

SINCLAIR BROADCAST GROUP INC

Form 10-K

March 02, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER: 000-26076

SINCLAIR BROADCAST GROUP, INC.

(Exact name of Registrant as specified in its charter)

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Maryland
(State or other jurisdiction of
incorporation or organization)

52-1494660
(I.R.S. Employer Identification No.)

10706 Beaver Dam Road

Hunt Valley, MD 21030

(Address of principal executive offices)

(410) 568-1500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value \$ 0.01 per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in

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Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Based on the closing sales price of \$34.75 per share as of June 30, 2014, the aggregate market value of the voting and non-voting common equity of the Registrant held by non-affiliates was approximately \$2,471.2 million.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Title of each class	Number of shares outstanding as of February 20, 2015
Class A Common Stock	69,314,960
Class B Common Stock	25,928,357

Documents Incorporated by Reference - Portions of our definitive Proxy Statement relating to our 2015 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K. We anticipate that our Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2014.

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SINCLAIR BROADCAST GROUP, INC.

FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2014

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FORWARD-LOOKING STATEMENTS

This report includes or incorporates forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the U.S. Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about us, including, among other things, the following risks:

General risks

- the impact of changes in national and regional economies and credit and capital markets;
- consumer confidence;
- the potential impact of changes in tax law;
- the activities of our competitors;
- terrorist acts of violence or war and other geopolitical events;
- natural disasters that impact our advertisers and our stations;

Industry risks

- the business conditions of our advertisers particularly in the automotive and service industries;
- competition with other broadcast television stations, radio stations, multi-channel video programming distributors (MVPDs), internet and broadband content providers such and other print and media outlets serving in the same markets;
- availability and cost of programming and the continued volatility of networks and syndicators that provide us with programming content;
- our relationships with networks and their strategies to distribute their programming via means other than their local television affiliates, such as over-the-top content;
- the effects of the Federal Communications Commission's (FCC's) National Broadband Plan and the auctioning and potential reallocation of our broadcasting spectrum;
- the effects of governmental regulation of broadcasting or changes in those regulations and court actions interpreting those regulations, including ownership regulations (including regulations relating to Joints Sales Agreements (JSA) and Shared Services Agreements

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(SSA)), closed captioning rules, indecency regulations, retransmission fee regulations and political or other advertising restrictions;

- labor disputes and legislation and other union activity associated with film, acting, writing and other guilds and professional sports leagues;
- the broadcasting community's ability to create and adopt a new transmission standard, as well as viable mobile digital broadcast television (mobile DTV) strategy and platform and the consumer's appetite for mobile television;
- the operation of low power devices in the broadcast spectrum, which could interfere with our broadcast signals;
- the impact of reverse network compensation payments charged by networks pursuant to their affiliation agreements with broadcasters requiring compensation for network programming;
- the effects of new ratings system technologies including people meters and set-top boxes, and the ability of such technologies to be a reliable standard that can be used by advertisers;
- the impact of new FCC rules requiring broadcast stations to publish, among other information, political advertising rates online;
- changes in the makeup of the population in the areas where stations are located;

Risks specific to us

- the effectiveness of our management;
- our ability to attract and maintain local and national advertising;
- our ability to service our debt obligations and operate our business under restrictions contained in our financing agreements;
- our ability to successfully renegotiate retransmission consent agreements;
- our ability to renew our FCC licenses;
- our ability to obtain FCC approval for any future acquisitions, as well as, in certain cases, customary antitrust clearance for any future acquisitions;
- our ability to successfully integrate any acquired businesses;
- our ability to maintain our affiliation and programming service agreements with our networks and program service providers and at renewal, to successfully negotiate these agreements with favorable terms;

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- our ability to effectively respond to technology affecting our industry and to increasing competition from other media providers;
- the popularity of syndicated programming we purchase and network programming that we air;
- the strength of ratings for our local news broadcasts including our news sharing arrangements;
- the successful execution of our multi-channel broadcasting initiatives including mobile DTV;
- the results of prior year tax audits by taxing authorities; and
- the success of our digital initiatives in a competitive environment.

Other matters set forth in this report and other reports filed with the Securities and Exchange Commission (SEC), including the *Risk Factors* set forth in Item 1A of this report may also cause actual results in the future to differ materially from those described in the forward-looking statements. However, additional factors and risks not currently known to us or that we currently deem immaterial may also cause actual results in the future to differ materially from those described in the forward-looking statements. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, events described in the forward-looking statements discussed in this report might not occur.

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PART I

ITEM 1. BUSINESS

We are a diversified television broadcasting company that owns or provides certain programming, operating or sales services to more television stations than most other commercial broadcasting groups in the United States. Our broadcast group is a single reportable segment for accounting purposes. We own, provide programming and operating services pursuant to local marketing agreements (LMAs) or provide sales services and other non-programming operating services pursuant to contracts to 164 stations in 79 markets. These stations broadcast 373 channels, including 211 channels affiliated with primary networks or program service providers comprised of: FOX (46), ABC (33), CBS (29), NBC (21), CW (44), MNT (33), and Univision (5). The other 162 channels broadcast programming from This TV, Me TV, GetTV, Grit, Weather Radar, Weather Nation, Live Well Network, Antenna TV, Bounce Network, Heartland, Zuus Country Network, Retro TV, Estrella TV, MundoFox, Inmigrante TV, Azteca, and Telemundo, and one channel broadcasts independent programming. For the purpose of this report, these channels are referred to as our stations. Refer to our *Markets and Stations* table later in this Item 1 for more information.

We broadcast free over-the-air programming to television viewing audiences in the communities we serve through our local television stations. The programming that we provide on our primary station channels consists of network provided programs, news produced locally, local sporting events, programming from program service arrangements, syndicated entertainment programs and other locally produced programs such as the American Sports Network, our collegiate sports initiative launched in 2014, and Ring of Honor wrestling. We produce news at 102 stations in 75 markets, including one station where we produce news pursuant to a local news sharing arrangement for a competitive station in that market. We have 20 stations which have local news sharing arrangements with a competitive station in that market that produces the news aired on our station. We provide live local sporting events on many of our stations by acquiring the local television broadcast rights for these events. Additionally, we purchase and barter for popular syndicated programming from third party television producers. See *Operating Strategy* later in this *Item 1* for more information regarding the programming we provide.

Our primary source of revenue is the sale of commercial inventory on our television stations to our advertising customers. Our objective is to meet the needs of our advertising customers by delivering significant audiences in key demographics. Our strategy is to achieve this objective by providing quality local news programming and popular network and syndicated programs to our viewing audience. We attract most of our national television advertisers through national marketing representation firms which have offices in New York City, Los Angeles, Chicago and Atlanta. Our local television advertisers are attracted through the use of a local sales force at each of our television stations, which is comprised of approximately 750 sales account executives and 90 local sales managers company-wide.

We also earn revenue from our retransmission consent agreements through payments from MVPDs in our markets. The MVPDs are local cable companies, satellite television and local telecommunication video providers. The revenues primarily represent payments from the MVPDs for access to our broadcast signal and is typically based on the number of subscribers they have.

Our operating results are subject to cyclical fluctuations from political advertising. Political spending has been significantly higher in the even-number years due to the cyclicity of political elections. In addition, every four years, political spending is typically elevated further due to the advertising preceding the presidential election. Because of the political election cyclicity, there has been a significant difference in our operating results when comparing even-numbered years performance to the odd numbered years performance. Additionally, our operating results are impacted by the number and importance of individual political races and issues discussed. We believe political advertising will continue to be a strong advertising category in our industry, particularly in light of the 2010 United States Supreme Court decision in *Citizens United v. Federal Election Commission* in which the Supreme Court ruled that federal laws limiting issue advocacy by for-profit and non-profit

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corporations was unconstitutional. With increased spending by Political Action Committees (PACs), including so-called Super PACs and as political-activism around social, political, economic and environmental causes continues to draw attention, political advertising levels may increase further.

We continue to believe the prospects for a viable mobile television service can occur because of the significant advantages over the air, point to multipoint delivery has compared to the limitations and expenses the consumer is facing through the transitional cell phone delivery option. Television broadcasters have the potential capability of delivering significantly greater video and data at a fraction of the cost of the existing carrier network. We believe a change to the existing mobile broadcast standard to a standard that is comparable to that used in several other parts of the world is essential. We cannot predict at this time how or if any change to the current US mobile standard will take place.

We have one reportable operating segment: broadcast. Our broadcast segment is comprised of all of our television stations. We also earn revenues from sign design and fabrication, regional security alarm operating and bulk acquisitions, manufacturing and

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service of broadcasting antennas and transmitters, real estate ventures and a wrestling programming franchise, which we refer to as our Other Operating Divisions. Corporate and unallocated expenses primarily include our costs to operate as a public company and to operate our corporate headquarters location. Our Other Operating Divisions and Corporate are not reportable segments. See *Note 14. Segment Data* for more information regarding our operating segments.

We are a Maryland corporation formed in 1986. Our principal offices are located at 10706 Beaver Dam Road, Hunt Valley, Maryland 21030. Our telephone number is (410) 568-1500 and our website address is www.sbgi.net. The information contained on, or accessible through, our website is not part of this annual report on Form 10-K and is not incorporated herein by reference.

TELEVISION BROADCASTING*Markets and Stations*

As of December 31, 2014, we own and operate or provide programming and/or sales and other shared services to television stations in the following 79 markets:

Market	Market Rank (a)	Num. of Channels Total/ (Primary)(d)	Stations(e)	Network Affiliation(f)	Network Affiliation Expiration(b)	Station Rank in Market (c)
Washington, DC	8	3(1)	WJLA	ABC	12/31/2017	2 of 8
Seattle /Tacoma, WA	14	5(2)	KOMO KUNS	ABC Univision	8/31/2019 12/31/2014	3 of 10 N/A
Minneapolis, MN	15	3(1)	WUCW	CW	8/31/2016	5 of 7
St. Louis, MO	21	3(1)	KDNL	ABC	8/31/2020	4 of 7
Pittsburgh, PA	22	4(2)	WPGH WPMY	FOX MNT	12/31/2017 8/31/2015	4 of 7 6 of 7
Portland, OR	23	7(3)	KATU KUNP	ABC Univision	8/31/2019 12/31/2014	2 of 8 N/A
Raleigh / Durham, NC	25	4(2)	WLFL WRDC	CW MNT	8/31/2016 8/31/2015	5 of 8 6 of 8
Baltimore, MD	26	7(3)	WBFF WNUV(g) WUTB(h)	FOX CW MNT	12/31/2017 8/31/2016 8/31/2015	3 of 6 5 of 6 6 of 6
Nashville, TN	29	7(3)	WZTV WUXP WNAB(h)	FOX MNT CW	12/31/2017 8/31/2015 8/31/2016	4 of 8 6 of 8 7 of 8
Columbus, OH	32	6(4)	WSYX WTTE(g) WWHO(h)	ABC FOX CW	8/31/2020 12/31/2017 12/31/2016	2 of 7

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						4 of 7
						5 of 7
San Antonio, TX	33	6(3)	WOAI	NBC	1/1/2016	3 of 7
			KABB	FOX	12/31/2017	4 of 7
			KMYS(h)	CW	8/31/2016	5 of 7
Salt Lake City, UT	34	5(5)	KUTV	CBS	4/29/2017	1 of 7
			KMYU	MNT	8/31/2015	7 of 7
Milwaukee, WI	35	5(2)	WVTV	CW	8/31/2016	6 of 9
			WCGV	MNT	8/31/2015	8 of 9
Cincinnati, OH	36	4(3)	WKRC	CBS/	6/2/2016	1 of 7
				CW	8/31/2016	N/A
					8/31/2015	
			WSTR(h)	MNT		5 of 7
Asheville, NC / Anderson,	37	6(3)	WLOS	ABC	8/31/2020	3 of 7
SC / Greenville			WMYA(g)	MNT	8/31/2015	5 of 7
Spartanburg, SC						

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Market	Market Rank (a)	Num. of Channels Total/ (Primary)(d)	Stations(e)	Network Affiliation(f)	Network Affiliation Expiration(b)	Market Rank in (c)
West Palm Beach / Fort Pierce, FL	38	7(4)	WPEC	CBS	1/31/2016	2 of 7
			WTVX	CW/	8/31/2016	
			WTCN-CA	MNT	8/31/2015	5 of 7 6 of 7
Austin, TX	39	2(1)	KEYE	CBS	4/29/2017	3 of 6
Grand Rapids / Kalamazoo, MI	40	2(2)	WWMT	CBS/	12/31/2016	1 of 6
				CW	8/31/2016	N/A
Las Vegas, NV	41	6(3)	KSNV	NBC	8/31/2015	3 of 6
			KVCW	CW		5 of 6
				MNT	8/31/2016	6 of 6
Norfolk, VA	42	3(1)	WTVZ	MNT	9/8/2011 8/31/2015	6 of 7
Birmingham, AL	43	15(7)(j)	WBMA	ABC	12/31/2017	3 of 8
			WTTO/	CW	8/31/2016	5 of 8
			WDBB(g) WABM	MNT	8/31/2015	6 of 8
Oklahoma City, OK	44	5(2)	KOKH	FOX	12/31/2017	4 of 8
			KOCB	CW	8/31/2016	5 of 8
Harrisburg / Lancaster / Lebanon / York, PA	45	4(3)	WHP	CBS/	6/2/2016	2 of 7
				MNT	8/31/2015	N/A
			WLYH(g)	CW	5/30/2016	5 of 7
Greensboro / High Point / Winston Salem, NC	46	5(2)	WXLV	ABC	8/31/2020	4 of 7
			WMYV	MNT	8/31/2015	5 of 7
Buffalo, NY	52	5(2)	WUTV	FOX	12/31/2017	4 of 7
			WNYO	MNT	8/31/2015	6 of 7
Providence, RI / New Bedford, MA	53	2(1)	WJAR	NBC	12/31/2015	1 of 7
Fresno / Visalia, CA	54	5(3)	KMPH	FOX	12/31/2015	2 of 7
			KFRE	CW		5 of 7
					8/31/2016	
Wilkes Barre / Scranton, PA	55	8(7)	WOLF(g)	FOX	6/30/2016	4 of 7
			WQMY(g)	MNT	9/1/2015	7 of 7
			WSWB(h)	CW	8/31/2017	6 of 7
Little Rock / Pine Bluff, AR	56	3(1)	KATV	ABC	12/31/2017	2 of 8
Richmond, VA	57	2(2)	WRLH	FOX	12/31/2017	4 of 6
				MNT	12/31/2015	
Albany, NY	58	5(3)	WRGB	CBS	1/31/2016	1 of 6
			WCWN	CW	8/31/2016	
Mobile, AL / Pensacola, FL	59	8(3)	WEAR	ABC	8/31/2020	5 of 6 2 of 8
			WPMI(h)	NBC	1/1/2016	4 of 8
			WJTC(h)		None	5 of 8
			WFGX	IND	8/31/2015	6 of 8
Tulsa, OK	60	3(1)	KTUL	ABC	12/31/2017	2 of 11
Lexington, KY	63	3(1)	WDKY	FOX	12/31/2017	4 of 8
Dayton, OH	64	5(3)	WKEF	ABC	8/31/2020	3 of 5
			WRGT(g)	FOX/	12/31/2017	4 of 5

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Wichita / Hutchinson, KS	65	12(6)	KAAS/KSAS/ KOCW KMTW(g)	MNT FOX MNT	12/31/2015 12/31/2017 8/31/2015	4 of 6 6 of 6
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Market	Market Rank (a)	Num. of Channels Total/ (Primary)(d)	Stations(e)	Network Affiliation(f)	Network Affiliation Expiration(b)	Market Rank in (c)
Charleston / Huntington, WV	66	5(2)	WCHS WVAH	ABC FOX	8/31/2020 12/31/2017	2 of 6 4 of 6
Roanoke / Lynchburg, VA	67	3(1)	WSET	ABC	12/31/2017	2 of 5
Green Bay / Appleton, WI	68	2(2)	WLUK WCWF	FOX CW	12/31/2017 8/31/2016	2 of 7 5 of 7
Flint / Saginaw / Bay City, MI	70	9(5)	WEYI(h) WSMH WBSF(h)	NBC FOX CW	12/31/2015 12/31/2017 8/31/2016	3 of 7 4 of 7 5 of 7
Des Moines, IA	72	3(1)	KDSM	FOX	12/31/2017	4 of 6
Spokane, WA	73	2(1)	KLEW	CBS	2/29/2016	N/A
Omaha, NE	74	6(3)	KPTM KXVO(g)	FOX/ MNT CW	12/31/2015 12/31/2015 8/31/2016	4 of 8 5 of 8
Toledo, OH	76	2(1)	WNWO	NBC	12/31/2015	3 of 6
Columbia, SC	77	2(1)	WACH	FOX	6/30/2017	4 of 5
Rochester, NY	78	5(3)	WHAM(h) WUHF	ABC/ CW FOX	12/31/2017 8/31/2016 12/31/2017	3 of 6 4 of 6
Portland, ME	80	4(2)	WGME WPFO(h)	CBS FOX	12/31/2018 6/30/2016	2 of 6 4 of 6
Cape Girardeau, MO / Paducah, KY	81	5(3)	KBSI WDKA(g)	FOX MNT	12/31/2017 8/31/2015	4 of 6 5 of 6
Madison, WI	82	3(1)	WMSN	FOX	12/31/2017	4 of 6
Syracuse, NY	84	6(4)	WSTM WTVH(h)	NBC/ CW CBS	12/31/2015 8/31/2016 12/31/2015	2 of 8 7 of 8 3 of 8
Champaign / Springfield / Decatur, IL	85	11(5)	WICD/WICS WRSP/WCCU(h) WBUI(h)	ABC FOX CW	8/31/2020 12/31/2015 8/31/2016	3 of 6 4 of 6 6 of 6
Harlingen / Weslaco / Brownsville / McAllen, TX	86	2(1)	KGBT	CBS	12/31/2018	2 of 8
Chattanooga, TN	88	3(1)	WTVC	ABC	8/31/2020	1 of 7
Cedar Rapids, IA	90	5(2)	KGAN KFXA(h)	CBS FOX	12/31/2018 12/31/2017	3 of 5 4 of 5
El Paso, TX	91	5(3)	KDBC KFOX	CBS/ MNT FOX	8/31/2016 10/30/2015 6/30/2017	2 of 7 3 of 7
Savannah, GA	92	1(1)	WTGS	FOX	12/31/2017	4 of 6
Charleston, SC	95	4(2)(j)	WCIV	ABC MNT	12/31/2017 8/31/2015	2 of 6 5 of 6
Myrtle Beach / Florence, SC	102	4(3)	WPDE WWMB(g)	ABC CW	12/31/2018 8/31/2016	2 of 6 5 of 6
Johnstown / Altoona, PA	104	3(1)	WJAC	NBC	12/31/2017	1 of 5

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Market	Market Rank (a)	Num. of Channels Total/ (Primary)(d)	Stations(e)	Network Affiliation(f)	Network Affiliation Expiration(b)	Market Rank in (c)
Tallahassee, FL	106	3(3)	WTWC	NBC/	12/31/2016	3 of 6
				FOX	6/30/2016	4 of 6
			WTLF(h)	CW	8/31/2017	5 of 6
Reno, NV	107	7(3)	KRNV(h)	NBC	12/31/2017	3 of 6
			KRXI	FOX	6/30/2017	4 of 6
			KAME(g)	MNT	8/31/2015	5 of 6
Boise, ID	109	5(3)	KBOI	CBS/	2/29/2016	2 of 9
				CW	8/31/2016	7 of 9
Peoria / Bloomington, IL	117	2(2)	WHOI(i)	ABC/	8/31/2019	3 of 6
				CW	8/31/2016	
Traverse City / Cadillac, MI	118	8(8)	WPBN/WTOM	NBC	12/31/2015	2 of 4
			WGTU/WGTQ(h)	ABC/	12/31/2017	3 of 4
				CW	8/31/2016	
Macon, GA	119	2(2)	WGXA	FOX/	6/30/2016	2 of 5
				ABC	12/31/2015	
Eugene, OR	120	13(9)	KVAL/KCUBY/ KPIC	CBS	2/29/2016	1 of 6
			KMTR/KMCB/ KTCW(h)	NBC/ CW	12/31/2015 8/31/2016	3 of 6
			KEPR/KIMA	CBS/ CW	2/29/2016 8/31/2019	1 of 6
Yakima / Pasco / Richland / Kennewick, WA	122	8(6)	KVVK-CD/ KUNW-CD	Univision	12/31/2014	N/A
Bakersfield, CA	127	5(3)	KBAK	CBS/	3/3/2016	2 of 6
				FOX	12/31/2015	4 of 6
Amarillo, TX	130	4(4)	KVII/KVIH	ABC/ CW	12/31/2018 8/31/2016	2 of 7
Columbia / Jefferson City, MO	138	3(1)	KRCG	CBS	6/30/2015	1 of 7
Medford, OR	140	3(2)	KTVL	CBS/ CW	1/31/2016 8/31/2016	2 of 6
Beaumont, TX	141	5(3)	KFDM	CBS/	1/31/2016	1 of 6
				CW	8/31/2016	3 of 6
				FOX	12/31/2017	
Sioux City, IA	149	7(5)	KBTV(h)			
			KMEG(h)	CBS	1/31/2016	3 of 7
			KPTH	FOX/ MNT	12/31/2015 11/1/2014	4 of 7
Albany, GA	152	3(1)	WFXL	FOX	6/30/2017	3 of 7
Wheeling, WV / Steubenville, OH	157	3(2)	WTOV	NBC/ FOX	12/31/2017 1/16/2015	1 of 5
Gainesville, FL	162	4(3)	WGFL(g)	CBS/	6/30/2017	2 of 6
				MNT	9/1/2015	6 of 6
			WNBW(h)	NBC	1/1/2016	4 of 6
Quincy, IL / Hannibal, MO / Keokuk, IA	170	3(2)	KHQA	CBS/ ABC	6/30/2015 8/31/2020	2 of 5
Marquette, MI	180	3(2)	WLUC	NBC/ FOX	12/31/2015 6/30/2017	1 of 7

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Ottumwa, IA / Kirksville, MO	200	2(2)	KTVO	ABC/ CBS	12/31/2018 4/30/2015	1 of 4
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**Total Television
Channels**

373(211)

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(a) Rankings are based on the relative size of a station's Designated Market Area (DMA) among the 210 generally recognized DMAs in the United States as estimated by Nielsen as of September 2014.

(b) When we negotiate the terms of our network affiliations or program service arrangements, we negotiate on behalf of all of our stations affiliated with that entity simultaneously. This results in substantially similar terms for our stations, including the expiration date of the network affiliations or program service arrangements.

(c) The first number represents the rank of each station in its market and is based upon the November 2014 Nielsen estimates of the percentage of persons tuned into each station in the market from 6:00 a.m. to 2:00 a.m., Monday through Sunday. The second number represents the estimated number of television stations designated by Nielsen as local to the DMA, excluding public television stations and stations that do not meet the minimum Nielsen reporting standards (weekly cumulative audience of at least 0.1%) for the Monday through Sunday 6:00 a.m. to 2:00 a.m. time period as of November 2014. This information is provided to us in a summary report by Franco Research Group.

(d) Our primary networks / program service providers are comprised of FOX, ABC, CBS, NBC, CW, MNT, and Univision.

(e) We have a total of 14 other low powered stations, in certain markets which expand our signal by simulcasting our content throughout market.

(f) In addition to our primary affiliations, we broadcast other programming from the following providers on our channels:

Market	Number of Channels	Number of Markets	Expiration Dates (1)
Antenna TV	5	1	September 1, 2013
Azteca	3	2	February 8, 2016
Bounce Network	4	4	August 31, 2019
Estrella TV	3	3	June 1, 2015 through September 30, 2015
Get TV	31	31	June 30, 2017
Grit	48	46	December 31, 2019
Heartland	3	1	October 31, 2015
Independent programming	1	1	N/A
Inmigrante TV	1	1	February 1, 2015
Live Well Network	2	2	June 30, 2014 through January 1, 2018
Me TV	11	10	January 16, 2015 through September 30, 2017
MundoFox	3	3	April 30, 2014 through September 30, 2015
Retro TV	6	6	October 1, 2010 through January 1, 2016
Telemundo	1	1	December 31, 2016
This TV	13	11	November 1, 2014 through December 31, 2015
News & Weather	14	12	December 31, 2016
Zuus Country	13	13	September 30, 2014

Total

162

(1) If the affiliation agreement expires, we may continue to operate under the existing affiliation agreement on a temporary basis while we negotiate a new affiliation agreement.

(g) The license assets for these stations are currently owned by third parties. We provide programming, sales, operational and administrative services to these stations pursuant to certain service agreements, such as LMAs.

(h) The license and programming assets for these stations are currently owned by third parties. We provide certain non-programming related sales, operational and administrative services to these stations pursuant to service agreements, such as joint sales and shared services agreements.

(i) The license and programming assets for these stations are currently owned by us. A third party provides certain non-programming related sales, operational and administrative services to these stations pursuant to service agreements, such as joint sales and shared services agreements.

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(j) Total includes WCFT and WJSU in Birmingham, AL and WMMP in Charleston, SC. We sold the license and related assets of these stations to a third party on February 27, 2015. See *Note 11. Commitment and Contingencies* for further discussion.

Operating Strategy

Our operating strategy includes the following elements:

Programming to Attract Viewership. We seek to target our programming offerings to attract viewership, to meet the needs of the communities in which we serve and to meet the needs of our advertising customers. In pursuit of this strategy, we seek to obtain, at attractive prices, popular syndicated programming that is complementary to each station's network programming. We also seek to broadcast live local and national sporting events that would appeal to a large segment of the local community. See *Popular Sporting Events* below for further discussion. Moreover, we produce news at 102 stations in 75 markets, including one station which have a local news sharing agreement with a competitive station in that market. We have 20 stations which have local news sharing arrangements with a competitive station in that market, which produces the news aired on our station.

Television advertising prices are primarily based on ratings information measured and distributed by Nielsen. In 2010, the Media Rating Council, an independent organization that monitors rating services, revoked Nielsen's accreditation in the 154 markets in which Nielsen measures ratings exclusively by its diary methodology. As of December 31, 2014, approximately 52 of our 79 markets are diary only markets. For certain markets, including some of our diary markets, we entered into a contract with Rentrak Corporation, an alternative rating service provider, that uses set-top box television measurements to provide us additional measurement information to the ratings services Nielsen provides.

Attract and Retain High Quality Management. We believe that much of our success is due to our ability to attract and retain highly skilled and motivated managers at both the corporate and local station levels. We provide a combination of base salary, long-term incentive compensation including equity awards and, where appropriate, cash bonus pay designed to be competitive with comparable employers in the television broadcast industry. A significant portion of the compensation available to certain members of our senior management and our sales force is based on their achievement of certain performance goals.

Developing Local Franchises. We believe the greatest opportunity for a sustainable and growing customer base lies within our local communities. Therefore, we have focused on developing a strong local sales force at each of our television stations, which is comprised of approximately 750 sales account executives and 90 local sales managers company-wide. Excluding political advertising revenue, retransmission revenues, and other local revenues, 71.9% of our net time sales were local for the year ended December 31, 2014, compared to 70.2% in 2013. Excluding political advertising revenues, retransmission revenues, and other local revenues, local revenues increased 33.1% during 2014 versus 2013. Market share survey results reflect that our stations' share of the local television advertising market increased to 23.8% in 2014 from 22.2% in 2013. Our goal is to grow our local revenues by increasing our market share and by developing new business opportunities.

Local News. We believe that the production and broadcasting of local news is an important link to the community and an aid to a station's efforts to expand its viewership. In addition, local news programming can provide access to advertising sources targeted specifically to local news viewers. We assess the anticipated benefits and costs of producing local news prior to the introduction of local news at our stations because a significant investment in capital equipment is required and substantial operating expenses are incurred in introducing, developing and producing

local news programming. We also continuously review the performance of our existing news operations to make sure they are economically viable. Excluding certain stations acquired during 2013, we have upgraded the majority of our markets to provide high-definition (HD) news programming. We expect to roll out HD news programming to our remaining news producing markets in the next couple of years. We expanded news in 17 markets during 2014 and plan to add additional newscasts in 7 markets in 2015. During the year ended December 31, 2014, 29.7% of our net times sales were earned during the approximately 2,100 hours of local news we produce each per week.

Our local news initiatives are an important part of our strategy that have resulted in our entering into 21 local news sharing arrangements with other television broadcasters. We are the provider of news services for 1 instance, while in 20 of our news share arrangements we are the recipient of services. We believe that, in the markets where we have news share arrangements, such arrangements generally provide both higher viewer ratings and revenues for the station receiving the news and generate a profit for the news share provider. Generally, both parties and the local community are beneficiaries of these arrangements.

Developing New Business. We are always striving to develop new business models to complement or enhance our existing television broadcast business. We have developed new ways to bundle online, mobile text messaging and social media advertising with our traditional commercial broadcasting model. We plan to continue to expand our efforts in this area. In addition, we are

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making progress on standardizing and implementing a viable business platform for mobile DTV. See *Mobile Digital Broadcast Television (mobile DTV)* section below. We continue to explore new opportunities and plan to implement new initiatives in 2014.

Retransmission Consent Agreements. We have retransmission consent agreements with MVPDs, such as cable, satellite and telecommunications operators in our markets. MVPDs compensate us for the right to retransmit our broadcast signals. Our successful negotiations with MVPDs have created agreements that now produce meaningful sustainable revenue streams.

Ownership Duopolies and Utilization of Local Marketing Agreements. We have sought to increase our revenues and improve our margins through the ownership of two stations in a single market, called a duopoly, and by providing programming services pursuant to a LMA to a second station in DMAs where we already own one station. Duopolies and LMAs allow us to realize significant economies of scale in marketing, programming, overhead and capital expenditures. We also believe these arrangements enable us to air popular programming and contribute to the diversity of programming within each DMA. See *Local Marketing Agreements under Federal Regulation of the Television Broadcasting* within *Item 1. Business* for discussion of the rules and changes to regulation related to LMAs.

Use of Outsourcing Agreements / Joint Sales Agreements (JSAs). In addition to our LMAs, we have entered into outsourcing agreements, including JSA/shared services agreements (SSAs) in which our stations currently provide non-programming related services such as sales, operational and managerial services to 23 stations (excluding 5 satellite stations) in 20 markets, of which 13 are affiliated with major networks (FOX, ABC, CBS, and NBC) and 10 are affiliated with CW, MyNetwork TV, or are independent. Additionally, another party provides similar services to one of our stations. We believe the JSA/SSA structure allows stations to achieve operational efficiencies and economies of scale, which should improve broadcast cash flow and competitive positions and better serve the viewers in the community. The FCC adopted a new rule in the March 30, 2014 Further Notice which causes a station to be attributable to the owner of another station in the market which sells more than 15 percent of the advertising on the first station pursuant to a JSA or other arrangement. Parties to such agreements must come into compliance with these new rules by December 19, 2016. Appeals of that portion of the Further Notice have been filed in the U.S. Court of Appeals, and we cannot predict their outcome. We are currently evaluating whether to seek one or more waivers of the new rules, or to modify or terminate our current JSAs. We cannot predict whether we will be able to terminate or restructure such arrangements on terms that are as advantageous to us as the current arrangements. In addition, on March 12, 2014, the FCC issued a public notice providing guidelines as to the FCC's processing of applications that seek approval of proposed transactions that involve combinations of sharing arrangements and contingent or financial interests. These processing guidelines prevent us from entering into JSA/SSAs or similar agreements in connection with future acquisitions. See *Local Marketing Agreements* within the *Federal Regulation of Television Broadcasting* section below and *Risk Factors - The FCC's multiple ownership rules limit our ability to operate multiple television stations in some markets and may result in a reduction in our revenue or prevent us from reducing costs. Changes in these rules may threaten our existing strategic approach to certain television markets.*

Multi-Channel Digital Broadcasting. FCC rules allow broadcasters to transmit additional digital channels within the spectrum allocated to each FCC license holder. This provides viewers with additional programming alternatives at no additional cost to them. See *Markets and Stations under Television Broadcasting* within *Item 1. Business* for a listing of second and third digital channels and related affiliation. In addition, as noted below, we believe mobile DTV will serve as an additional use of our digital spectrum. We may consider other alternative programming formats that we could air using our multi-channel digital spectrum space with the goal towards achieving higher profits and community service.

Mobile Digital Broadcast Television (mobile DTV). Broadcasters continue to be excited about the possibilities of mobile TV. We continue to be engaged with other Broadcasters with many of our stations continuing to participate as part of the 130 stations reaching half of nation viewers. With mobile TV, viewers can tune in to live, local news, traffic information, weather, sporting events and entertainment programs from the convenience of their car, at the beach wherever they may be, using a select variety of mobile and video devices. The technology uses the broadcast airwaves not the Internet, not mobile broadband and no Wi-Fi or expensive data-plans are needed. Through this activity and what we have learned as an industry, we are preparing for the future advancements, capabilities and business opportunities that will come with a Next

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Generation Broadcast Platform (Next Gen).

We were founding member of the Open Mobile Video Coalition (OMVC) and Mobile500 (M500). The OMVC, an alliance of broadcasters that dedicated efforts to accelerate the development and rollout of mobile television, was integrated within activities of the National Association of Broadcasters.

We continue to believe that the technical ability to receive our television broadcast content on mobile devices will be attractive to individuals and broad consumer audiences. We installed and run current mobile DTV services at WPGH-TV, WSYX-TV, WTTE-TV, WPEC-TV, WKRC-TV and KEYE-TV. Given the rapid advance of the Advanced Television Systems Committee (ATSC) and its NextGen (3.0) activity, we have chosen to not deploy within remaining markets. This has allowed engineering and other resources to be focused on NextGen activities.

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Next Generation Broadcast Platforms. Cunningham Broadcast Corporation (Cunningham) received FCC approval to test advanced services (including mobile broadcasting and 4K-Ultra High Definition TV) on WNUV-TV in Baltimore, with both independent testing and demos as well as joint testing supervised and conducted by the National Association of Broadcasters (NAB). Data and demonstrations continue to illuminate the far reaching capabilities of a NextGen platform. The FCC has extended the station's authority to operate as an experimental facility in order to continue to evaluate the performance of NextGen capabilities throughout the WNUV-TV service area.

In March 2013 the ATSC announced a request for proposals (RFP) for the physical layer of the next-generation broadcast TV standard that in the years ahead could replace the current digital broadcasting systems used in the United States and around the world. We responded to this RFP with a joint proposal that continues to progress through the ATSC standardization process. The physical layer is the core transmission system that is the basis for any over-the-air broadcast system. The ATSC is an international, non-profit organization developing voluntary standards for digital television.

There are many key goals for ATSC 3.0, and the work is progressing with a scheduled completion of a Candidate Standard before the end of 2015. The system will be much more flexible and efficient with spectrum; provide for integration with other all IP delivery technologies, designed for mobile services; support targeted advertising capabilities; integrate features for delivery of personalized content; bring immersive viewing experiences that would include 4K or Ultra HD as well as advanced audio; include better video compression using the new MPEG H.265/High Efficiency Video Coding (HEVC) standard; and plans to make the standard more compatible with systems used globally.

Sinclair, together with Coherent Logix, a specialist in software-defined radio technology, was among the 13 groups that submitted proposals for the ATSC 3.0 transmission standard. The next-generation ATSC 3.0 broadcast television standard promises to provide improvements in performance, functionality and efficiency that are significant enough to warrant the challenges of a transition to a new system. The physical layer technologies will provide a foundation for the next terrestrial broadcast system. Robustness of service for devices operating within the ATSC 3.0 service area will exceed that of current ATSC systems and be truly competitive with that of cell phone and other wireless services.

ONE Media LLC. Sinclair and Coherent Logix, Inc., launched ONE Media LLC in May of 2014. This joint venture was formed to tackle and execute the development needs for a Next Generation Broadcast Platform (NGBP). This activity came out of the joint submission provided by both companies in response to the ATSC RFP mentioned above. ONE Media has been launched to create a NGBP to deliver the ultimate user experience of wireless access to premium video content anytime, anywhere without a data cap.

Due to the shift of video viewing habits from traditional TV to mobile devices, a new broadcast platform is needed to provide for the convergence of broadcasting with wireless broadband services. Harmonizing television broadcasting with a variety of delivery platforms (including LTE-based mobile infrastructure and user devices) for new, converged IP based hybrid services will enable new business models for the broadcast industry to realize the full potential of broadcast spectrum, which has long been hamstrung by inadequate technical standards and antiquated business models.

ONE Media is focused on creating an Open Network Enabled broadcast/broadband converged media and provide the Broadcast industry will the technological capability to succeed in a rapidly changing digital marketplace. In November of 2014, ONE Media announced that it completed its first system test of its Next Generation Broadcast Platform with outstanding results in transmitting fixed, mobile and data services to set-top and tablet devices. Over-the-air testing of the ONE Media system commenced at a newly commissioned Austin, TX transmission facility at the end of 2014. In conjunction with this and lab facilities, ONE Media is working with industry recognized vendors to develop a diversity of product and service providers for a robust support ecosystem.

Control of Operating and Programming Costs. By employing a disciplined approach to managing programming acquisition and other costs, we have been able to achieve operating margins that we believe are very competitive within the television broadcast industry. We believe our national reach of over 37.5% of the country provides us with a strong position to negotiate with programming providers and, as a result, the opportunity to purchase high quality programming at more favorable prices. Moreover, we emphasize control of each of our stations programming and operating costs through program-specific profit analysis, detailed budgeting, regionalization of staff and detailed long-term planning models.

Popular Sporting Events. At some of our stations, we have been able to acquire local television broadcast rights for certain sporting events, including NBA basketball, Major League Baseball, NFL football, NHL hockey, ACC basketball and both Big Ten and SEC football and basketball and certain other college and high school sports. We seek to expand our sports broadcasting in DMAs as profitable opportunities arise such as our purchase of the Ring of Honor professional wrestling franchise in May 2011. Our CW and MyNetworkTV stations generally face fewer preemption restrictions on broadcasting live local sporting events compared with our FOX, ABC, CBS and NBC stations, which are required to broadcast a greater number of hours of programming supplied by the

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networks. In addition, our stations that are affiliated with FOX, ABC, CBS and NBC have network arrangements to broadcast certain NBA basketball games, MLB baseball games, NFL football games, NHL hockey games, NASCAR races and PGA golf events, as well as other popular sporting events. During 2014, we launched the American Sports Network (ASN), our collegiate sports initiative to be broadcast on a number of our MyNet, CW and multi-cast channels. ASN has entered into multi-year comprehensive sports rights agreements with a number of distinguished NCAA Division I conferences including Conference USA, the Colonial Athletic Association, Big South Conference, Southern Conference, the Patriot League, and the Western Athletic Conference. In addition to its college initiative, SNG produces local high school sports under the Thursday Night Lights and Friday Night Rivals brands, and recently secured rights to the 2014 Porsche GT3 Cup Challenge.

Strategic Realignment of Station Portfolio. We continue to examine our television station group portfolio in light of the 2003 Rules. For a summary of these rules, refer to *Ownership Matters*, discussed under *Federal Regulation of Television Broadcasting*. Our objective has been to build our local franchises in the markets we deem strategic. We routinely review and conduct investigations of potential television station acquisitions, dispositions and station swaps. At any given time, we may be in discussions with one or more television station owners.

Non-broadcast Investments. We have sought ways to diversify our business and return additional value to our shareholders through investments in non-broadcast based businesses and real estate. We carry investments in various companies from different industries including sign design and fabrication and security alarm monitoring and bulk acquisition. In addition, we invest in various real estate ventures including developmental land, operating commercial and multi-family residential real estate properties and apartments. We also invest in private equity and structured debt / mezzanine financing investment funds. Currently, operating results from our investments represent a small portion of our overall operating results. Our ability to make additional investments is limited by the restrictions of our Bank Credit Agreement. Activity related to these investments is included in Other Operating Divisions.

FEDERAL REGULATION OF TELEVISION BROADCASTING

The ownership, operation and sale of television stations are subject to the jurisdiction of the FCC, which acts under the authority granted by the Communications Act of 1934, as amended (the Communications Act). Among other things, the FCC assigns frequency bands for broadcasting; determines the particular frequencies, locations and operating power of stations; issues, renews, revokes and modifies station licenses; regulates equipment used by stations; adopts and implements regulations and policies that directly or indirectly affect the ownership, operation and employment practices of stations; and has the power to impose penalties for violations of its rules and regulations or the Communications Act.

The following is a brief summary of certain provisions of the Communications Act, the Telecommunications Act of 1996 (the 1996 Act) and specific FCC regulations and policies. Reference should be made to the Communications Act, the 1996 Act, FCC rules and the public notices and rulings of the FCC for further information concerning the nature and extent of federal regulation of broadcast stations.

License Grant and Renewal

Television stations operate pursuant to broadcasting licenses that are granted by the FCC for maximum terms of eight years and are subject to renewal upon application to the FCC. During certain periods when renewal applications are pending, petitions to deny license renewals can be filed by interested parties, including members of the public. The FCC will generally grant a renewal application if it finds:

- that the station has served the public interest, convenience and necessity;
- that there have been no serious violations by the licensee of the Communications Act or the rules and regulations of the FCC; and
- that there have been no other violations by the licensee of the Communications Act or the rules and regulations of the FCC that, when taken together, would constitute a pattern of misconduct.

All of the stations that we currently own and operate or provide programming services or sales services to, pursuant to Time Brokerage Agreements (sometimes called Local Marketing Agreements (LMAs)), or other outsourcing agreements, are presently operating under regular licenses, which expire as to each station on the dates set forth under *Television Broadcasting* above. Although renewal of a license is granted in the vast majority of cases even when petitions to deny are filed, there can be no assurance that the license of any station will be renewed.

In 2004, we filed with the FCC an application for the license renewal of WBFF-TV in Baltimore, Maryland. Subsequently, an individual named Richard D Amato filed a petition to deny the application. In 2004, we also filed with the FCC applications for the license renewal of television stations: WXLV-TV, Winston-Salem, North Carolina; WMYV-TV, Greensboro, North Carolina; WLFL-

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TV, Raleigh / Durham, North Carolina; WRDC-TV, Raleigh / Durham, North Carolina; WLOS-TV, Asheville, North Carolina and WMMP-TV, Charleston, South Carolina. An organization calling itself Free Press filed a petition to deny the renewal applications of these stations and also the renewal applications of two other stations in those markets, which we program pursuant to LMAs: WTAT-TV, Charleston, South Carolina and WMYA-TV, Anderson, South Carolina. Several individuals and an organization named Sinclair Media Watch also filed informal objections to the license renewal applications of WLOS-TV and WMYA-TV, raising essentially the same arguments presented in the Free Press petition. The FCC is in the process of considering these renewal applications and we believe the objections have no merit.

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

On August 1, 2005, we filed applications with the FCC requesting renewal of the broadcast licenses for WICS-TV and WICD-TV in Springfield / Champaign, Illinois. Subsequently, various viewers filed informal objections requesting that the FCC deny these renewal applications. On September 30, 2005, we filed an application with the FCC for the renewal of the broadcast license for KGAN-TV in Cedar Rapids, Iowa. On December 28, 2005, an organization calling itself Iowans for Better Local Television filed a petition to deny that application. In April 2009, the FCC granted the license renewal application for WICD-TV. On June 12, 2013, the FCC granted the KGAN-TV renewal. The FCC is in the process of considering the WICS-TV and KGAN-TV renewal applications and we believe the objections and petitions requesting denial have no merit.

On August 1, 2005, we filed applications with the FCC requesting renewal of the broadcast licenses for WCGV-TV and WVTV-TV in Milwaukee, Wisconsin. On November 1, 2005, the Milwaukee Public Interest Media Coalition filed a petition to deny these renewal applications. On June 13, 2007, the Video Division of the FCC denied the petition to deny, and subsequently, the Milwaukee Public Interest Media Coalition filed a petition for reconsideration of that decision, which we opposed. In July 2008, the Video Division granted the renewal application of WVTV-TV and separately denied the Milwaukee Public Interest Media Coalition's petition for reconsideration. On August 11, 2008, the Milwaukee Public Interest Media Coalition and another organization filed another petition for reconsideration of the decision, which we opposed. On January 12, 2010, the FCC dismissed the second petition for reconsideration. On February 16, 2010, the Milwaukee Public Interest Media Coalition filed an application for review of the January 2010 dismissal decision, which we opposed. On December 12, 2010, the FCC dismissed the application for review. On January 11, 2011, the Milwaukee Public Interest Media Coalition filed a second application for review seeking review of the December 2010 dismissal decision, which we opposed. The WCGV-TV renewal of license application remains pending.

Action on many license renewal applications, including those we have filed, has been delayed because of the pendency of complaints that programming aired by the various networks contained indecent material and complaints regarding alleged violations of sponsorship identification rules. We cannot predict when the FCC will address these complaints and act on the renewal applications. We continue to have operating authority until final action is taken on our renewal applications.

The FCC has made it difficult for us to predict the impact on our license renewals from allegations related to the airing of indecent material that may arise in the ordinary course of our business. For example, on Veterans Day in November 2004, we preempted (did not air) Saving Private Ryan, a program that was aired during ABC's network programming time. We were concerned that since the program contained the use of the F-word (indecent material as defined by the FCC) airing the programming could result in a fine or other negative consequences for one or more of our ABC stations. In February 2005, the FCC dismissed all complaints filed against ABC stations regarding this program. The FCC's decision justified what some may consider indecent material as appropriate in the context of the program. Although this ruling has expanded the programming opportunities of our stations, it still leaves us at risk because what might be determined as legitimate context by us may not be

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deemed so by the FCC and the FCC will not rule beforehand as this may be considered a restriction of free speech. For example, in September 2006, we preempted a CBS network documentary on the events that happened on September 11, 2001 because the program contained what some have argued is indecent material and the FCC would not provide, in advance of the airing of the documentary, any guidance on whether that material was appropriate in the context of the program. In 2007, the U.S. Court of Appeals for the Second Circuit held that the FCC's indecency policy regarding fleeting expletives was arbitrary and capricious when the FCC determined that fleeting expletives aired during the *Golden Globes* and *Billboard Music Awards* violated its indecency rules. The FCC challenged the decision and the case was argued before the Supreme Court in November 2008. Also in 2008 the U.S. Court of Appeals for the Third Circuit rejected an FCC decision concluding, among other things, that a fleeting display of nudity during the Super bowl halftime show was indecent. On April 28, 2009, the Supreme Court overturned the *Golden Globes* and *Billboard Music Awards* decision of the Second Circuit and held that the FCC had adequately justified its departure from prior decisions in determining that it could sanction a station for a single F-word or S-word broadcast on that station. However, the Supreme Court also remanded the case back to the Second Circuit for further consideration to resolve any First Amendment Constitutional issues raised by the FCC's enforcement policy. On May 16,

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2009, the Supreme Court remanded the Super bowl halftime show case to the Third Circuit in order to consider the impact of the Supreme Court's *Golden Globes* and *Billboard Music Awards* decision and to consider the same First Amendment issues that were remanded to the Second Circuit. On July 13, 2010, the Second Circuit struck down the FCC's indecency policy in its entirety. On June 21, 2012, the Supreme Court vacated the Second Circuit's decision that the FCC's enforcement of its indecency rules was unconstitutional. Although the Supreme Court refused to address whether the FCC's indecency rules and the enforcement of them was unconstitutional, it did find that the agency did not give ABC and Fox fair warning that they could be fined for so-called "fleeting expletives" and nudity. The Court's opinion permits the FCC to modify its current indecency policy. It is unclear when the FCC might act as a result of the Court's ruling and the FCC's unclear policy make it difficult for us to determine what may be indecent programming.

Ownership Matters

General. The Communications Act prohibits the assignment of a broadcast license or the transfer of control of a broadcast license without the prior approval of the FCC. In determining whether to permit the assignment or transfer of control of, or the grant or renewal of, a broadcast license, the FCC considers a number of factors pertaining to the licensee, including compliance with various rules limiting common ownership of media properties, the character of the licensee and those persons holding attributable interests in that licensee and compliance with the Communications Act's limitations on ownership by non-U. S. citizens or their representatives or by a foreign government or a representative thereof, or by any corporation organized under the laws of a foreign country (collectively, aliens). The FCC has indicated that in order to approve an assignment or transfer of a broadcast license the FCC must make an affirmative determination that the proposed transaction serves the public interest, not merely that the transaction does not violate its rules or shares factual elements with other transactions previously approved by the FCC, and that it may deny a transaction if it determines that the transaction could result in public interest harms by substantially frustrating or impairing the objectives or implementation of the Communications Act or related statutes.

To obtain the FCC's prior consent to assign a broadcast license or transfer control of a broadcast license, appropriate applications must be filed with the FCC. If the application involves a substantial change in ownership or control, the application must be placed on public notice for a period of approximately 30 days during which petitions to deny the application may be filed by interested parties, including members of the public. If the application does not involve a substantial change in ownership or control, it is a pro forma application. A pro forma application is not subject to petitions to deny or a mandatory waiting period, but is nevertheless subject to having informal objections filed against it. If the FCC grants an assignment or transfer application, interested parties have approximately 30 days from public notice of the grant to seek reconsideration or review of the grant. Generally, parties that do not file initial petitions to deny, or informal objections against the application, face difficulty in seeking reconsideration or review of the grant. The FCC normally has an additional 10 days to set aside such grant on its own motion. When passing on an assignment or transfer application, the FCC is prohibited from considering whether the public interest might be served by an assignment or transfer to any party other than the assignee or transferee specified in the application.

The FCC generally applies its ownership limits to attributable interests held by an individual, corporation, partnership or other association. In the case of corporations holding, or through subsidiaries controlling, broadcast licenses, the interests of officers, directors and those who, directly or indirectly, have the right to vote 5% or more of the corporation's stock (or 20% or more of such stock in the case of insurance companies, investment companies and bank trust departments that are passive investors) are generally attributable. In August 1999, the FCC revised its attribution and multiple ownership rules and adopted the equity-debt-plus rule that causes certain creditors or investors to be attributable owners of a station. Under this rule, a major programming supplier (any programming supplier that provides more than 15% of the station's weekly programming hours) or same-market media entity will be an attributable owner of a station if the supplier or same-market media entity holds debt or equity, or both, in the station that is greater than 33% of the value of the station's total debt plus equity. For the purposes of this rule, equity includes all stock, whether voting or non-voting, and equity held by insulated limited partners in partnerships. Debt includes all liabilities whether long-term or short-term. In addition, LMAs are attributable where a licensee holds an attributable interest in a television station and programs more than 15% of another television station in the same market, and JSAs are attributable where a licensee holds an attributable interest in a television station and sells more than 15% of the advertising on another station in the same market.

The Communications Act prohibits the issuance of a broadcast license to, or the holding of a broadcast license by, any corporation of which more than 20% of the capital stock is owned of record or voted by aliens. The Communications Act also authorizes the FCC, if the FCC determines that it would be in the public interest, to prohibit the issuance of a broadcast license to, or the holding of a broadcast license by, any corporation directly or indirectly controlled by any other corporation of which more than 25% of the capital stock is owned of record or voted by aliens. The FCC has issued interpretations of existing law under which these restrictions in modified form apply to other forms of business organizations, including partnerships. In November 2013, the FCC indicated that it would consider indirect foreign ownership of broadcast licenses in excess of the 25% level on a case-by-case basis.

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As a result of these provisions, the licenses granted to our subsidiaries by the FCC could be revoked if, among other restrictions imposed by the FCC, more than 25% of our stock were directly or indirectly owned or voted by aliens. Sinclair and its subsidiaries are domestic corporations, and the members of the Smith family (who together hold approximately 76.5% as of February 13, 2015 of the common voting rights of Sinclair) are all United States citizens. Our amended and restated Articles of Incorporation (the Amended Certificate) contain limitations on alien ownership and control that are substantially similar to those contained in the Communications Act. Pursuant to the Amended Certificate, we have the right to repurchase alien-owned shares at their fair market value to the extent necessary, in the judgment of the Board of Directors, to comply with the alien ownership restrictions.

The relevant ownership rules as currently in effect are as follows:

Radio / Television Cross-Ownership Rule. The FCC's radio / television cross-ownership rule (the one to a market rule) generally permits a party to own a combination of up to two television stations and six radio stations in the same market, depending on the number of independent media voices in the market.

Newspaper / Broadcast Cross-Ownership Rule. The FCC's rule generally prohibits the common ownership of a radio or television broadcast station and a daily newspaper in the same market. We do not currently own any daily newspapers, nor do we have current plans to acquire one.

On March 30, 2014, the FCC issued a further Notice of Proposed Rulemaking and Report and Order (the Further Notice) to consider changes in its ownership rules, and announced that it would incorporate the record of the pending 2010 review of those rules into the 2014 review. If the FCC institutes further limitations on broadcast ownership as a result of that review, we could be adversely affected. See *Changes in rules on television ownership* within *Item 1A. Risk Factors* for a discussion of this subject.

Dual Network Rule. The four major television networks, FOX, ABC, CBS and NBC, are prohibited, absent a waiver, from merging with each other. In May 2001, the FCC amended its dual network rule to permit the four major television networks to own, operate, maintain or control other television networks, such as The CW or program service arrangements, such as MyNetworkTV.

National Ownership Rule. As of 2004, by statute, the national television viewing audience reach cap is 39%. Under this rule, where an individual or entity has an attributable interest in more than one television station in a market, the percentage of the national television viewing audience encompassed within that market is only counted once. Additionally, since historically, very high frequency, or VHF stations (channels 2 through 13) have shared a larger portion of the market than ultra-high frequency, or UHF stations (channels 14 through 51), only half of the households in the market area of any UHF station are included when calculating an entity's national television viewing audience (commonly referred to as the UHF discount). On September 26, 2013, the FCC initiated a rulemaking seeking comment on whether (a) the FCC has the authority to modify the national ownership rule, including revision or elimination of the UHF discount; (b) the UHF discount should be eliminated; (c) if the UHF discount is eliminated, grandfathering should be accorded where owners of television groups would exceed the 39% national audience cap by virtue of the elimination of the discount; and should a discount for VHF station ownership be adopted. We cannot predict the outcome of that rulemaking. While this rulemaking is pending, the FCC may not allow us to acquire additional television stations that would put us over the 39% cap without application of the UHF discount.

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All but twenty-eight of the stations we own and operate, or to which we provide programming services, are UHF. Counting all our present stations and pending transactions, we reach over 37% of U. S. television households or 23.6% taking into account the FCC's UHF discount.

Local Television (Duopoly) Rule. A party may own television stations in adjoining markets, even if there is Grade B overlap between the two stations' broadcast signals and generally may own two stations in the same market:

- if there is no Grade B overlap between the stations; or
- if the market containing both the stations will contain at least eight independently owned full-power television stations post-merger (the eight voices test) and not more than one station is among the top-four rated stations in the market.

In addition, a party may request a waiver of the rule to acquire a second or third station in the market if the station to be acquired is economically distressed or not yet constructed and there is no party who does not own a local television station who would purchase the station for a reasonable price.

Antitrust Regulation. DOJ and the Federal Trade Commission have increased their scrutiny of the television industry since the adoption of the 1996 Act and have reviewed matters related to the concentration of ownership within markets (including LMAs and outsourcing agreements) even when ownership or the LMA or other outsourcing agreement in question is permitted under the laws

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administered by the FCC or by FCC rules and regulations. The DOJ takes the position that an LMA or other outsourcing agreement entered into in anticipation of a station's acquisition with the proposed buyer of the station constitutes a change in beneficial ownership of the station which, if subject to filing under the Hart-Scott-Rodino Antitrust Improvements Act, cannot be implemented until the waiting period required by that statute has ended or been terminated.

Local Marketing Agreements

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

If we are required to terminate or modify our LMAs, our business could be adversely affected in several ways, including losses on investments and termination penalties. For more information on the risks, see *Changes in rules on local marketing agreements within The FCC's multiple ownership rules limit our ability to operate multiple television stations in some markets and may result in a reduction in our revenue or prevent us from reducing costs. Changes in these rules may threaten our existing strategic approach to certain television markets within Risk Factors and Changes in the Rules on Television Ownership and Local Marketing Agreements within Note 11. Commitments and Contingencies* for further discussion.

In addition, if Cunningham were to exercise its put rights under the acquisition and merger agreements and the LMAs, each as amended and/or restated, we may have to find a suitable third party to assume our purchase obligations because we are not permitted to purchase such stations under current FCC rules. In the event of any such assignments, new applications will have to be filed to reflect the third party as the applicant. In that event, upon the closing of the assignment to such third party, our appeals relating to the 1999 local television ownership rules with respect to our non-grandfathered LMAs may be moot and the non-grandfathered LMAs may be terminated.

In its Order approving the Allbritton transaction, the FCC expressed concerns that an LMA between Sinclair and Cunningham in the Charleston market was impermissible because it was entered into after the grandfathering date of LMAs, and that it believed Sinclair therefore apparently violated the local TV ownership rule with respect to its continued operation of that LMA. The same agreement that governs the Charleston LMA also governs LMAs between Sinclair and Cunningham in three other markets. The existence of the Charleston LMA was repeatedly disclosed to the Commission over many years, during which Sinclair relied on a June 20, 2001, Stay Order issued by the United States Court of Appeals for the District of Columbia Circuit, which specifically stated that the time for Sinclair to come into compliance with the Commission's eight voices standard is hereby stayed pending further order of the court. No further order has been issued by the Court with respect to that stay. We cannot predict what steps, if any, the FCC will take in the future with respect to that LMA, which has been terminated with respect to the Charleston market, but continues in effect with respect to the remaining Cunningham stations.

The Satellite Home Viewer Act (SHVA), The Satellite Home Viewer Improvement Act (SHVIA) and the Satellite Home Viewer Extension and Reauthorization Act (SHVERA)

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In 1988, Congress enacted the Satellite Home Viewer Act (SHVA), which enabled satellite carriers to provide broadcast programming to those satellite subscribers who were unable to obtain broadcast network programming over-the-air. SHVA did not permit satellite carriers to retransmit local broadcast television signals directly to their subscribers. The Satellite Home Viewer Improvement Act of 1999 (SHVIA) revised SHVA to reflect changes in the satellite and broadcasting industry. This legislation allowed satellite carriers, until December 31, 2004, to provide local television signals by satellite within a station market, and effective January 1, 2002, required satellite carriers to carry all local signals in any market where they carry any local signals. On or before July 1, 2001, SHVIA required all television stations to elect to exercise certain must-carry or retransmission consent rights in connection with their carriage by satellite carriers. We have entered into compensation agreements granting the two primary satellite carriers retransmission consent to carry all our stations. In December 2004, President Bush signed into law the Satellite Home Viewer Extension and Reauthorization Act (SHVERA). SHVERA extended, until December 31, 2009, the rights of broadcasters and satellite carriers under SHVIA to retransmit local television signals by satellite. SHVERA also authorized satellite delivery of distant network signals, significantly viewed signals and local low-power television station signals into local markets under defined circumstances. With respect to digital signals, SHVERA established a process to allow satellite carriers to retransmit distant network signals and significantly viewed signals to subscribers under certain circumstances. In November 2005, the FCC completed a rulemaking proceeding enabling the satellite carriage of significantly viewed signals. In December 2005, the FCC concluded a study, as required by SHVERA, regarding the applicable technical standards for determining when a subscriber may receive a distant digital network signal. Congress subsequently extended the key features of SHVERA for an additional five years through the Satellite

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Television Extension and Localism Act of 2010 (STELA), which was further extended for an additional five year term in December 2014 through the STELA Reauthorization Act of 2014 (STELAR).

Must-Carry / Retransmission Consent

Pursuant to the Cable Act of 1992, television broadcasters are required to make triennial elections to exercise either certain must-carry or retransmission consent rights in connection with their carriage by cable systems in each broadcaster's local market. We have elected to exercise our retransmission consent rights with respect to all our stations. This election was made by October 1, 2011 for the period January 1, 2012 through December 31, 2014. By electing to exercise must-carry rights, a broadcaster demands carriage and receives a specific channel on cable systems within its DMA, in general, as defined by the Nielsen DMA Market and Demographic Rank Report of the prior year. These must-carry rights are not absolute and their exercise is dependent on variables such as:

- the number of activated channels on a cable system;
- the location and size of a cable system; and
- the amount of programming on a broadcast station that duplicates the programming of another broadcast station carried by the cable system.

Therefore, under certain circumstances, a cable system may decline to carry a given station. Alternatively, if a broadcaster chooses to exercise retransmission consent rights, it can prohibit cable systems from carrying its signal or grant the appropriate cable system the authority to retransmit the broadcast signal for a fee or other consideration. The FCC has clarified that cable systems need only carry a broadcast station's primary video stream and not any of the station's other programming streams in those situations where a station chooses to transmit multiple programming streams.

Network Non-Duplication / Syndicated Exclusivity / Territorial Exclusivity

The FCC's syndicated exclusivity rules allow local broadcast television stations to demand that cable operators black out syndicated non-network programming carried on distant signals (i.e. signals of broadcast stations, including so-called superstations, which serve areas substantially removed from the cable systems' local community). The FCC's network non-duplication rules allow local broadcast, network affiliated stations to require that cable operators black out duplicate network programming carried on distant signals. Both rules are subject to various exceptions and limitations. In a number of markets in which we own or program stations affiliated with a network, a station that is affiliated with the same network in a nearby market is carried on cable systems in our markets. Such significantly viewed signals are not subject to black out pursuant to FCC's network non-duplication rules. The carriage of two network stations on the same cable system could result in a decline of viewership, adversely affecting the revenues of our owned or programmed stations. The FCC issued a Report And Order And Further Notice Of Proposed Rulemaking on March 31, 2014, requesting comments on whether it has authority to, and should, eliminate or modify its network non-duplication and/or syndicated exclusivity rules. We cannot predict when or how the FCC will resolve that rulemaking.

Digital Television

The FCC has taken a number of steps to implement digital television (DTV) broadcasting services and has ruled that television broadcast licensees may use their digital channels for a wide variety of services such as HD television, multiple standard definition television programming, audio, data and other types of communications, subject to the requirement that each broadcaster provide at least one free video channel equal in quality to the current technical standard and further subject to the requirement that broadcasters pay a fee of 5% of gross revenues from any DTV ancillary or supplementary service for which there is a subscription fee or for which the licensee receives a fee from a third party.

Implementation of digital television has imposed substantial additional costs on our television stations because of the need to replace equipment. In addition, the FCC has proposed imposing new public interest requirements on television licensees in exchange for their receipt of DTV channels.

We believe that the following developments regarding the FCC's digital regulations may have effects on us:

Multi-Channel Digital Broadcasting. FCC rules allow broadcasters to transmit additional digital channels within the spectrum allocated to each FCC license holder. This provides viewers with additional programming alternatives at no additional cost to them. Our television stations are experimenting with broadcasting on second and third digital channels in accordance with these rules, airing various alternative programming formats. See *Markets and Stations under Television Broadcasting* within *Item 1. Business* for a listing of second and third digital channels and related affiliation.

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We may consider other alternative programming formats that we could air using our multi-channel digital spectrum space with the goal towards achieving higher profits and community service.

Capital and operating costs. We have incurred and will continue to incur costs to replace equipment in certain stations in order to provide high definition news programming and ensure compliance with the FCC's enhanced closed captioning requirements. See *Closed Captioning* below for further discussion.

Children's programming. In 2004, the FCC established children's educational and informational programming obligations for digital multicast broadcasters and placed restrictions on the increasing commercialization of children's programming on both analog and digital broadcast and cable television systems. In addition to imposing its limit as to the amount of commercial matter in children's programming (10.5 minutes per hour on weekends and 12 minutes per hour on weekdays) on all digital or video programming, free or pay, directed to children 12 years old and younger, the FCC also mandated that digital broadcasters air an additional half hour of core children's programming for every 28-hour block of free video programming provided in addition to the main DTV program stream. The additional core children's programming requirement for digital broadcasters took effect on January 2, 2007.

Emergency Alert System. In November 2005, the FCC adopted an order requiring that digital broadcasters comply with the FCC's present Emergency Alert System (EAS) rules. It also issued a further notice of proposed rulemaking seeking comments on what actions the FCC should take to expedite the development of a digitally based public alert and warning system. On July 12, 2007, the FCC adopted an order allowing mandatory use of EAS by state governments and requiring that all EAS participants, including television broadcasters, be able to receive messages formatted pursuant to a procedure to be adopted by the Federal Emergency Management Agency. In a further notice, the FCC invited comments on, among other things, how the EAS rules could be modified to ensure that non-English speakers and persons with disabilities are reached by EAS messages and whether local, county, tribal, or other state governmental entities should be allowed to initiate mandatory state and local alerts. On November 23, 2010, the FCC issued an Order requiring all broadcasters to acquire and install the equipment necessary to use the Common Alerting Protocol (CAP) standard for EAS alerts by September 30, 2011. On February 3, 2011, the FCC released an Order which requires national testing of the EAS and requires broadcast stations to submit data from such tests to the FCC. On September 16, 2011, the FCC released an Order extending the CAP-compliance deadline until June 30, 2012. The new EAS requirements and any additional FCC EAS requirements on broadcasters could increase our costs.

Restrictions on Broadcast Programming

Advertising of cigarettes and certain other tobacco products on broadcast stations has been banned for many years. Various states also restrict the advertising of alcoholic beverages and, from time to time, certain members of Congress have contemplated legislation to place restrictions on the advertisement of such alcoholic beverages. FCC rules also restrict the amount and type of advertising which can appear in a program broadcast primarily for an audience of children 12 years old and younger. In addition, the Federal Trade Commission issued guidelines in December 2003 and continues to provide advice to help media outlets voluntarily screen out weight loss product advertisements that are misleading.

The Communications Act and FCC rules also place restrictions on the broadcasting of advertisements by legally qualified candidates for elective office. Those restrictions state that:

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- stations must provide reasonable access for the purchase of time by legally qualified candidates for federal office;
- stations must provide equal opportunities for the purchase of equivalent amounts of comparable broadcast time by opposing candidates for the same elective office; and
- during the 45 days preceding a primary or primary run-off election and during the 60 days preceding a general or special election, legally qualified candidates for elective office may be charged no more than the station's lowest unit charge for the same class and amount of time for the same period.

It is a violation of federal law and FCC regulations to broadcast obscene, indecent, or profane programming. FCC licensees are, in general, responsible for the content of their broadcast programming, including that supplied by television networks. Accordingly, there is a risk of being fined as a result of our broadcast programming, including network programming. As a result of legislation passed in June 2006, the maximum forfeiture amount for the broadcast of indecent or obscene material was increased to \$325,000 from \$32,500 for each violation with a cap of \$3.0 million for any single act.

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Programming and Operations

General. The Communications Act requires broadcasters to serve the public interest. The FCC 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. FCC licensees continue to be required, however, to present programming that is responsive to the needs and interests of their communities and to maintain certain records demonstrating such responsiveness. Complaints from viewers concerning a station's programming may 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 pay regulatory and application fees and follow various rules promulgated under the Communications Act that regulate, among other things, political advertising, sponsorship identifications, obscene and indecent broadcasts and technical operations, including limits on radio frequency radiation.

Equal Employment Opportunity. On November 20, 2002, the FCC adopted rules, effective March 10, 2003, requiring licensees to create equal employment opportunity outreach programs and maintain records and make filings with the FCC evidencing such efforts. The FCC simultaneously released a notice of proposed rulemaking seeking comments on whether and how to apply these rules and policies to part-time positions, defined as less than 30 hours per week. That rulemaking is still pending.

Children's Television Programming. Television stations are required to broadcast a minimum of three hours per week of core children's educational programming, which the FCC defines as programming that:

- has the significant purpose of serving the educational and informational needs of children 16 years of age and under;
- is regularly scheduled weekly and at least 30 minutes in duration; and
- is aired between the hours of 7:00 a.m. and 10:00 p.m. local time.

In addition, the FCC concluded that starting on January 2, 2007, a digital broadcaster must air an additional half hour of core children's programming per every increment of 1 to 28 hours of free video programming provided in addition to the main DTV program stream. Furthermore, core children's educational programs, in order to qualify as such, are required to be identified as educational and informational programs over-the-air at the time they are broadcast and are required to be identified in the children's programming reports, which are required to be placed quarterly in stations' public inspection files and filed quarterly with the FCC.

On April 17, 2007, the FCC requested comments on the status of children's television programming and compliance with the Children's Television Act and the FCC's rules. That proceeding is still pending.

Violent Programming. In 2004, the FCC initiated a notice of inquiry seeking comments on issues relating to the presentation of violent programming on television and its impact on children. On April 25, 2007, the FCC released a report concluding that there is strong evidence that exposure to violence in the media can increase aggressive behavior in children, at least in the short term. Accordingly, the FCC concluded that it would be in the public interest to regulate such programming and Congress could do so consistent with the First Amendment. As possible

solutions, the FCC suggested, among other things, a voluntary industry initiative to reduce the amount of excessively violent programming viewed by children and also proposed several viewer-initiated blocking proposals, such as the provision of video channels by MVPDs on family tiers or on an a la carte basis.

Television Program Content. The television industry has developed an FCC approved ratings system that is designed to provide parents with information regarding the content of the programming being aired. Furthermore, the FCC requires certain television sets to include the so-called V-chip, a computer chip that allows the blocking of rated programming. It is a violation of federal law and FCC regulations to broadcast obscene or indecent programming. FCC licensees are, in general, responsible for the content of their broadcast programming, including that supplied by television networks. Accordingly, there is a risk of being fined as a result of our broadcast programming, including network programming.

Localism. On October 27, 2011, the FCC issued an Order vacating its 2008 decision proposing to update the way television broadcasters inform the public about how they are serving their local communities. Specifically, the FCC has adopted rules to largely replace the requirement that television stations maintain a paper public file at their main studios with a requirement to submit documents for inclusion in an online public file to be hosted by the FCC. The new rules took effect on August 2, 2012. On and after August 2, 2012, broadcasters posted to the online public file any new documents that they determined must be placed in the public file. Broadcasters had six months after August 2, 2012 to post existing documents that were part of the public file prior to August 2, except in the case of the political file. With respect to the political file only, broadcasters are not required to upload any such documents that were part of their public file prior to August 2. Instead, only newly created political file documents must be uploaded. In addition, smaller broadcasters not affiliated with the top four networks in the top 50 markets are not required to post their political file documents to their online public file until July 1, 2014. In a related proceeding, on November 14, 2011, the FCC released a Notice of Inquiry regarding the use of a standardized disclosure form for television stations to provide the public with the information on how stations are serving the public interest in an effort to help stations meet their obligation to provide programming that addresses a local community's needs and interests.

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Closed Captioning. In November 2008, the FCC issued a declaratory ruling clarifying certain closed captioning obligations for stations transmitting digital programming, including the obligation to transmit captions in analog standard after the DTV transition and simplifying the close captioning complaint process for consumers. The 21st Century Communications and Video Accessibility Act (CVAA) requires that all nonexempt full-length video programming delivered over the Internet that first appeared on TV in the United States with captions also be captioned online. The first compliance deadline for the FCC's new rules for the closed captioning of video programming delivered via Internet protocol (i.e., IP video), as required by the CVAA, was September 30, 2012. The effective date of the new rules was April 30, 2012, and all video programming that appeared on television with captions after that date is considered covered IP video and will need to be captioned when being shown online in the future. Video programming is defined as programming by, or generally considered comparable to programming provided by a television broadcast station. Beginning September 30, 2012, all pre-recorded programming not edited for Internet distribution must be captioned for online viewing. Pre-recorded programming is defined as programming other than live or near-live programming. Beginning March 30, 2013, all live and near-live programming must be captioned for online viewing. Live programming is defined as programming that airs on TV substantially simultaneously with its performance (i.e., news and sporting events). Near-live programming is video programming that is performed and recorded less than 24 hours prior to the first time it aired on television (i.e., the Late Show with David Letterman). Beginning September 30, 2013, all pre-recorded programming that is edited for Internet distribution was required to be captioned for online viewing. Programming edited for Internet distribution means video programming for which the TV version is substantially edited prior to its Internet distribution.

The FCC announced in a recent Public Notice that the deadline for compliance with its new television closed captioning quality rules has been extended until March 16, 2015. Previously scheduled to go into effect on January 15, 2015, the quality rules establish standards for television closed captioning concerning accuracy, synchronicity, completeness, and placement. The rules also require video programming distributors to seek certain certifications from video programmers concerning closed captioning quality. In addition, the extension applies to certain related rules that also will now take effect on March 16, 2015, including recordkeeping requirements concerning distributors' monitoring and maintenance of closed captioning equipment and signals, procedures concerning informal complaints, and compliance procedures in connection with the use of Electronic Newsroom Technique (ENT).

Pending Matters

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 our broadcast stations, result in the loss of audience share and advertising revenues for our broadcast stations and affect our ability to acquire additional broadcast stations or finance such acquisitions.

Other matters that could affect our broadcast properties include technological innovations and developments generally affecting competition in the mass communications industry, such as direct television broadcast satellite service, Class A television service, the continued establishment of wireless cable systems and low power television stations, digital television technologies, the internet and mobility and portability of our broadcast signal to hand-held devices.

For example, in November 2008, the FCC adopted an order allowing new low power devices to operate in the broadcast television spectrum at locations where channels in that spectrum are not in use. The operation of such devices could cause harmful interference to our broadcast signals adversely affecting the operation and profitability of our stations.

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Congress passed legislation providing the FCC with authority to conduct so-called incentive auctions, which is the process of auctioning and repurposing broadcast television spectrum for mobile broadband use. Incentive auction authority allows the FCC to share the proceeds of spectrum auctions with incumbent television station licensees who give up their licenses (or in some cases, move to a different channel) to facilitate spectrum auctions. The legislation contemplates that the FCC will encourage broadcasters to tender their licenses for auction. The FCC would then repack non-tendering broadcasters into the lower portions of the UHF band and auction new flexible use wireless licenses in the upper portion of the UHF band. The proposals for television stations to participate in the incentive auctions are voluntary and at this time we have not decided whether the company will participate on behalf of any of its stations. On September 28, 2012, the FCC voted in favor of a Notice of Proposed Rulemaking that launches the incentive auction process to clear a portion of the television band that will make way for mobile broadband use. At this time we cannot predict the final outcome of this proceeding. Sinclair challenged the FCC's incentive auction rules as adopted and filed a Petition with the United States Court of Appeals for the District of Columbia Circuit seeking review of the FCC's Incentive Auction Order on the grounds that it exceeded the Commission's authority; violates the Middle Class Tax Relief and Job Creation Act of 2012; is arbitrary, capricious; an abuse of discretion under the Administrative Procedure Act; violates Section 5(c) of the Communications Act; and, is otherwise contrary to law. The Order was also challenged by the National Association of Broadcasters (NAB) on similar grounds, and the NAB's Petition was consolidated with Sinclair's case. The matter remains pending before the Court and we cannot predict the outcome of the case.

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Other Considerations

The preceding summary is not a complete discussion of all provisions of the Communications Act, the 1996 Act or other congressional acts or of the regulations and policies of the FCC, or in some cases, the DOJ. For further information, reference should be made to the Communications Act, the 1996 Act, other congressional acts and regulations and public notices circulated from time to time by the FCC, or in some cases, the DOJ. There are additional regulations and policies of the FCC and other federal agencies that govern political broadcasts, advertising, equal employment opportunity and other matters affecting our business and operations.

ENVIRONMENTAL REGULATION

Prior to our ownership or operation of our facilities, substances or waste that are, or might be considered, hazardous under applicable environmental laws may have been generated, used, stored or disposed of at certain of those facilities. In addition, environmental conditions relating to the soil and groundwater at or under our facilities may be affected by the proximity of nearby properties that have generated, used, stored or disposed of hazardous substances. As a result, it is possible that we could become subject to environmental liabilities in the future in connection with these facilities under applicable environmental laws and regulations. Although we believe that we are in substantial compliance with such environmental requirements and have not in the past been required to incur significant costs in connection therewith, there can be no assurance that our costs to comply with such requirements will not increase in the future or that we will not become subject to new governmental regulations, including those pertaining to potential climate change legislation, that may impose additional restrictions or costs on us. We presently believe that none of our properties have any condition that is likely to have a material adverse effect on our consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

COMPETITION

Our television stations compete for audience share and advertising revenue with other television stations in their respective DMAs, as well as with other advertising media such as MVPDs, radio, newspapers, magazines, outdoor advertising, transit advertising, telecommunications providers, internet and broadband, yellow page directories and direct mail. Some competitors are part of larger organizations with substantially greater financial, technical and other resources than we have. Other factors that are material to a television station's competitive position include signal coverage, local program acceptance, network affiliation or program service, audience characteristics and assigned broadcast frequency.

Competition in the television broadcasting industry occurs primarily in individual DMAs. Generally, a television broadcasting station in one DMA does not compete with stations in other DMAs. Our television stations are located in highly competitive DMAs. MVPDs can increase competition for a broadcast television station by bringing into its market additional cable network channels. These narrow cable network channels are typically low rated, and, as a result, advertisements are inexpensive to the local advertisers. In addition, certain of our DMAs are overlapped by over-the-air stations from adjacent DMAs and MVPDs of stations from other DMAs, which tends to spread viewership and advertising expenditures over a larger number of television stations.

Television stations compete for audience share primarily on the basis of program popularity, which has a direct effect on advertising rates. Our network affiliated stations are largely dependent upon the performance of network provided programs in order to attract viewers. Non-network time periods are programmed by the station primarily with syndicated programs purchased for cash, cash and barter or barter-only, as well as

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through self-produced news, public affairs programs, live local sporting events, paid-programming and other entertainment programming.

Television advertising rates are based upon factors which include the size of the DMA 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, the demographic makeup of the DMA served by the station, the availability of alternative advertising media in the DMA, the aggressiveness and knowledge of the sales forces in the DMA and development of projects, features and programs that tie advertiser messages to programming. We believe that our sales and programming strategies allow us to compete effectively for advertising revenues within our DMAs.

The broadcasting industry is continuously faced with technical changes and innovations, competing entertainment and communications media, changes in labor conditions and governmental restrictions or actions of federal regulatory bodies, including the FCC, any of which could possibly have a material effect on a television station's operations and profits. For instance, the FCC has established Class A television service for qualifying low power television stations. This Class A designation provides low power television stations, which ordinarily have no broadcast frequency rights when the low power signal conflicts with a signal from any full power stations, some additional frequency rights. These rights may allow low power stations to compete more effectively with

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full power stations. We cannot predict the effect of increased competition from Class A television stations in markets where we have full power television stations.

Moreover, technology advances and regulatory changes affecting programming delivery through fiber optic lines, video compression, and new wireless uses could lower entry barriers for new video channels and encourage the further development of increasingly specialized niche programming. Telephone companies are permitted to provide video distribution services, on a common carrier basis, as cable systems or as open video systems, each pursuant to different regulatory schemes. Additionally, in January 2004, the FCC concluded an auction for licenses operating in the 12 GHz band that can be used to provide multi-channel video programming distribution. Those licenses were granted in July 2004. In addition, on March 18, 2008, the FCC concluded an auction for the rights to operate the 700 MHz frequency band that had been used by analog television broadcasters and became available when full power television stations ceased using the spectrum as a result of the digital television transition on June 12, 2009. The winning bidders were announced on March 20, 2008. The FCC has indicated that the spectrum may be used for flexible fixed, mobile, and broadcast uses, including fixed and mobile wireless commercial services; fixed and mobile wireless uses for private, internal radio needs; mobile and other new digital broadcast operations; and, may include two-way interactive, cellular, and mobile television broadcasting services. We are unable to predict what other video technologies might be considered in the future or the effect that technological and regulatory changes will have on the broadcast television industry and on the future profitability and value of a particular broadcast television station.

DTV technology has the potential to permit us to provide viewers multiple channels of digital television over each of our existing standard digital channels, to provide certain programming in HD television format and to deliver other channels of information in the forms of data and programming to the internet, PCs, smart phones, tablet computers and mobile devices. These additional capabilities may provide us with additional sources of revenue, as well as additional competition.

We also compete for programming, which involves negotiating with national program distributors or syndicators that sell first-run and rerun packages of programming. Our stations compete for access to those programs against in-market broadcast station competitors for syndicated products and with national cable networks. Public broadcasting stations generally compete with commercial broadcasters for viewers, but not for advertising dollars.

We believe we compete favorably against other television stations because of our management skill and experience, our ability historically to generate revenue share greater than our audience share, our network affiliations and program service arrangements and our local program acceptance. In addition, we believe that we benefit from the operation of multiple broadcast properties, affording us certain non-quantifiable economies of scale and competitive advantages in the purchase of programming.

EMPLOYEES

As of February 23, 2015, we had approximately 7,700 employees. Approximately 800 employees are represented by labor unions under certain collective bargaining agreements. We have not experienced any significant labor problems and consider our overall labor relations to be good.

AVAILABLE INFORMATION

We regularly use our website as a source of company information and it can be accessed at www.sbg.net. We make available, free of charge through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such documents are electronically submitted to the SEC. In addition, a replay of each of our quarterly earnings conference calls is available on our website until the subsequent quarter's earnings call. The information contained on, or otherwise accessible through, our website is not a part of this Annual Report on Form 10-K and is not incorporated herein by reference.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below before investing in our securities. Our business is also subject to the risks that affect many other companies such as general economic conditions, geopolitical events, competition, technological obsolescence and employee relations. The risks described below, along with risks not currently known to us or that we currently believe are immaterial, may impair our business operations and our liquidity in an adverse way.

Our advertising revenue can vary substantially from period to period based on many factors beyond our control. This volatility affects our operating results and may reduce our ability to repay indebtedness or reduce the market value of our securities.

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We rely on sales of advertising time for most of our revenues and, as a result, our operating results depend on the amount of advertising revenue we generate. If we generate less advertising revenue, it may be more difficult for us to repay our indebtedness and the value of our business may decline. Our ability to sell advertising time depends on:

- the levels of automobile advertising, which historically have represented about one quarter of our advertising revenue; however, for the year ended December 31, 2014, automobile advertising represented 23.1% of our net time sales;
- the health of the economy in the areas where our television stations are located and in the nation as a whole;
- the popularity of our programming and that of our competition;
- the levels of political advertising, which are affected by campaign finance laws and the ability of political candidates and political action committees to raise and spend funds and are subject to seasonal fluctuations;
- the reliability of our ratings information measurements, including new ratings system technologies such as people meters and set-top boxes ;
- changes in the makeup of the population in the areas where our stations are located;
- the activities of our competitors, including increased competition from other forms of advertising-based mediums, such as other broadcast television stations, radio stations, MVPDs, internet and broadband content providers and other print and media outlets serving in the same markets; and
- other factors that may be beyond our control.

There can be no assurance that our advertising revenue will not be volatile in the future or that such volatility will not have an adverse impact on our business, financial condition or results of operations.

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our debt obligations.

We have a high level of debt, totaling \$3,928.7 million at December 31, 2014, compared to the book value of shareholders' equity of \$405.3 million on the same date. Our relatively high level of debt poses the following risks, particularly in periods of declining revenues:

- we may be unable to service our debt obligations, including payments on notes as they come due, especially during general negative economic and market industry conditions;
- we may use a significant portion of our cash flow to pay principal and interest on our outstanding debt, especially during general negative economic and market industry conditions;

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- the amount available for working capital, capital expenditures, dividends and other general corporate purposes may be limited because a significant portion of cash flow is used to pay principal and interest on outstanding debt;
- our lenders may not be as willing to lend additional amounts to us for future working capital needs, additional acquisitions or other purposes;
- the cost to borrow from lenders may increase;
- our ability to access the capital markets may be limited, and we may be unable to issue securities with pricing or other terms that we find attractive, if at all;
- if our cash flow were inadequate to make interest and principal payments, we might have to restructure or refinance our indebtedness or sell one or more of our stations to reduce debt service obligations;
- we may be more vulnerable to adverse economic conditions than less leveraged competitors and thus, less able to withstand competitive pressures; and
- because the interest rate under the Bank Credit Agreement is a floating rate, any increase will reduce the funds available to repay our obligations and for operations and future business opportunities and will make us more vulnerable to the consequences of our leveraged capital structure. As of December 31, 2014, approximately \$1,725.9 million principal amount of our recourse debt relates to the Bank Credit Agreement.

Any of these events could reduce our ability to generate cash available for investment, debt repayment or capital improvements or to respond to events that would enhance profitability.

Commitments we have made to our lenders limit our ability to take actions that could increase the value of our securities and business or may require us to take actions that decrease the value of our securities and business.

Our existing financing agreements prevent us from taking certain actions and require us to meet certain tests. These restrictions and tests may require us to conduct our business in ways that make it more difficult to repay unsecured debt or decrease the value of our securities and business. These restrictions and tests include the following:

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- restrictions on additional debt;
- restrictions on our ability to pledge our assets as security for indebtedness;
- restrictions on payment of dividends, the repurchase of stock and other payments relating to our capital stock;
- restrictions on some sales of certain assets and the use of proceeds from asset sales;
- restrictions on mergers and other acquisitions, satisfaction of conditions for acquisitions and a limit on the total amount of acquisitions without the consent of bank lenders;
- restrictions on permitted investments;
- restrictions on the lines of business we and our subsidiaries may operate; and
- financial ratio and condition tests including the ratio of adjusted earnings before interest, tax, depreciation and amortization, as adjusted (adjusted EBITDA) to adjusted interest expense, the ratio of first lien indebtedness to adjusted EBITDA and the ratio of Sinclair Television Group, Inc. (STG) total indebtedness to adjusted EBITDA.

Future financing arrangements may contain additional restrictions and tests. All of these restrictive covenants may limit our ability to pursue our business strategies, prevent us from taking action that could increase the value of our securities or may require actions that decrease the value of our securities. In addition, we may fail to meet the tests and thereby default on one or more of our obligations (particularly if the economy weakens and thereby reduces our advertising revenues). If we default on our obligations, creditors could require immediate payment of the obligations or foreclose on collateral. If this happens, we could be forced to sell assets or take other actions that could significantly reduce the value of our securities and business and we may not have sufficient assets or funds to pay our debt obligations.

A failure to comply with covenants under our debt instruments could result in a default under such debt instruments, acceleration of amounts due under our debt and loss of assets securing our loans.

Certain of our debt agreements contain cross-default provisions with our other debt, which means that a default under certain of our debt instruments may cause a default under certain indentures or the Bank Credit Agreement.

If we breach certain of our debt covenants, our lenders could require us to repay the debt immediately, and, if the debt is secured, could immediately take possession of the property securing such debt. In addition, if any other lender declared its loan due and payable as a result of a default, the holders of our outstanding notes, along with the lenders under the Bank Credit Agreement, might be able to require us to pay those debts immediately.

As a result, any default under our debt covenants could have a material adverse effect on our financial condition and our ability to meet our obligations.

Any insolvency or bankruptcy proceeding relating to material third-party licensees as defined by our Bank Credit Agreement, would cause a default and potential acceleration under the Bank Credit Agreement.

Our Bank Credit Agreement contains certain cross-default provisions with certain material third-party licensees, defined as any party that owns the license assets of one or more television stations for which we provided services to pursuant to LMAs and/or other outsourcing agreements and those stations provide 10% or more of our aggregate broadcast cash flows. A default caused by an involuntary or voluntary petition filed for liquidation, reorganization or other relief of insolvency by a material third-party licensee, or a failure of a material third-party licensee to preserve and maintain its legal existence or any of its material rights, privileges or franchises including its broadcast licenses, would cause an event of default and potential acceleration under our Bank Credit Agreement. As of December 31, 2014, there were no material third party licensees as defined in our Bank Credit Agreement.

Despite current debt levels, we may be able to incur significantly more debt in the future, which could increase the foregoing risks related to our indebtedness.

At December 31, 2014, we had \$144.1 million available (subject to certain borrowing conditions) for additional borrowings under the revolving credit facility (the Revolving Credit Facility) of the Bank Credit Agreement. Under the terms of the debt instruments to which we are subject, and provided we meet certain financial and other covenants, we may be able to incur substantial additional indebtedness in the future, including additional senior debt and secured debt. If we incur additional indebtedness, the risks described in the risk factors in this report relating to having substantial debt could intensify.

Our strategic acquisitions could pose various risks and increase our leverage.

We have pursued and intend to selectively continue to pursue strategic acquisitions, subject to market conditions, our liquidity and the availability of attractive acquisition candidates, with the goal of improving our business. During 2014, we

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acquired certain assets related to, and/or equity of entities that own assets related to, and we began operating or providing certain services to 20 television stations, excluding dispositions.

We may not be able to identify other attractive acquisition targets or we may not be able to fund additional acquisitions in the future. Acquisitions involve inherent risks, such as increasing leverage and debt service requirements and combining company cultures and facilities, which could have a material adverse effect on our results of operations and could strain our human resources. We may not be able to successfully implement effective costs controls or increase revenues as a result of an acquisition. In addition, future acquisitions may result in our assumption of unexpected liabilities and may result in the diversion of management's attention from the operation of our core business.

Certain acquisitions, such as television stations, are subject to the approval of the FCC and potentially, other regulatory authorities. The need for FCC and other regulatory approvals could restrict our ability to consummate future transactions and potentially require us to divest certain television stations if the FCC believes that a proposed acquisition would result in excessive concentration in a market, even if the proposed combinations may otherwise comply with FCC ownership limitations.

Our investments in other operating divisions involve risks, including the diversion of resources, that may adversely affect our business or results of operations.

Our other operating divisions consist of businesses involved in sign design and fabrication, regional security alarm operations, fabrication and service of television broadcast antennas and transmitters, real estate ventures and a wrestling programming franchise and are reported separately from our broadcast segment. Managing the operations of these businesses and the costs incurred by these businesses involve risks, including the diversion of our management's attention from managing the operations of our broadcast businesses and diverting other resources that could be used in our broadcast businesses. Such diversion of resources may adversely affect our business and results of operations. In addition, our investments in real estate ventures carry inherent risks related to owning interests in real property, including, among others, the relative illiquidity of real estate, potential adverse changes in real estate market conditions, and changes in tenant preferences. There can be no assurance that our investments in these businesses will yield a positive rate of return or otherwise be recoverable.

Financial and economic conditions may have an adverse impact on our industry, business, and results of operations or financial condition.

Financial and economic conditions have been challenging and the continuation or worsening of such conditions could further reduce consumer confidence and have an adverse effect on the fundamentals of our business, results of operations and/or financial condition. Poor economic and industry conditions could have a negative impact on our industry or the industry of those customers who advertise on our stations, including, among others, the automotive industry and service businesses, each of which is a significant source of our advertising revenue. Additionally, financial institutions, capital providers, or other consumers may be adversely affected. Potential consequences of any financial and economic decline include:

- the financial condition of those companies that advertise on our stations, including, among others, the automobile manufacturers and dealers, may be adversely affected and could result in a significant decline in our advertising revenue;

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- our ability to pursue the acquisition of attractive television and non-television assets may be limited if we are unable to obtain any necessary additional capital on favorable terms, if at all;
- our ability to pursue the divestiture of certain television and non-television assets at attractive values may be limited;
- the possibility that our business partners, such as our counterparties to our outsourcing and news share arrangements, could be negatively impacted and our ability to maintain these business relationships could also be impaired; and
- our ability to refinance our existing debt on terms and at interest rates we find attractive, if at all, may be impaired;
- our ability to make certain capital expenditures may be significantly impaired.

We must purchase television programming in advance based on expectations about future revenues. Actual revenues may be lower than our expectations. If this happens, we could experience losses that may make our securities less valuable.

One of our most significant costs is television programming. Our ability to generate revenue to cover this cost may affect the value of our securities. If a particular program is not popular in relation to its costs, we may not be able to sell enough advertising time to cover the costs of the program. Since we generally purchase programming content from others rather than producing such content ourselves, we have limited control over the costs of the programming. Often we must purchase programming several years in advance and may have to commit to purchase more than one year's worth of programming. We may replace programs that are doing poorly before we have recaptured any significant portion of the costs we incurred or

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before we have fully amortized the costs. Any of these factors could reduce our revenues or otherwise cause our costs to escalate relative to revenues. These factors are exacerbated during a weak advertising market. Additionally, our business is subject to the popularity of the programs provided by the networks with which we have network affiliation agreements or which provide us programming.

We may lose a large amount of programming if a network terminates its affiliation or program service arrangement with us, we are not able to negotiate arrangements at terms comparable to our more favorable than our current agreements, or if networks make programming available through services other than our local affiliates, which could increase our costs and/or reduce revenue.

The networks produce and distribute programming in exchange for each station's commitment to air the programming at specified times and for commercial announcement time during programming. The amount and quality of programming provided by each network varies. See *Item 1. Business* for a summary and *Markets and Stations under Television Broadcasting* within *Item 1. Business* for a detailed listing of our stations and channels.

As network affiliation agreements come up for renewal, we (or licensees of the stations we provide programming and/or sales services to), may not be able to negotiate terms comparable to or more favorable than our current agreements. The non-renewal or termination of any of our network affiliation agreements would prevent us from being able to carry programming of the relevant network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and which may not be as attractive to our target audiences, resulting in reduced revenues. Upon the termination of any of our network affiliation agreements, we would be required to establish a new network affiliation agreement for the affected station with another network or operate as an independent station. At such time, the remaining value of the network affiliation asset could become impaired and we would be required to record impairment charges to write down the value of the asset to its estimated fair value.

We cannot predict the outcome of any future negotiations relating to our affiliation agreements or what impact, if any, they may have on our financial condition and results of operations. In addition, the impact of an increase in reverse network compensation payments, under which we compensate the network for programming pursuant to our affiliation agreements, may have a negative effect on our financial condition or results of operations.

We may not be able to renegotiate retransmission consent agreements at terms comparable to or more favorable than our current agreements and networks with which we are affiliated are currently, or in the future are expected to, require us to share revenue from retransmission consent agreements with them.

As retransmission consent agreements expire, we may not be able to renegotiate such agreements at terms comparable to or more favorable than our current agreements. This may cause revenues and/or revenue growth from our retransmission consent agreements to decrease under the renegotiated terms despite the fact that our current retransmission consent agreements include automatic annual fee escalators. In addition, certain of our networks or program service providers with which we are affiliated are currently, or in the future are expected to, require us to share revenue from retransmission consent agreements with them as part of renewing expiring affiliation agreements or pursuant to certain rights contained in existing affiliation agreements. There can be no assurances that the amounts shared will not increase at expiration of the current contracts. In December, 2014, a new statutory provision was adopted which requires the FCC to adopt rules prohibiting joint retransmission consent negotiation by stations that are located in the same market but are not commonly owned. The FCC issued an Order on February 18, 2015, adopting Rules which implement the new statutory provision. This new Rule, when implemented may prevent us from jointly negotiating retransmission consent agreements on behalf of our LMA and other outsourcing agreement stations.

The effects of the economic environment could require us to record an asset impairment of goodwill and broadcast licenses.

We are required to analyze goodwill and certain other intangible assets for impairment. The accounting guidance establishes a method of testing goodwill and broadcast licenses for impairment on an annual basis, or on an interim basis if an event occurs that would reduce the fair value of a reporting unit or an indefinite-lived asset below its carrying value. For additional information regarding impairments to our goodwill and broadcast licenses, see *Valuation of Goodwill and Intangible Assets and Equity and Cost Method Investments under Critical Accounting Policies and Estimates* within *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Note 6. Goodwill, Broadcast Licenses and Other Intangible Assets*.

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Key officers and directors have financial interests that are different and sometimes opposite from ours and we may engage in transactions with these officers and directors that may benefit them to the detriment of other security holders.

Some of our officers, directors and majority shareholders own stock or partnership interests in businesses that engage in television broadcasting, do business with us or otherwise do business that conflicts with our interests. They may transact some business with us upon approval by the independent members of our board of directors even if there is a conflict of interest or they may engage in business competitive to our business and those transactions may benefit the officers, directors or majority shareholders to the detriment of our security holders. Each of David D. Smith, Frederick G. Smith, and J. Duncan Smith is an officer and director of Sinclair and Robert E. Smith is a director of Sinclair. Together, the Smiths hold shares of our common stock that control the outcome of most matters submitted to a vote of shareholders.

The Smiths own businesses that lease real property and tower space to us and engage in other transactions with us. David D. Smith, Frederick G. Smith, J. Duncan Smith, Robert E. Smith and David B. Amy, our Executive Vice President and Chief Operating Officer, together own interests (less than 5% in aggregate) in Allegiance Capital Limited Partnership, a limited partnership in which we also hold an interest. Frederick G. Smith owns an interest (less than 1%) in Patriot Capital II, L.P., a limited partnership in which we also hold an interest. David Smith owns an interest (less than 3%) in Towson Row LLC, a real estate venture, which we also hold an interest. For additional information regarding our related person transactions, see *Note 12. Related Person Transactions*. We can give no assurance that these transactions or any transactions that we may enter into in the future with our officers, directors or majority shareholders, have been, or will be, negotiated on terms as favorable to us as we would obtain from unrelated parties. Maryland law and our financing agreements limit the extent to which our officers, directors and majority shareholders may transact business with us and pursue business opportunities that we might pursue. These limitations do not, however, prohibit all such transactions.

We depend on key personnel and we may not be able to operate and grow our business effectively if we lose the services of our senior executive officers or are unable to attract and retain qualified personnel in the future.

We depend on the efforts of our management and other key employees. The success of our business depends heavily on our ability to develop and retain management and to attract and retain qualified personnel in the future. Competition for senior management personnel is intense and we may not be able to retain our key personnel. If we are unable to do so, our business, financial condition or results of operations may be adversely affected.

The Smiths exercise control over most matters submitted to a shareholder vote and may have interests that differ from other security holders. They may, therefore, take actions that are not in the interests of other security holders.

David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith hold shares representing approximately 76.5% of the common stock voting rights of us as of February 13, 2015 and, therefore, control the outcome of most matters submitted to a vote of shareholders, including, but not limited to, electing directors, adopting amendments to our certificate of incorporation and approving corporate transactions. The Smiths hold substantially all of the Class B Common Stock, which have ten votes per share. Our Class A Common Stock has only one vote per share. In addition, the Smiths hold half our board of directors seats and, therefore, have the power to exert significant influence over our corporate management and policies. The Smiths have entered into a stockholders agreement pursuant to which they have agreed to vote for each other as candidates for election to our board of directors until June 13, 2015.

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Although in the past the Smiths have recused themselves from related person transactions, circumstances may occur in which the interests of the Smiths, as the controlling security holders, could be in conflict with the interests of other security holders and the Smiths would have the ability to cause us to take actions in their interest. In addition, the Smiths could pursue acquisitions, divestitures or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to our other security holders. Further, the concentration of ownership in the Smiths may have the effect of discouraging, delaying or preventing a future change of control, which could deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our shares.

(See Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters and Item 13. Certain Relationships and Related Transactions, which will be included as part of our Proxy Statement for our 2012 Annual Meeting.)

Significant divestitures by the Smiths could cause them to own or control less than 51% of the voting power of our shares, which would in turn give Cunningham the right to terminate the LMAs and other outsourcing agreements with Cunningham

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due to a change in control. Any such terminations would have an adverse effect on our results of operations. The FCC's multiple ownership rules limit our ability to operate multiple television stations in some markets and may result in a reduction in our revenue or prevent us from reducing costs. Changes in these rules may threaten our existing strategic approach to certain television markets. See *Changes in rules on local marketing agreements* in the risk factor below.

We may be subject to fines and other penalties related to violations of FCC indecency rules and other FCC rules and policies, the enforcement of which has increased in recent years, and complaints related to such violations may delay our renewal applications with the FCC.

We provide a significant amount of live news reporting that is provided by the broadcast networks or is controlled by our on-air news talent. Although both broadcast network and our on-air talent have generally been professional and careful in what they say, there is always the possibility that information may be reported that is inaccurate or even in violation of certain indecency rules promulgated by the FCC. In addition, entertainment and sports programming provided by broadcast syndicators and networks may contain content that is in violation of the indecency rules promulgated by the FCC. Because the interpretation by the courts and the FCC of the indecency rules is not always clear, it is sometimes difficult for us to determine in advance what may be indecent programming. We have insurance to cover some of the liabilities that may occur, but the FCC has enhanced its enforcement efforts relating to the regulation of indecency. In addition, in 2006, Congress dramatically increased the penalties for broadcasting indecent programming and potentially subjects broadcasters to license revocation, renewal or qualification proceedings in the event that they broadcast indecent material. We are currently subject to pending FCC inquiries and proceedings relating to alleged violations of indecency, sponsorship identification, children's programming and captioning rules. There can be no assurance that an incident that may lead to significant fines or other penalties by the FCC can be avoided.

In addition, action on many license renewal applications, including those we have filed, has been delayed because of, among other reasons, the pendency of complaints that programming aired by the various networks contained indecent material and complaints regarding alleged violations of sponsorship identification, children's programming and captioning rules. We cannot predict when the FCC will address these complaints and act on the renewal applications. We continue to have operating authority until final action is taken on our renewal applications.

Federal regulation of the broadcasting industry limits our operating flexibility, which may affect our ability to generate revenue or reduce our costs.

The FCC regulates our business, just as it does all other companies in the broadcasting industry. We must ask the FCC's approval whenever we need a new license, seek to renew, assign or modify a license, purchase a new station, sell an existing station or transfer the control of one of our subsidiaries that hold a license. Our FCC licenses and those of the licensees for which we provide services pursuant to LMAs and other outsourcing agreements are critical to our operations; we cannot operate without them. We cannot be certain that the FCC will renew these licenses in the future or approve new acquisitions in a timely manner, if at all. If licenses are not renewed or acquisitions are not approved, we may lose revenue that we otherwise could have earned.

In addition, Congress and the FCC may, in the future, adopt new laws, regulations and policies regarding a wide variety of matters (including, but not limited to, technological changes in spectrum assigned to particular services) that could, directly or indirectly, materially and adversely affect the operation and ownership of our broadcast properties. (See *Item 1. Business.*)

The FCC's multiple ownership rules limit our ability to operate multiple television stations in some markets and may result in a reduction in our revenue or prevent us from reducing costs. Changes in these rules may threaten our existing strategic approach to certain television markets.

Changes in rules on television ownership

As discussed in *National Ownership Rule* under *Federal Regulation of Television Broadcasting* within *Item 1. Business*, the FCC is currently considering elimination of the discount given to owners of UHF stations in determining compliance with the cap. Because we would be near the 39% cap without application of the UHF discount, the proposed change, if adopted, could limit our ability to acquire television stations in additional markets. While this rulemaking is pending, the FCC may not allow us to acquire additional television stations that would put us over the 39% cap without application of the UHF discount.

Under federal law, the FCC is required to review its ownership rules every four years (a *Quadrennial Review*) to determine whether they are necessary in the public interest as the result of competition and to repeal or modify any

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regulation the FCC determines to be no longer in the public interest. As a result of its most recently completed Quadrennial Review, the FCC released an order in February 2008, containing its current local ownership rules, which re-adopted its 1999 local television ownership rule. Those rules were upheld by the U.S. Court of Appeals for the Third Circuit and a request for certiorari was denied by the Supreme Court.

On December 22, 2011, the FCC released a Notice of Proposed Rulemaking in its 2010 Quadrennial Review. Numerous parties, including Sinclair, submitted comments in response to that Notice. On March 30, 2014, the FCC issued a Further Notice of Proposed Rulemaking and Report and Order (the Further Notice) and announced that it would incorporate the record of the 2010 Quadrennial Review into a new 2014 Quadrennial Review, and requested additional comments on, among other things, whether to eliminate restrictions on newspaper/radio combinations and whether to eliminate the radio/television cross-ownership rule. The Further Notice indicated that the FCC intended to retain the current local television and radio ownership rule with a minor technical update and to retain the prohibition on the cross ownership of newspapers and television without modification.

The FCC adopted a new rule in the Further Notice which causes a station to be attributable to the owner of another station in the market which sells more than 15 percent of the advertising on the first station pursuant to a JSA/SSA or other arrangement. Parties to such agreements must come into compliance with these new rules by December 19, 2016. Petitions for review of that portion of the Further Notice have been filed in the U.S. Courts of Appeal, and we cannot predict their outcome. We are currently evaluating whether to seek one or more waivers of the new rules, or to modify or terminate our current JSA/SSAs.

Changes in rules on local marketing agreements

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

See *Changes in the Rules on Television Ownership and Local Marketing Agreements* within Note 11. *Commitments and Contingencies* for further discussion.

Use of outsourcing agreements

In addition to our LMAs, we have entered into outsourcing agreements whereby 28 stations (and may seek opportunities for additional) provide or are provided various non-programming related services such as sales, operational and managerial services to or by other stations within the same markets. Pursuant to these agreements, 27 of our stations currently provide services to one or more stations in each of its respective market and another party provides services to 1 of our stations. For additional information, refer to *Markets and Stations* under the *Television Broadcasting* section.

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We believe this structure allows stations to achieve operational efficiencies and economies of scale, which should otherwise improve broadcast cash flow and competitive positions. The FCC adopted a new rule which causes a station to be attributable to the owner of another station in the market which sells more than 15 percent of the advertising on the first station pursuant to an outsourcing arrangement. Parties to such agreements must come into compliance with these new rules by December 19, 2016. Appeals of that portion of the Further Notice have been filed in the U.S. Court of Appeals, and we cannot predict their outcome. We are currently evaluating whether to seek one or more waivers of the new rules, or to modify or terminate our current JSAs. We cannot predict whether we will be able to terminate or restructure such arrangements on terms that are as advantageous to us as the current arrangements. In addition, on March 12, 2014, the FCC issued a public notice providing guidelines as to the FCC's processing of applications that seek approval of proposed transactions that involve combinations of sharing arrangements and contingent or financial interests. These processing guidelines will likely affect our ability to enter into JSA/SSAs in connection with future acquisitions.

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

- *Loss of revenues.* If the FCC requires us to modify or terminate existing arrangements, we would lose some or all of the revenues generated from those arrangements. We would lose revenue because we will have less demographic options, a smaller audience distribution and lower revenue share to offer to advertisers. During the year ended

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December 31, 2014, we generated \$105.2 million of net revenue from our 12 LMAs. During the year ended December 31, 2014, we earned \$48.8 million of revenue from other outsourcing agreements.

- *Increased costs.* If the FCC requires us to modify or terminate existing arrangements, our cost structure would increase as we would potentially lose significant operating synergies and we may also need to add new employees. With termination of LMAs, we likely would incur increased programming costs because we will be competing with the separately owned station for syndicated programming.
- *Losses on investments.* As part of certain of our arrangements, we own the non-license assets used by the stations with which we have arrangements. If certain of these arrangements are no longer permitted, we would be forced to sell these assets, restructure our agreements or find another use for them. If this happens, the market for such assets may not be as good as when we purchased them and, therefore, we cannot be certain of a favorable return on our original investments.
- *Termination penalties.* If the FCC requires us to modify or terminate existing arrangements before the terms of the arrangements expire, or under certain circumstances, we elect not to extend the terms of the arrangements, we may be forced to pay termination penalties under the terms of certain of our arrangements. Any such termination penalties could be material.
- *Alternative arrangements.* If the FCC requires us to terminate the existing arrangements, we may enter into one or more alternative arrangements. Any such arrangements may be on terms that are less beneficial to us than the existing arrangements.

Failure of owner / licensee to exercise control

The FCC requires the owner / licensee of a station to maintain independent control over the programming and operations of the station. As a result, the owners / licensees of those stations with which we have LMAs or outsourcing agreements can exert their control in ways that may be counter to our interests, including the right to preempt or terminate programming in certain instances. The preemption and termination rights cause some uncertainty as to whether we will be able to air all of the programming that we have purchased under our LMAs and therefore, uncertainty about the advertising revenue that we will receive from such programming. In addition, if the FCC determines that the owner / licensee is not exercising sufficient control, it may penalize the owner licensee by a fine, revocation of the license for the station or a denial of the renewal of that license. Any one of these scenarios, especially the revocation of or denial of renewal of a license, might result in a reduction of our cash flow and an increase in our operating costs or margins. In addition, penalties might also affect our qualifications to hold FCC licenses, putting our own licenses at risk.

The pendency and indeterminacy of the outcome of these ownership rules, which may limit our ability to provide services to additional or existing stations pursuant to licenses, LMAs, outsourcing agreements or otherwise, expose us to a certain amount of volatility, particularly if the outcomes are adverse to us. Further, resolution of these ownership rules has been and will likely continue to be a cost burden and a distraction to our management and the continued absence of a resolution may have a negative effect on our business.

The FCC's National Broadband Plan may result in a loss of spectrum for our stations potentially adversely impacting our ability to compete.

The FCC's National Broadband Plan contemplates the voluntary reallocation of spectrum from broadcasters for other purposes which may include wireless broadband. On November 30, 2010, the FCC initiated a Notice of Proposed Rulemaking that seeks comments on three methods that would permit up to 120 MHz of television spectrum to be reallocated for wireless broadband use: (a) encouraging broadcasters voluntarily

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to return 120 MHz of spectrum to be auctioned for wireless broadband service, with some currently unknown portion of the proceeds to be paid to broadcasters; (b) adoption of rules to encourage two or more digital television stations to share the same 6 MHz channel, thus lessening the spectrum occupied by each station; and (c) to adopt new engineering rules which would make VHF channels more desirable for digital television operations, thus encouraging stations to move from their current UHF channels into the VHF band, freeing UHF spectrum for wireless broadband use. This initiative raises a number of issues that could impact the broadcast industry. We cannot predict whether any of these proposals will be adopted, or, if adopted, the form of such final rules or whether they would have an adverse impact on our ability to compete. Moreover, we cannot predict whether the FCC might adopt even more stringent requirements, or incentives to abandon current spectrum, if its initiatives are adopted but do have the desired result in freeing what the agency deems sufficient spectrum for wireless broadband use.

Congress recently passed legislation providing the FCC with authority to conduct so-called incentive auctions to begin the process of auctioning and repurposing broadcast television spectrum for mobile broadband use. Incentive auction authority allows the FCC to share the proceeds of spectrum auctions with incumbent television station licensees who give up their licenses (or in some cases, move to a different channel) to facilitate spectrum auctions. The legislation includes specific

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provisions governing incentive auctions of spectrum that is used by television broadcasters today. The upper UHF bands allocated to television broadcasting will likely be used to provide service to mobile devices and are widely expected to draw bids from wireless operators at auction. The legislation contemplates that the FCC will encourage broadcasters to tender their licenses for auction. Using models it has been developing for the last two years (and will continue to develop) the FCC would then repack non-tendering broadcasters into the lower portion of the UHF band auction new flexible use wireless licenses in the upper portion of the UHF band. As a result of these changes, new companies will likely be able to enter our markets to compete with us. The proposals for television stations to participate in the incentive auctions are voluntary and at this time we have not decided whether the company will participate on behalf of any of its stations. On September 28, 2012, the FCC voted in favor of a Notice of Proposed Rulemaking that launches the incentive auction process to clear a portion of the television band that will make way for mobile broadband use. We cannot predict the final outcome of this proceeding.

Competition from other broadcasters or other content providers and changes in technology may cause a reduction in our advertising revenues and/or an increase in our operating costs.

New technology and the subdivision of markets

Cable providers, direct broadcast satellite companies and telecommunication companies are developing new technology that allows them to transmit more channels on their existing equipment to highly targeted audiences, reducing the cost of creating channels and potentially leading to the division of the television industry into ever more specialized niche markets. Competitors who target programming to such sharply defined markets may gain an advantage over us for television advertising revenues. The decreased cost of creating channels may also encourage new competitors to enter our markets and compete with us for advertising revenue. In addition, technologies that allow viewers to digitally record, store and play back television programming may decrease viewership of commercials as recorded by media measurement services such as Nielsen Media Research and, as a result, lower our advertising revenues. The current ratings provided by Nielsen for use by broadcast stations are limited to live viewing Digital Video Recording playback and give broadcasters no credit whatsoever for viewing that occurs on a delayed basis after the original air date. However, the effects of new ratings system technologies, including people meters and set-top boxes, and the ability of such technologies to be a reliable standard that can be used by advertisers is currently unknown. In 2010, the Media Rating Council, an independent organization that monitors rating services, revoked Nielsen's accreditation in the 154 markets it measures ratings exclusively by its diary methodology. We have 233 of our channels located in diary only markets as of December 31, 2014.

Since digital television technology allows broadcasting of multiple channels within the additional allocated spectrum, this technology could expose us to additional competition from programming alternatives. In addition, technological advancements and the resulting increase in programming alternatives, such as cable television, direct broadcast satellite systems, pay-per-view, home video and entertainment systems, video-on-demand, mobile video and the Internet have also created new types of competition to television broadcast stations and will increase competition for household audiences and advertisers. We cannot provide any assurances that we will remain competitive with these developing technologies.

Types of competitors

We also face competition from rivals that may have greater resources than we have. These include:

- other local free over-the-air broadcast television and radio stations;
- telecommunication companies;
- cable and satellite system operators;
- print media providers such as newspapers, direct mail and periodicals;
- internet search engines, internet service providers and websites; and
- other emerging technologies including mobile television.

Deregulation

The Telecommunications Act of 1996 and subsequent actions by the FCC and the courts have removed some limits on station ownership, allowing telephone, cable and some other companies to provide video services in competition with us. In addition, the FCC has reallocated and auctioned off a portion of the spectrum for new services including fixed and mobile wireless services and digital broadcast services. As a result of these changes, new companies are able to enter our markets and compete with us.

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We could be adversely affected by labor disputes and legislation and other union activity.

The cost of producing and distributing entertainment programming has increased substantially in recent years due to, among other things, the increasing demands of creative talent and industry-wide collective bargaining agreements. Although we generally purchase programming content from others rather than produce such content ourselves, our program suppliers engage the services of writers, directors, actors and on-air and other talent, trade employees and others, some of whom are subject to these collective bargaining agreements. Also, as of February 23, 2015, approximately 800 of our employees, including certain new employees at the stations we acquired during 2014, are represented by labor unions under collective bargaining agreements. If we or our program suppliers are unable to renew expiring collective bargaining agreements, it is possible that the affected unions could take action in the form of strikes or work stoppages. Failure to renew these agreements, higher costs in connection with these agreements or a significant labor dispute could adversely affect our business by causing, among other things, delays in production that lead to declining viewers, a significant disruption of operations and reductions in the profit margins of our programming and the amounts we can charge advertisers for time. Our stations also broadcast certain professional sporting events, including NBA basketball games, MLB baseball games, NFL football games, and other sporting events, and our viewership may be adversely affected by player strikes or lockouts, which could adversely affect our advertising revenues and results of operations. Further, any changes in the existing labor laws, including the possible enactment of the Employee Free Choice Act, may further the realization of the foregoing risks.

Unrelated third parties may bring claims against us based on the nature and content of information posted on websites maintained by us.

We host internet services that enable individuals to exchange information, generate content, comment on our content, and engage in various online activities. The law relating to the liability of providers of these online services for activities of their users is currently unsettled both within the United States and internationally. Claims may be brought against us for defamation, negligence, copyright or trademark infringement, unlawful activity, tort, including personal injury, fraud, or other theories based on the nature and content of information that may be posted online or generated by our users. Our defense of such actions could be costly and involve significant time and attention of our management and other resources.

Costs of complying with changes in governmental laws and regulations may adversely affect our results of operations.

We cannot predict what other governmental laws or regulations will be enacted in the future, how future laws or regulations will be administered or interpreted or how future laws or regulations will affect us. Compliance with new laws or regulations, including proposed legislation to address climate change, or stricter interpretation of existing laws, may require us to incur significant expenditures or impose significant restrictions on us and could cause a material adverse effect on our results of operations.

Changes in accounting standards can affect reported earnings and results of operations.

Generally accepted accounting principles and accompanying pronouncements and implementation guidelines for many aspects of our business, including those related to intangible assets, pensions, income taxes, share-based compensation and broadcast rights, are complex and involve significant judgments. Changes in rules or their interpretation could significantly change our reported earnings and results of operations.

Terrorism or armed conflict domestically or abroad may negatively impact our advertising revenues and results of operations. Future conflicts, terrorist attacks or other acts of violence may have a similar effect.

The commencement of the war in Iraq in 2002 and activities in Afghanistan resulted in a reduction of advertising revenues as a result of uninterrupted news coverage and/or general economic uncertainty. If the United States becomes engaged in similar conflicts in the future, there may be a similar adverse effect on our results of operations. Also, any terrorist attacks or other acts of violence may have a similar negative effect on our business or results of operations.

Cybersecurity risks and cyber incidents could adversely affect our business and disrupt operations.

Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corruption data, or causing operational disruption. The result of these incidents could include, but are not limited to, disrupted operations, misstated financial data, liability for stolen assets or information, increased cybersecurity protection costs, litigation and reputational damage adversely affecting customer or investor confidence.

Table of Contents**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

ITEM 2. PROPERTIES

Generally, each of our stations has facilities consisting of offices, studios and tower sites. Transmitter and tower sites are located to provide maximum signal coverage of our stations' markets. We believe that all of our properties, both owned and leased, are generally in good operating condition, subject to normal wear and tear and are suitable and adequate for our current business operations. The following is a summary of our principal owned and leased real properties. Approximately 131,281 square feet of leased office and warehouse buildings is related to our corporate facilities and is not included in the table below. We believe that no one property represents a material amount of the total properties owned or leased. See *Markets and Stations under Television Broadcasting* within *Item 1.Business*, for a listing of our station locations.

Broadcast Segment	Owned	Leased
Office and studio buildings	1,699,232 square feet	694,100 square feet
Office and studio land	815 acres	7 acres
Transmitter building sites	240,964 square feet	85,247 square feet
Transmitter and tower land	1,935 acres	967 acres
Other Operating Divisions Segment	Owned	Leased
Office and warehouse buildings		80,760 square feet
Recreational land	722 acres	
Real estate rental property	474,556 square feet	
Land held for development and sale	735 acres	

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

None.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

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

2014		High		Low
First Quarter	\$	36.74	\$	24.42
Second Quarter	\$	34.75	\$	25.12
Third Quarter	\$	35.90	\$	25.48
Fourth Quarter	\$	29.95	\$	23.94

2013		High		Low
First Quarter	\$	20.29	\$	12.82
Second Quarter	\$	29.94	\$	19.61
Third Quarter	\$	34.04	\$	23.92
Fourth Quarter	\$	35.73	\$	31.35

As of February 20, 2015, there were approximately 56 shareholders of record of our common stock. This number does not include beneficial owners holding shares through nominee names.

Dividend Policy

During 2013, our Board of Directors declared a quarterly dividend of \$0.15 per share in the months of February, April, August and November, which were paid in March, June, September and December, respectively, for total dividend payments of \$0.60 per share for the year ended December 31, 2013. During 2014, our Board of Directors declared a quarterly dividend of \$0.15 per share in the months of February and April, which were paid in March and June. In August and November our Board of Directors declared a quarterly dividend of \$0.165 per share, which were paid in September and December. Total dividend payments for the year ended December 31, 2014 were \$0.63 per share. In February 2015, our Board of Directors declared a quarterly dividend of \$0.165 per share. Future dividends on our common shares, if any, will be at the discretion of our Board of Directors and will depend on several factors including our results of operations, cash requirements and surplus, financial condition, covenant restrictions and other factors that the Board of Directors may deem relevant. The Class A Common Stock and Class B Common Stock holders have the same rights related to dividends. Under our Bank Credit Agreement, in certain circumstances, we may make unrestricted cash payments as long as our first lien indebtedness ratio does not exceed 3.75 to 1.00. Once our first lien indebtedness ratio exceeds 3.75 to 1.00, we have the ability to make up to \$200.0 million in unrestricted annual cash payments including but not limited to dividends, of which \$50.0 million may carry over to the next year, as long as we are in compliance with our first lien indebtedness ratio under the Bank Credit Agreement of 4.00 to 1.00. In addition, we have an aggregate basket of up to \$250.0 million, as long as we are in compliance with our first lien indebtedness ratio of 4.00 to 1.00, and an aggregate basket of \$50.0 million, as long as no Event of Default has occurred. Under the indentures governing the 6.125% Notes, 5.375% Notes, 6.375% Notes and 5.625% Notes, we are restricted from paying dividends on our common stock unless certain specified conditions are satisfied, including that:

- no event of default then exists under each indenture or certain other specified agreements relating to our indebtedness; and
- after taking account of the dividends payment, we are within certain restricted payment requirements contained in each indenture.

In addition, under certain of our debt instruments, the payment of dividends is not permissible during a default thereunder.

Table of Contents*Issuer Purchases of Equity Securities*

The following table summarizes repurchases of our stock in the quarter ended December 31, 2014:

Period	Total Number of Shares Purchased (1)	Average Price Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (in millions)
Class A Common Stock : (2)				
10/01/14 - 10/31/14	942,415	\$ 25.59	942,415	\$ 134.9
11/01/14 - 11/31/14				\$ 134.9
12/01/14 - 12/30/14	19,200	\$ 25.71	19,200	\$ 134.4

(1) All repurchases were made in open-market transactions.

(2) On February 6, 2008, the Board of Directors renewed a \$150.0 million share repurchase program. On March 20, 2014, the Board of Directors authorized a new \$150.0 million share repurchase authorization. There is no expiration date for this program and currently management has no plans to terminate this program. As of December 31, 2014, the total remaining authorization was \$134.4 million. In January 2015, we repurchased 0.3 million shares of Class A Common Stock for \$7.8 million.

Comparative Stock Performance

The following line graph compares the yearly percentage change in the cumulative total shareholder return on our Class A Common Stock with the cumulative total return of the NASDAQ Composite Index and the cumulative total return of the NASDAQ Telecommunications Index (an index containing performance data of radio and television broadcast companies and communication equipment and accessories manufacturers) from December 31, 2009 through December 31, 2014. The performance graph assumes that an investment of \$100 was made in the Class A Common Stock and in each Index on December 31, 2009 and that all dividends were reinvested. Total shareholder return is measured by dividing total dividends (assuming dividend reinvestment) plus share price change for a period by the share price at the beginning of the measurement period.

Company/Index/Market	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Sinclair Broadcast Group, Inc.	100.00	213.92	311.32	398.39	1158.43	906.29
NASDAQ Telecommunications Index	100.00	107.95	96.16	100.40	139.11	148.69
NASDAQ Composite Index	100.00	117.61	118.70	139.00	196.83	223.74

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The selected consolidated financial data for the years ended December 31, 2014, 2013, 2012, 2011 and 2010 have been derived from our audited consolidated financial statements.

The information below should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations* and the consolidated financial statements included elsewhere in this annual report on Form 10-K.

STATEMENTS OF OPERATIONS DATA

(In thousands, except per share data)

	Years Ended December 31,				
	2014	2013	2012	2011	2010
Statements of Operations Data:					
Net broadcast revenues (a)	\$ 1,782,726	\$ 1,217,504	\$ 920,593	\$ 648,002	\$ 655,836
Revenues realized from station barter arrangements	122,262	88,680	86,905	72,773	75,210
Other operating divisions revenues	71,570	56,947	54,181	44,513	36,598
Total revenues	1,976,558	1,363,131	1,061,679	765,288	767,644
Station production expenses	577,013	385,104	255,556	178,612	154,133
Station selling, general and administrative expenses	370,606	249,732	171,279	123,938	127,091
Expenses recognized from station barter arrangements	107,716	77,349	79,834	65,742	67,083
Depreciation and amortization (b)	228,787	141,374	85,172	51,501	59,944
Amortization of program contract costs and net realizable value adjustments	106,629	80,925	60,990	52,079	60,862
Other operating divisions expenses	58,903	48,109	46,179	39,486	30,916
Corporate general and administrative expenses	69,413	53,126	33,391	28,310	26,800
(Gain) loss on asset dispositions	(37,160)	3,392	(7)		
Operating income	494,651	324,020	329,285	225,620	240,815
Interest expense and amortization of debt discount and deferred financing cost	(174,862)	(162,937)	(128,553)	(106,128)	(116,046)
Loss from extinguishment of debt	(14,553)	(58,421)	(335)	(4,847)	(6,266)
Income (loss) from equity and cost method investees	2,313	621	9,670	3,269	(4,861)
Other income, net	4,998	2,225	2,273	3,459	2,209
Income from continuing operations before income taxes	312,547	105,508	212,340	121,373	115,851
Income tax provision	(97,432)	(41,249)	(67,852)	(44,785)	(40,226)
Income from continuing operations	215,115	64,259	144,488	76,588	75,625
Discontinued operations:					

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Income (loss) from discontinued operations, net of related income taxes			11,558		465		(411)		(577)	
Net income	\$	215,115	\$	75,817	\$	144,953	\$	76,177	\$	75,048
Net (income) loss attributable to noncontrolling interests		(2,836)		(2,349)		(287)		(379)		1,100
Net income attributable to Sinclair Broadcast Group	\$	212,279	\$	73,468	\$	144,666	\$	75,798	\$	76,148
Earnings Per Common Share										
Attributable to Sinclair Broadcast										
Group:										
Basic earnings per share from continuing operations	\$	2.19	\$	0.66	\$	1.78	\$	0.95	\$	0.96
Basic earnings per share	\$	2.19	\$	0.79	\$	1.79	\$	0.94	\$	0.95
Diluted earnings per share from continuing operations	\$	2.17	\$	0.66	\$	1.78	\$	0.95	\$	0.95
Diluted earnings per share	\$	2.17	\$	0.78	\$	1.78	\$	0.94	\$	0.94
Dividends declared per share	\$	0.63	\$	0.60	\$	1.54	\$	0.48	\$	0.43

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	Years Ended December 31,				
	2014	2013	2012	2011	2010
Balance Sheet Data:					
Cash and cash equivalents	\$ 17,682	\$ 280,104	\$ 22,865	\$ 12,967	\$ 21,974
Total assets	\$ 5,452,172	\$ 4,147,472	\$ 2,729,697	\$ 1,571,417	\$ 1,485,924
Total debt (c)	\$ 3,928,716	\$ 3,034,040	\$ 2,273,379	\$ 1,206,025	\$ 1,212,065
Total equity (deficit)	\$ 405,343	\$ 405,704	\$ (100,053)	\$ (111,362)	\$ (157,082)

- (a) Net broadcast revenues is defined as broadcast revenues, net of agency commissions.
- (b) Depreciation and amortization includes depreciation and amortization of property and equipment and amortization of definite-lived intangible assets and other assets.
- (c) Total debt is defined as notes payable, capital leases and commercial bank financing, including the current and long-term portions.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Executive Overview a description of our business, financial highlights from 2014, information about industry trends and sources of revenues and operating costs;

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

Results of Operations a summary of the components of our revenues by category and by network affiliation or program service arrangement, a summary of other operating data and an analysis of our revenues and expenses for 2014, 2013 and 2012, including comparisons between years and certain expectations for 2015; and

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

We have one reportable operating segment (broadcast), which includes our television and radio stations and is reported separately from our other operating divisions and corporate activities. The results of our other operating divisions consist primarily of revenues and expenses earned from sign design and fabrication; regional security alarm operating and bulk acquisitions; manufacturing and service of television broadcast antennas and transmitters; and real estate ventures.

STG, included in the broadcast segment and a wholly owned subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under our Bank Credit Agreement, the 6.125% Notes, the 5.375% Notes, 6.375% Notes, and 5.625% Notes. SBG is a guarantor under the Bank Credit Agreement, the 6.125% Notes, the 5.375% Notes, 6.375% Notes, and 5.625% Notes. Our Class A Common Stock and Class B Common Stock remain obligations or securities of SBG and not obligations or securities of STG. SBG was the obligor of the 9.25% Notes and the 8.375% Notes until they were fully redeemed in 2013 and 2014, respectively.

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EXECUTIVE OVERVIEW

2014 Events

Acquisitions / Divestments:

- Effective August 1, 2014, we completed the acquisition of all of the outstanding common stock of Perpetual Corporation and equity interest of Charleston Television, LLC (the Allbritton Companies) for \$985.0 million plus working capital of \$50.2 million. We financed the total purchase price with proceeds from the issuance of 5.625% senior unsecured notes, a draw on our Bank Credit Agreement, and cash on hand. In conjunction with the acquisition, we terminated our LMA in Charleston, SC with WTAT-TV (FOX) and sold the non-license assets of WTAT to Cunningham for \$14.0 million.
- Effective September 1, 2014, we completed the acquisition of the assets of WGXA-TV (FOX) in Macon, GA from Frontier Broadcast Holdings, LLC for \$33.0 million.
- Effective September 1, 2014, we closed on the sale of WHTM-TV in Harrisburg, PA to Media General for \$83.4 million.
- On November 1, the Company closed on the previously announced purchase of the non-license assets of 8 stations in 3 markets from New Age Media.
- On November 1, the Company closed on the previously announced purchase of the non-license assets of KSNV-TV (NBC) in Las Vegas, NV from Intermountain West.
- On December 19, the Company closed on the acquisition of 4 stations in 3 markets from Media General, Inc. and the sale of 3 stations in 2 markets to Media General.

Other:

- In February 2014, our Board of Directors declared a quarterly dividend of \$0.15 per share, payable on March 14, 2014 to the holders of record at the close of business on February 28, 2014.
- During February 2014, we announced our intent to repurchase, under an existing authorization, from time to time, up to \$100 million of our Class A common shares on the open market. During March 2014, the Board of Directors authorized an additional \$150.0 million share repurchase authorization of Class A common shares, to be accessed once the existing authorization is exhausted. During 2014 we repurchased a total of \$133.2 million or 4.9 million shares at an average price of \$27.33 per share. As of December 31, 2014, the total remaining authorization for repurchases was \$134.4 million.
- Effective April 1, 2014, we promoted David B. Amy to Executive Vice President and Chief Operating Officer from Executive Vice President and Chief Financial Officer and named Christopher Ripley as Chief Financial Officer.

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- In April 2014, we reached a multi-year retransmission consent agreement with Charter Communications.
- In May 2014, our Board of Directors declared a quarterly dividend of \$0.15 per share, payable on June 13, 2014, to the holders of record at the close of business on May 30, 2014.
- In May 2014, we announced the launch of ONE Media, LLC, a joint venture between Coherent Logix and Sinclair with a vision to build the Next Generation Broadcast Platform, enabling broadcasting to be competitive across all platforms. This broadcast platform will support all business models, whether fixed services to the home, portable service within the home, or nomadic services outside the home.
- In June 2014, we signed an agreement to broadcast getTV in 33 markets beginning in the summer 2014.
- In July 2014, STG issued \$550.0 million in senior unsecured notes, which bear interest at a rate of 5.625% per annum and mature on August 1, 2024. The proceeds from the offering of the 5.625% Notes, together with borrowings under our Bank Credit Agreement and cash on hand, were used to finance the acquisition of the Allbritton companies on July 31, 2014.
- In July 2014, we amended and restated our existing bank credit facility raising \$400.0 million of additional term loan B commitments, which matures in 2021 and bear interest at LIBOR plus 2.75%, with a 0.75% floor. Additionally, \$327.7 million of our term loan A commitments were converted to revolving commitments.
- In July 2014, we launched the American Sports Network (ASN), a collegiate sports initiative to be broadcast on a number of our television stations, which have entered into comprehensive sports rights agreements with a number of distinguished NCAA Division I conferences.
- In August 2014, our Board of Directors declared a quarterly dividend of \$0.165 per share, payable on September 15, 2014 to the holders of record at the close of business on August 29, 2014.
- In August 2014, we launched an Original Programming Division that will focus on the creation and development of low-cost original entertainment and long-form content.
- Effective October 15, 2014, we redeemed all of the outstanding 8.375% Senior Notes due 2018, representing \$237.5 million aggregate principal amount of Notes.
- In November 2014, our Board of Directors declared a quarterly dividend of \$0.165 per share, payable on December 15, 2014 to the holders of record at the close of business on December 1, 2014.
- In December 2014, we signed an agreement to broadcast Grit TV in 47 markets in December 2014 and January 2015.
- During 2014, we successfully completed negotiations for new retransmission consent agreements with over 490 multichannel video programming distributors, including U-verse, FiOS, Armstrong Utilities, Atlantic Broadband, CableOne, CenturyLink, Wave Broadband and Wide Open West. The new retransmission consent agreements provided uninterrupted carriage of our stations to over 6.3 million unique subscribers, representing over 99.9% of subscribers covered by the expiring agreements.

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2015 Events

- In January 2015, we appointed Howard E. Friedman to the Board of Directors. Mr. Friedman will stand for re-election at our next annual meeting of shareholders.
- During January 2015, we repurchased \$7.8 million or 0.3 million shares at an average price of \$25.60 per share. As of January 31, 2015, the total remaining authorization for repurchases was \$126.6 million.
- In February 2015, our Board of Directors declared a quarterly dividend of \$0.165 per share, payable March 13, 2015 to the holders of record at the close of business on February 27, 2015.

Industry Trends

- Political advertising increases in even-numbered years, such as 2014, due to the advertising expenditures from candidates running in local and national elections and issue-related advertiser spending. In every fourth year, such as 2012, political advertising is usually elevated further due to presidential elections;
- The FCC has permitted broadcast television stations to use their digital spectrum for a wide variety of services including multi-channel broadcasts. The FCC must-carry rules only apply to a station's primary digital stream;
- Retransmission consent rules provide a mechanism for broadcasters to seek payment from MVPDs who carry broadcasters' signals. Recognition of the value of the programming content provided by broadcasters, including local news and other programming and network programming all in HD has generated increased local revenues;
- We, as well as a number of other broadcasters, have joined and worked together in organizations such as the NAB (along with OMVC now merged), M500 and the MCV to focus on efforts to accelerate the nationwide availability of mobile DTV and other advanced digital distribution services and work through the many programming, advertising, distribution and aggregation opportunities. There is potential for broadcasters to create an additional revenue stream by providing their signals to a wide variety of mobile / portable devices (tablets, laptops, smartphones, etc.) as well as through other multi-channel / multi-platform initiatives;
- Many broadcasters are enhancing / upgrading their websites to use the internet to deliver rich media content, such as newscasts and weather updates, to attract advertisers and to compete with other internet sites and smart phone and tablet device applications and other social media outlets;
- Seasonal advertising increases occur in the second and fourth quarters due to the anticipation of certain seasonal and holiday spending by consumers;
- Broadcasters have found ways to increase returns on their news programming initiatives while continuing to maintain locally produced content through the use of news sharing arrangements;
- Station outsourcing arrangements are becoming more common as broadcasters seek out ways to improve revenues and margins; and
- Advertising revenue related to the Olympics occurs in even numbered years and the Super Bowl is aired on a different network each year. Both of these popularly viewed events can have an impact on our advertising revenues.

Sources of Revenues

Our operating revenues are derived from local and national advertisers and, to a much lesser extent, from political advertisers. We also generate local revenues from our retransmission consent agreements with MVPDs. Revenues from national advertisers have continued to trend downward when measured as a percentage of total broadcast revenues. We believe this trend is the result of our focus on increasing local advertising revenues as a percentage of total advertising revenues, combined with a decrease in overall spending by advertisers transacted through our rep firm and an increase in the number of competitive media outlets providing national advertisers multiple alternatives in which to advertise their goods or services. Our efforts to mitigate the effect of these increasingly competitive media outlets for national advertisers include continuing our efforts to increase local revenues and developing innovative sales and marketing strategies to sell traditional and non-traditional services to our advertisers including the success of multi-channel digital initiatives together with mobile DTV. In addition, our revenue success is dependent on the success and advertising spending levels of the automotive industry.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates including those related to goodwill and intangible assets, program contract costs, and income taxes. We base our estimates on historical experience

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and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These estimates have been consistently applied for all years presented in this report and in the past we have not experienced material differences between these estimates and actual results. However, because future events and their effects cannot be determined with certainty, actual results could differ from our estimates and such differences could be material.

We consider the following accounting policies to be the most critical as they are important to our financial condition and results of operations, and require significant judgment and estimates on the part of management in their application. For a detailed discussion of the application of these and other accounting policies, see *Note 1. Nature of Operations and Summary of Significant Accounting Policies*.

Valuation of Goodwill and Intangible Assets

At least annually, we periodically evaluate our goodwill and broadcast licenses for potential impairment indicators. Our judgments regarding the existence of impairment indicators are based on estimated future cash flows, market conditions, operating performance of our stations, legal factors and other various qualitative factors. As of December 31, 2014, our consolidated balance sheet includes \$1,964.6 million of goodwill related to our Broadcast segment and \$135.1 million of broadcast licenses.

Both our annual goodwill and broadcast license impairment assessments begin with qualitatively assessing whether it is more-likely-than-not that the respective asset has been impaired. If we conclude that it is more-likely-than-not that a reporting unit or broadcast license is impaired, we apply the quantitative assessment, which involves comparing the estimated fair value of the reporting unit or broadcast license to its respective carrying value. See *Impairment of Goodwill, Intangibles and Other Long-Lived Assets* within *Note 1. Nature of Operations and Summary of Significant Accounting Policies* for further discussion of the significant judgments and estimates inherent in both qualitatively assessing whether impairment may exist and estimating the fair values of the reporting units and broadcast licenses. See *Note 6. Goodwill, Broadcast Licenses and Other Intangible Assets* for the results of our annual impairment tests during the years ended December 31, 2014, 2013 and 2012.

For our annual goodwill impairment tests in 2014 and 2013, we concluded that it was more-likely-than-not that goodwill was not impaired based on our qualitative assessments. In 2012, we concluded that it was more-likely-than-not that goodwill was not impaired based on our qualitative assessments, except for three reporting units. For those markets, we estimated the fair values of these reporting units, which had aggregate carrying value of goodwill of \$79.5 million, and concluded that each of the reporting unit fair values exceeded the respective carrying values by more than 10%. In estimating the fair values, an increase in the discount rates applied and/or decrease in market multiple assumed of 10%, would not have resulted in an impairment of goodwill.

For our annual impairment tests for broadcast licenses in 2013 and 2012, we concluded that it was more-likely-than-not that the broadcast licenses were not impaired based on our qualitative assessments. In 2014, we concluded that it was more-likely-than-not that broadcast licenses were not impaired based on our qualitative assessments, except for broadcast licenses with an aggregate carrying value of \$39.3 million for which we performed the quantitative assessment. We concluded that licenses with an aggregate carrying value of \$21.1 million exceeded their respective carrying values. We recorded \$3.2 million of impairment primarily as a result of declines in projected future market revenues related to the radio broadcast licenses.

We believe we have made reasonable estimates and utilized appropriate assumptions to evaluate whether it was more likely than not that the fair values of our reporting units and broadcast licenses were less than their carrying values. If future results are not consistent with our assumptions and estimates, including future events such as a deterioration of market conditions or significant increases in discount rates, we could be exposed to impairment charges in the future. Any resulting impairment loss could have a material adverse impact on our consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows.

Program Contract Costs. As discussed under *Programming* within *Note 1. Nature of Operations and Summary of Significant Accountant Policies*, we record an asset and corresponding liability for programming rights when the cost of each program is known or reasonably determinable, the program material has been accepted by the licensee in accordance with the conditions of the license agreement and the program is available for its first showing or telecast. These costs are expensed over the period in which an economic benefit is expected to be derived. To ensure the related assets for the programming rights are reflected in the consolidated balance sheets at the lower of unamortized cost or estimated net realizable value (NRV), management estimates future advertising revenue, net of sales commissions, to be generated by the remaining program material available under the contract terms. Management's judgment is required in determining the timing of expense for these costs, which is dependent on the economic benefit expected to be generated from the program and may significantly differ from the timing of related payments under the contractual obligation. If our estimates of future advertising revenues decline, amortization expense could be accelerated or NRV adjustments may be required.

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Income Tax. As discussed under *Income Taxes* within *Note 1. Nature of Operations and Summary of Significant Accountant Policies*, we recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We provide a valuation allowance for deferred tax assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized. In evaluating our ability to realize net deferred tax assets, we consider all available evidence, both positive and negative, including our past operating results, tax planning strategies and forecasts of future taxable income. In considering these sources of taxable income, we must make certain judgments that are based on the plans and estimates used to manage our underlying businesses on a long-term basis. As of December 31, 2014 and 2013, a valuation allowance has been provided for deferred tax assets related to a substantial amount of our available state net operating loss carryforwards based on past operating results, expected timing of the reversals of existing temporary book/tax basis differences, alternative tax strategies and projected future taxable income. Future changes in operating and/or taxable income or other changes in facts and circumstances could significantly impact the ability to realize our deferred tax assets which could have a material effect on our consolidated financial statements.

Management periodically performs a comprehensive review of our tax positions and we record a liability for unrecognized tax benefits when such tax positions do not meet the more-likely-than-not threshold. Significant judgment is required in determining whether a tax position meets the more-likely-than-not threshold, and it is based on a variety of facts and circumstances, including interpretation of the relevant federal and state income tax codes, regulations, case law and other authoritative pronouncements. Based on this analysis, the status of ongoing audits and the expiration of applicable statute of limitations, liabilities are adjusted as necessary. The resolution of audits is unpredictable and could result in tax liabilities that are significantly higher or lower than for what we have provided. See *Note 10. Income Taxes*, for further discussion of accrued unrecognized tax benefits.

Variable Interest Entities. As discussed under *Variable Interest Entities* within *Note 1. Nature of Operations and Summary of Significant Accountant Policies*, we have determined that certain third-party licensees of stations that that we perform services to pursuant to arrangements, including LMAs and JSAs/SSAs, are VIEs and we are the primary beneficiary of those variable interests because, subject to the ultimate control of the licensees, we have the power to direct the activities which significantly impact the economic performance of the VIE through the services we provide and because we absorb losses and returns that would be considered significant to the VIEs. Determining whether the entity is a VIE and whether we are the primary beneficiary of the variable interests requires judgment which is based on quantitative and qualitative factors that indicate whether or not we are absorbing a majority of the entity's economic risks or receiving a majority of the entity's economic rewards, based on the terms of the arrangements with the entity.

Recent Accounting Pronouncements

See *Recent Accounting Pronouncements* within *Note 1. Nature of Operations and Summary of Significant Accountant Policies* for discussion on recent accounting policies and impact our financial statements.

RESULTS OF OPERATIONS

In general, this discussion is related to the results of our continuing operations, except for discussions regarding our cash flows, which also include the results of our discontinued operations. The results of the acquired stations during the years ended 2012, 2013, and 2014 are included in our results of our continuing operations for the years ended 2012, 2013, and 2014 from their respective dates of acquisition. See *Note 2. Acquisitions* for further discussion of stations acquired. Additionally, the results of certain television stations that were sold and classified as discontinued operations are not included in our results of our continuing operations for the period. See *Discontinued Operations* under *Note 3. Disposition of Assets and Discontinued Operations* for further discussion of excluded stations. Unless otherwise indicated, references in this

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discussion and analysis to 2014, 2013 and 2012 are to our fiscal years ended December 31, 2014, 2013 and 2012, respectively. Additionally, any references to the first, second, third or fourth quarters are to the three months ended March 31, June 30, September 30 and December 31, respectively, for the year being discussed. We have one reportable segment, broadcast that is disclosed separately from our other operating division and corporate activities.

Table of Contents**Seasonality / Cyclical**

Our operating results are usually subject to seasonal fluctuations. Usually, the second and fourth quarter operating results are higher than the first and third quarters because advertising expenditures are increased in anticipation of certain seasonal and holiday spending by consumers.

Our operating results are usually subject to fluctuations from political advertising. In even numbered years, political spending is usually significantly higher than in odd numbered years due to advertising expenditures preceding local and national elections. Additionally, every four years, political spending is usually elevated further due to advertising expenditures preceding the presidential election.

Operating Data

The following table sets forth certain of our operating data from continuing operations for the years ended December 31, 2014, 2013 and 2012 (in millions). For definitions of terms, see the footnotes to the table in *Item 6. Selected Financial Data*.

	Years Ended December 31,		
	2014	2013	2012
Net broadcast revenues	\$ 1,782.7	\$ 1,217.5	\$ 920.6
Revenues realized from station barter arrangements	122.3	88.7	86.9
Other operating divisions revenues	71.6	56.9	54.2
Total revenues	1,976.6	1,363.1	1,061.7
Station production expenses	577.0	385.1	255.5
Station selling, general and administrative expenses	370.6	249.7	171.3
Expenses recognized from station barter arrangements	107.7	77.3	79.8
Depreciation and amortization	335.5	222.4	146.2
Other operating divisions expenses	58.9	48.1	46.2
Corporate general and administrative expenses	69.4	53.1	33.4
(Gain) loss on asset dispositions	(37.2)	3.4	
Operating income	\$ 494.7	\$ 324.0	\$ 329.3
Net income attributable to Sinclair Broadcast Group	\$ 212.3	\$ 73.5	\$ 144.7

BROADCAST SEGMENT**Broadcast Revenues**

The following table presents our revenues from continuing operations, net of agency commissions, for the years ended December 31, 2014, 2013 and 2012 (in millions):

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	2014	2013	2012	Percent Change	
				14 vs. 13	13 vs. 12
Local revenues:					
Non-political	\$ 1,341.7	\$ 954.5	\$ 643.5	40.6%	48.3%
Political	22.3	1.5	12.9	(a)	(a)
Total local	1,364.0	956.0	656.4	42.7%	45.6%
National revenues:					
Non-political	309.2	251.2	180.2	23.1%	39.4%
Political	109.5	10.3	84.0	(a)	(a)
Total national	418.7	261.5	264.2	60.1%	(1.0)%
Total net broadcast revenues	\$ 1,782.7	\$ 1,217.5	\$ 920.6	46.4%	32.3%

(a) Political revenue is not comparable from year to year due to the cyclical nature of elections. See *Political Revenues* below for more information.

Our largest categories of advertising and their approximate percentages of 2014 net time sales, which include the advertising portion of our local and national broadcast revenues, were automotive (23.1%), services (15.4%), political (10.6%), medical (5.8%), and retail/department stores (5.2%). No other advertising category accounted for more than 5.0% of our net time sales in 2014. No advertiser accounted for more than 1.2% of our consolidated revenue in 2014. We conduct business with thousands of advertisers.

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Our primary types of programming and their approximate percentages of 2014 net time sales were syndicated programming (30.3%), local news (29.7%), network programming (27.6%), sports programming (8.4%), direct advertising programming (3.9%) and kids (0.1%).

From a network affiliation or program service arrangement perspective, the following table sets forth our affiliate percentages of net time sales for the years ended December 31, 2014 and 2013:

	# of Channels (a)	Percent of Net Time Sales for the Twelve Months Ended December 31,			Net Time Sales Percent Change	
		2014	2013	2012	14 vs. 13	13 vs. 12
FOX	46	27.3%	31.2%	36.9%	25.3%	2.4%
ABC	33	25.7%	19.1%	19.5%	93.5%	18.6%
CBS	29	20.0%	21.3%	18.6%	34.2%	38.5%
NBC	21	9.4%	6.1%	1.0%	120.3%	n/m
The CW	44	8.5%	9.8%	10.7%	24.1%	10.4%
MyNetworkTV	33	7.8%	10.3%	12.5%	8.3%	(0.2)%
Other(b)	167	1.4%	2.2%	0.8%	(13.0)%	n/m
Total	373					

n/m- Not meaningful

(a) See *Item 1. Business* for a summary and *Markets and Stations* under *Television Broadcasting* within *Item 1. Business*, for further channel details. We have acquired a significant number of television stations during 2014, 2013, and 2012, with a variety of network affiliations. This acquisition activity affects the year-over-year comparability of revenue by affiliation. See *Note 2. Acquisitions* for further discussion of stations acquired.

(b) We broadcast other programming from the following providers on our channels including: Univision, This TV, ME TV, Retro TV, Get TV, Heartland, Grit, Accuweather WX, Weather Radar, Weather Nation, Live Well Network, Antenna TV, Bounce Network, Zuus Country, Azteca, Inmigrante TV, MundoFox, Telemundo and Estrella TV.

Net Broadcast Revenues. Net broadcast revenues increased \$565.2 million in 2014 when compared to 2013, of which \$457.9 million was related to stations acquired during 2014. The remaining increase was due to an increase in retransmission revenues from MVPD and increases in advertising revenues generated from the political, medical and furniture sectors. These increases were partially offset by a decrease in advertising revenues generated from the direct response, retail-department stores, and restaurants-other sectors. Excluding the stations acquired in 2014, automotive, which typically is our largest category, represented 22.7% of net time sales for the year ended December 31, 2014.

Net broadcast revenues increased \$296.9 million in 2013 when compared to 2012, of which \$326.7 million was related to stations acquired during 2013. The remaining decrease was due to decreases in advertising revenues generated from the political, direct response and school sectors. These decreases were partially offset by an increase in retransmission revenues from multichannel video programming distributors (MVPD) and increases in advertising revenues generated from the automotive, food-grocery/other, and services sectors. Excluding the stations acquired in 2013, automotive, which typically is our largest category, represented 25.1% of net time sales for the year ended December 31, 2013.

Political Revenues. Political revenues, which include time sales from political advertising, increased by \$120.0 million to \$131.8 million for 2014 when compared to 2013. Political revenues decreased by \$85.1 million to \$11.8 million for 2013 when compared to 2012. Political revenues are typically higher in election years such as 2014 and 2012. Accordingly, we expect political revenues to decrease significantly in 2015, a non-election year, from 2014 levels.

Local Revenues. Excluding political revenues, our local broadcast revenues, which include local times sales, retransmission revenues, digital, and other local revenues, were up \$387.2 million for 2014 when compared to 2013, of which \$345.0 million related to the stations acquired in 2014. The remaining increase is due to an increase in advertising spending particularly in the medical, religion, and home products sectors and an increase in retransmission revenues from MVPDs. These increases were partially offset by a decrease due to a decline in advertising revenues from the schools, direct response and fast food sectors. Excluding political revenues, our local broadcast revenues, which include local times sales, retransmission revenues and other local revenues, were up \$311.0 million for 2013 when compared to 2012, of which \$250.9 million related to the stations acquired in 2013. The remaining increase is due to an increase in advertising spending particularly in the automotive, services, and grocery/other sectors and an

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increase in retransmission revenues from MVPDs. These increases were partially offset by a decrease due to a decline in advertising revenues from the restaurants, schools and retail/department stores sectors.

National Revenues. Our national broadcast revenues, excluding political revenues, which include national time sales and other national revenues, were up \$58.0 million for 2014 when compared to 2013, of which \$77.7 million related to the stations acquired in 2014. The remaining decrease was due to decreases in advertising revenues generated from the direct response, automotive, and food-grocery/other sectors. These decreases were partially offset by an increase in advertising revenues in the services, schools and drugs/cosmetics sectors. Excluding political revenues, our national broadcast revenues increased \$71.0 million for 2013 when compared to 2012, of which \$70.2 million related to the stations acquired in 2013. The remaining increase was due to increases in advertising revenues generated from the automotive, media and restaurants sectors. These increases were partially offset by a decline in advertising revenues in the fast food, other and movie sectors.

Broadcast Expenses

The following table presents our significant operating expense categories for the years ended December 31, 2014, 2013 and 2012 (in millions):

	2014	2013	2012	Percent Change (Increase/(Decrease))	
				14 vs. 13	13 vs. 12
Station production expenses	\$ 577.0	\$ 385.1	\$ 255.5	49.8%	50.7%
Station selling, general and administrative expenses	\$ 370.6	\$ 249.7	\$ 171.3	48.4%	45.8%
Amortization of program contract costs and net realizable value adjustments	\$ 106.6	\$ 80.9	\$ 61.0	31.8%	32.6%
Corporate general and administrative expenses	\$ 56.2	\$ 47.3	\$ 28.9	18.8%	63.7%
Depreciation and amortization expenses	\$ 218.5	\$ 133.1	\$ 77.5	64.2%	71.7%

Station production expenses. Station production expenses increased \$191.9 million during 2014 compared to 2013, of which \$158.9 million related to the stations not included in the same period in 2013. The remaining increases for the year were primarily due to an increase in fees pursuant to network affiliation agreements, increased costs related to sports programming content, and increased compensation expense.

Station production expenses increased \$129.6 million during 2013 compared to 2012, of which \$107.2 million related to stations not included in the same period of 2012. This increase was primarily due to an increase in fees pursuant to network affiliation agreements, increased compensation expense, including incentive compensation.

Station selling, general and administrative expenses. Station selling, general and administrative expenses increased \$120.9 million during 2014 compared to 2013, of which \$111.7 million related to stations not included in the same period in 2013. The remaining increases for the year were primarily due to an increase in information technology infrastructure costs and compensation expense, partially offset by a decrease in digital interactive expenses.

Station selling, general and administrative expenses increased \$78.4 million during 2013 compared to 2012, of which \$75.4 million related to the stations not included in the same period in 2012. The remaining increases for the year were primarily due to an increase in compensation expense, including incentive compensation, partially offset by lower national sales commissions.

Amortization of program contract costs and net realizable value adjustments. The amortization of program contract costs increased \$25.7 million during 2014 compared to 2013, of which \$16.6 million related to the stations not included in the same period of 2013. The remaining increase is due to additional programming content and higher programming costs.

The amortization of program contract costs increased \$19.9 million during 2013 compared to 2012, of which \$14.8 million related to the stations not included in the same period of 2012. The remaining increase is due to higher programming costs.

Corporate general and administrative expenses. See explanation under *Corporate and Unallocated Expenses*.

Depreciation and amortization expenses. Depreciation of property and equipment and amortization of definite-lived intangibles and other assets increased \$85.4 million during 2014 compared 2013, of which \$87.3 million related to the stations not included in the same period of 2012. Depreciation and amortization expenses increased \$55.6 million during 2013 compared to 2012, of which \$57.3 million related to a station not included in the same period of 2012.

Table of Contents**OTHER OPERATING DIVISIONS REVENUE AND EXPENSE**

The following table presents our other operating divisions' revenue and expenses which is comprised of the following for the years ended December 31, 2014, 2013 and 2012 (in millions): Triangle Signs & Services, LLC (Triangle), a sign designer and fabricator; Alarm Funding Associates, LLC. (Alarm Funding), a regional security alarm operating and bulk acquisition company; real estate ventures and other nominal businesses.

	2014		2013		2012		Percent Change	
							14 vs. 13	13 vs. 12
Revenues:								
Triangle (b)	\$	28.9	\$	26.8	\$	26.5	7.8%	1.1%
Alarm Funding	\$	25.0	\$	18.3	\$	16.0	36.6%	14.4%
Real Estate Ventures	\$	8.3	\$	7.4	\$	9.3	12.2%	(20.4)%
Other	\$	9.4	\$	4.3	\$	2.4	118.6%	79.2%
Expenses: (a)								
Triangle (b)	\$	26.1	\$	25.1	\$	25.9	4.0%	(3.1)%
Alarm Funding	\$	21.9	\$	15.7	\$	12.9	39.5%	21.7%
Real Estate Ventures	\$	14.7	\$	13.7	\$	12.6	7.3%	8.7%
Other	\$	9.1	\$	7.0	\$	4.6	30.0%	52.2%

(a) Comprises total expenses of the entity including other operating divisions expenses, depreciation and amortization and applicable other income and expense items such as interest expense and non-cash stock-based compensation expense related to issuances of subsidiary stock awards.

(b) The assets and liabilities of Triangle are classified as held for sale as of December 31, 2014. *See Assets held for sale* within Note 3. *Disposition of assets and discontinued operations* for further discussion.

The year over year increases in Triangle's revenue and expenses during 2014 compared to 2013 and 2013 compared to 2012 was primarily due to increases in sales volume due to new service contracts. The increases in Alarm Funding's revenue and expenses during 2014 compared to 2013 and 2013 compared to 2012 were primarily due to the acquisition of new alarm monitoring contracts. Revenues and expenses increased for our consolidated real estate ventures over the same periods due to an increase in leasing activity for operating real estate properties, and sales of property under development. As of December 31, 2014, we held \$112.7 million of real estate for development and sale. The increases in revenue and expenses during 2013 compared to 2012 for Other were primarily due to the acquisition of Dielectric, LLC during 2013.

Income (loss) from Equity and Cost Method Investments. As of December 31, 2014 and 2013, the carrying value of our investments in private equity funds and real estate ventures, accounted for under the equity or cost method, was \$23.6 million and \$71.8 million in 2014 and \$25.2 million and \$69.3 million in 2013, respectively. Results of our equity and cost method investments in private investment funds and real estate ventures are included in income from equity and cost method investments in our consolidated statements of operations. During 2014, we recorded income of \$3.1 million related to certain private investment funds and a loss of \$1.0 million related to our real estate ventures. During 2013, we recorded income of \$2.0 million related to certain private investment funds and income of \$1.4 million related to our real estate ventures. During 2012, we recorded income of \$2.2 million related to certain private equity funds and income of \$7.4 million related to our real

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estate ventures, including a \$7.9 million gain on the sale of three of our real estate ventures, partially offset by a \$0.9 million impairment charge related to one of our real estate ventures.

CORPORATE AND UNALLOCATED EXPENSES

				Percent Change (Increase/(Decrease))	
	2014	2013	2012	14 vs. 13	13 vs. 12
Corporate general and administrative expenses	\$ 12.3	\$ 4.5	\$ 2.8	173.3%	60.7%
Interest expense	\$ 170.8	\$ 159.7	\$ 125.3	7.0%	27.5%
Loss from extinguishment of debt	\$ 14.6	\$ 58.4	\$ 0.3	(75.0)%	