement and other arrangements with WPGH, Inc., a Subsidiary of the Company, whereby KCI and WPGH, Inc. agreed that WPGH, Inc. may provide to KCI its excess programming which will assist KCI in providing programming to WPTT under the Programming Agreement. As consideration for the programming provided by WPGH, Inc., WPGH, Inc. sells the advertising time allotted to KCI under to the Programming Agreement. Pursuant to these arrangements, WPGH, Inc. receives a 10% commission on the advertising time sold. During 1992 and the six months ended June 30, 1993, WPGH, Inc. received gross commissions of $294,000 and $213,000, respectively. The total net commissions earned by WPGH, Inc. were approximately $112,000

in 1992 and $76,000 during the nine months ended September 30, 1993. In addition, the Company received from KCI broadcast time for promotions valued at $40,000 in 1992 and $26,000 during the nine months ended September 30, 1993.

During 1992, the Convertible Debenture was assigned to the Current Stockholders in exchange for the payment of $100,000 and the issuance of a $900,000 note, which bears interest at 7.9% per annum and matures in April 2002.

In March 1993, the Company assigned the WPTT Note to Julian S. Smith and Carolyn C. Smith (the parents of the Current Stockholders), both former stockholders of the Company, in exchange for the payment of $50,000 and the issuance of a $6.6 million note which bears interest at 7.21% per annum and requires interest only payments through September 2001. Monthly principal payments of $109,317 plus interest are payable commencing in November 2001 and ending in September 2006, at which time the remaining principal balance plus accrued interest, if any, is due.

Sale of WIIB

In September 1990, the Company sold all the stock of Channel 63, Inc., the owner of WIIB in Bloomington, to the Current Stockholders for $1.5 million, financed by a note issued to the Company bearing interest at the rate of 10.25% per annum (the "WIIB Note"), which was guaranteed by WIIB. The purchase price was determined by an independent appraisal. In June 1992, the then outstanding principal balance on the WIIB Note of $1.5 million was refinanced. This transaction was entered into to allow WIIB to refinance at lower interest rates prevailing at the time of refinancing. The new note bears interest at 6.88% per annum, is payable in monthly principal and interest payments of $16,000 until September 30, 2000, at which time a final payment of approximately $431,000 is due. The WIIB Note, and all renewals, extensions, substitutions, refinancings and restatements thereon, is pledged to Chase Bank pursuant to the Bank Credit Agreement. At September 30, 1993, $1.3 million remained outstanding. At the time of the sale WIIB was, and is currently, a Home Shopping Network affiliate.

Bay Television, Inc.

In April 1990, Chesapeake Television, Inc. ("CTI"), a Subsidiary of the Company, sold certain station equipment to Bay Television, Inc. in exchange for the issuance of a note in the principal amount of $503,359 payable over five years with an interest rate of 11% per annum (the "Bay Transmitter Note"). Bay Television, Inc. is owned 75% by the Current Stockholders and 25% by Robert L. Simmons, a former stockholder of the Company, and is the owner and operator of WTTA in St. Petersburg. At September 30, 1993, $188,000 remained outstanding under the Bay Transmitter Note.

In connection with the capitalization of Bay Television, Inc. the Company agreed to loan the Current Stockholders up to $3 million on May 17, 1990, and the Current Stockholders simultaneously agreed to loan Bay Television, Inc. up to $3 million (collectively, the "Bay Credit Facility"). Each of the loans to the Current Stockholders and to Bay Television, Inc. pursuant to the Bay Credit Facility is evidenced by a secured note due December 31, 1999 accruing interest at a floating rate equal to the prime rate plus one percentage point. The principal balance, payable over six years commencing on March 31, 1994, is required to be repaid quarterly at a rate of: (i) 1.25% each quarter for the first year; (ii) 2.5% each quarter for the second year; (iii) 5% each quarter for years three through five; and (iv) 6.25% each quarter for the last year. Interest on the unpaid principal amount of each note is also payable quarterly. The notes pursuant to the Bay Credit Facility are pledged to Chase Bank pursuant to the Bank Credit Agreement. At November 8, 1993, a principal balance of $2.5 million remained outstanding under the Bay Credit Facility.

Loans to Affiliates

In January 1991, the Company loaned Robert E. Smith $100,000 payable on demand and bearing interest at the rate of 8.87%. In June 1992, the Board of Directors of the Company reduced the interest rate to 7.87%, effective June 1, 1992. This note was paid in full and cancelled on September 27, 1993.

In June 1992, the Company loaned David D. Smith $250,000 payable on demand and bearing interest at the rate of 7.87%. The Company also loaned $250,000 to J. Duncan Smith on the same terms. In 1993, the interest rate on J. Duncan Smith's note was changed to the current Applicable Federal Rate, effective January 1, 1993. Both of these notes were paid in full and cancelled on September 27, 1993.

Affiliated Leases

From 1987 to 1992, the Company entered into five lease transactions with Cunningham Communications, Inc. ("Cunningham"), a corporation wholly owned by the Current Stockholders, to lease certain facilities from Cunningham. Four of these leases are 10-year leases for rental space on broadcast towers, two of which are capital leases having renewable terms of 10 years. The other lease is a month to month lease for the old studio and offices of WBFF where certain WBFF satellite dishes are located. Aggregate annual rental payments (including prepayments in 1992) related to these leases were $511,000, $401,000 and $406,000 in 1992, 1991 and 1990, respectively. The aggregate annual rental payments related to these leases will be $336,500 in 1993 and $446,200 in 1994.

In January 1991, CTI entered into a 10-year capital lease for a new administrative facility for station WBFF and the Company's corporate offices with Keyser Investment Group, Inc. ("KIG"), a corporation wholly owned by the Current Stockholders. Additionally, in June 1991 CTI entered into a one-year renewable lease for parking facilities at the administration facility with KIG. Payments (including prepayments in 1992) under these and the prior leases with KIG were $419,000, $218,000 and $102,000 in 1992, 1991 and 1990, respectively. The aggregate annual rental payments related to the administrative facility will be $336,200 in 1993 and $401,500 in 1994.

Gerstell Development Limited Partnership ("Gerstell"), an entity wholly owned by the Current Stockholders, was formed in April 1993 to acquire certain personal and real property interests of the Company in Pennsylvania. This transaction was completed in September 1993. Gerstell acquired the WPGH office/studio, transmitter and tower site for an aggregate of $2.2 million. The purchase price was financed in part by a $2.1 million note bearing interest at 6.18% with principal payments beginning on November 1, 1994 and a final maturity date of October 1, 2013. Gerstell also leased the office/studio, transmitter and tower site to WPGH, Inc. for $14,875 per month and $25,000 per month, respectively. These are seven-year leases with four seven-year renewal periods. Gerstell has arranged for a $2.0 million loan (the "Gerstell Loan") from a bank lender for the construction on the studio/transmitter site of an expansion of the existing office building/television studio and the construction of a new tower having an estimated cost of an aggregate of $1.5 million. The Company has guaranteed the Gerstell Loan. As of November 8, 1993, there are no amounts outstanding under the Gerstell Loan. The completed office building/television studio and the new tower will be leased from Gerstell by WPGH, Inc. The Company believes that the leases with Gerstell are or will be at market rates and of an adequate duration.

Pursuant to a second acquisition agreement, Gerstell has agreed to purchase from the Company certain real estate in Monroeville, Pennsylvania for a purchase price equal to its appraised value of $115,000. The property is the location of the tower for WPTT in Pittsburgh. The Company conveyed the above mentioned personal and real property to Gerstell in an effort to limit its liability exposure associated with the towers and real property sites.

Stock Redemptions

On September 30, 1990, the Company issued the Founders' Notes maturing on May 31, 2005, payable to Julian S. Smith and Carolyn C. Smith, former majority owners of the Company and the parents of the Current Stockholders, in the amounts of $7.5 million and $6.7 million, respectively, in consideration of stock redemptions of 72.65% of the outstanding stock of the Company. The redemption price of the Founders' Stock was determined by an independent appraiser. The Founders' Notes are secured by security interests in all of the assets of the Company and its subsidiaries, and are personally guaranteed by the Current Stockholders.

Principal payments on the loan from Julian S. Smith are payable, in various amounts, each October, beginning October 1991 until October 2004, with a balloon payment due at maturity in the amount of $5.0 million. Additionally, monthly interest payments of $28,750 commenced on April 1993 and will continue until December 1996.

Principal payments on the loan from Carolyn C. Smith are payable each October, beginning October 1991 until October 2004, with a balloon payment due at maturity in the amount of $4.5 million. The notes include stated interest rates of 8.75%, payable annually from October 1990 until October 1992, then payable semi-annually thereafter, until maturity. The effective interest rate approximates 9.4%. For further description of the Founders' Notes, see "Description of Outstanding Indebtedness – Minority Note and Founders' Notes."

In December 1986, the Company entered into a non-competition agreement with Julian S. Smith in the aggregate amount of $345,000 per year. This agreement expired May 1993.

Proposed Acquisitions

If FCC consent to the Proposed Acquisitions and the Glencairn Acquisitions as proposed in the current FCC applications is obtained, the Company will enter into PSAs with Glencairn with respect to WNUV and WVTV. Carolyn C. Smith, the mother of the Current Stockholders, owns a majority of the voting capital stock of Glencairn. The specific terms of the PSAs are subject to further negotiation between Glencairn and the Company. Furthermore, the consummation by the Company of the Proposed Acquisitions is conditioned upon, among other things, the consummation by Glencairn of the Glencairn Acquisitions.

STOCKHOLDERS

The following table sets forth the beneficial ownership of the capital stock of the Company as of the date hereof:

Name and Address(1)(2)	Class	Number of Shares	Percent
David D. Smith 2000 West 41st Street Baltimore, Maryland 21211	Common Stock	172,995	25%
Frederick G. Smith 2000 West 41st Street Baltimore, Maryland 21211	Common Stock	172,995	25%
J. Duncan Smith 2000 West 41st Street Baltimore, Maryland 21211	Common Stock	172,995	25%
Robert E. Smith 2000 West 41st Street Baltimore, Maryland 21211	Common Stock	172,995	25%
All directors and officers as a group (5 persons)	Common Stock	691,980	100%

(1) The persons named in the table have sole voting and investment power with respect to the shares shown as beneficially owned by them.

(2) All of the shares shown as beneficially owned by the persons named in the table have been pledged pursuant to the Bank Credit Agreement.