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

x 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

o 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)

Maryland	**52-1494660**
(State or other jurisdiction of incorporation or organization)	(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 x No o

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 o No x

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 x No o

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 x No o

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

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

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 x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

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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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

(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 cyclicality 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 cyclicality, 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 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	ABC	8/31/2019	3 of 10
			KUNS	Univision	12/31/2014	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	FOX	12/31/2017	4 of 7
			WPMY	MNT	8/31/2015	6 of 7
Portland, OR	23	7(3)	KATU	ABC	8/31/2019	2 of 8
			KUNP	Univision	12/31/2014	N/A
Raleigh / Durham, NC	25	4(2)	WLFL	CW	8/31/2016	5 of 8
			WRDC	MNT	8/31/2015	6 of 8
Baltimore, MD	26	7(3)	WBFF	FOX	12/31/2017	3 of 6
			WNUV(g)	CW	8/31/2016	5 of 6
			WUTB(h)	MNT	8/31/2015	6 of 6
Nashville, TN	29	7(3)	WZTV	FOX	12/31/2017	4 of 8
			WUXP	MNT	8/31/2015	6 of 8
			WNAB(h)	CW	8/31/2016	7 of 8
Columbus, OH	32	6(4)	WSYX	ABC	8/31/2020	2 of 7
			WTTE(g)	FOX	12/31/2017	
			WWHO(h)	CW	12/31/2016	

						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, SC / Greenville Spartanburg, SC	37	6(3)	WLOS	ABC	8/31/2020	3 of 7
			WMYA(g)	MNT	8/31/2015	5 of 7

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Market	Market Rank (a)	Num. of Channels Total/ (Primary)(d)	Stations(e)	Network Affiliation(f)	Network Affiliation Expiration(b)	Station Rank in Market (c)
West Palm Beach / Fort Pierce, FL	38	7(4)	WPEC WTVX WTCN-CA	CBS CW/ MNT	1/31/2016 8/31/2016 8/31/2015	2 of 7 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/ CW	12/31/2016 8/31/2016	1 of 6 N/A
Las Vegas, NV	41	6(3)	KSNV KVCW	NBC CW MNT	8/31/2015 8/31/2016 9/8/2011	3 of 6 5 of 6 6 of 6
Norfolk, VA	42	3(1)	WTVZ	MNT	8/31/2015	6 of 7
Birmingham, AL	43	15(7)(j)	WBMA WTTO/ WDBB(g) WABM	ABC CW MNT	12/31/2017 8/31/2016 8/31/2015	3 of 8 5 of 8 6 of 8
Oklahoma City, OK	44	5(2)	KOKH KOCB	FOX CW	12/31/2017 8/31/2016	4 of 8 5 of 8
Harrisburg / Lancaster / Lebanon / York, PA	45	4(3)	WHP WLYH(g)	CBS/ MNT CW	6/2/2016 8/31/2015 5/30/2016	2 of 7 N/A 5 of 7
Greensboro / High Point / Winston Salem, NC	46	5(2)	WXLV WMYV	ABC MNT	8/31/2020 8/31/2015	4 of 7 5 of 7
Buffalo, NY	52	5(2)	WUTV WNYO	FOX MNT	12/31/2017 8/31/2015	4 of 7 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 KFRE	FOX CW	12/31/2015 8/31/2016	2 of 7 5 of 7
Wilkes Barre / Scranton, PA	55	8(7)	WOLF(g) WQMY(g) WSWB(h)	FOX MNT CW	6/30/2016 9/1/2015 8/31/2017	4 of 7 7 of 7 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 MNT	12/31/2017 12/31/2015	4 of 6
Albany, NY	58	5(3)	WRGB WCWN	CBS CW	1/31/2016 8/31/2016	1 of 6 5 of 6
Mobile, AL / Pensacola, FL	59	8(3)	WEAR WPMI(h) WJTC(h) WFGX	ABC NBC IND MNT	8/31/2020 1/1/2016 None 8/31/2015	2 of 8 4 of 8 5 of 8 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 WRGT(g)	ABC FOX/	8/31/2020 12/31/2017	3 of 5 4 of 5

				MNT	12/31/2015	
Wichita / Hutchinson, KS	65	12(6)	KAAS/KSAS/	FOX	12/31/2017	4 of 6
			KOCW	MNT	8/31/2015	
			KMTW(g)			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)	Station Rank in Market (c)
Charleston / Huntington, WV	66	5(2)	WCHS	ABC	8/31/2020	2 of 6
			WVAH	FOX	12/31/2017	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	FOX	12/31/2017	2 of 7
			WCWF	CW	8/31/2016	5 of 7
Flint / Saginaw / Bay City, MI	70	9(5)	WEYI(h)	NBC	12/31/2015	3 of 7
				FOX	12/31/2017	4 of 7
			WSMH	CW	8/31/2016	
			WBSF(h)			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	FOX/	12/31/2015	4 of 8
				MNT	12/31/2015	
			KXVO(g)	CW	8/31/2016	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)	ABC/	12/31/2017	3 of 6
				CW	8/31/2016	4 of 6
			WUHF	FOX	12/31/2017	
Portland, ME	80	4(2)	WGME	CBS	12/31/2018	2 of 6
			WPFO(h)	FOX	6/30/2016	4 of 6
Cape Girardeau, MO / Paducah, KY	81	5(3)	KBSI	FOX	12/31/2017	4 of 6
			WDKA(g)	MNT	8/31/2015	5 of 6
Madison, WI	82	3(1)	WMSN	FOX	12/31/2017	4 of 6
Syracuse, NY	84	6(4)	WSTM	NBC/	12/31/2015	2 of 8
				CW	8/31/2016	7 of 8
			WTVH(h)	CBS	12/31/2015	3 of 8
Champaign / Springfield / Decatur, IL	85	11(5)	WICD/WICS	ABC	8/31/2020	3 of 6
			WRSP/WCCU(h)		12/31/2015	4 of 6
			WBUI(h)	FOX	8/31/2016	
				CW		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	CBS	12/31/2018	3 of 5
			KFXA(h)	FOX	12/31/2017	4 of 5
El Paso, TX	91	5(3)	KDBC	CBS/	8/31/2016	2 of 7
				MNT	10/30/2015	3 of 7
			KFOX	FOX	6/30/2017	
Savannah, GA	92	1(1)	WTGS	FOX	12/31/2017	4 of 6
Charleston, SC	95	4(2)(j)	WCIV	ABC	12/31/2017	2 of 6
				MNT	8/31/2015	5 of 6
Myrtle Beach / Florence, SC	102	4(3)	WPDE	ABC	12/31/2018	2 of 6
			WWMB(g)	CW	8/31/2016	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)	Station Rank in Market (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 /	117	2(2)	WHOI(i)	ABC/	8/31/2019	3 of 6
Bloomington, IL				CW	8/31/2016	
Traverse City /	118	8(8)	WPBN/WTOM	NBC	12/31/2015	2 of 4
Cadillac, MI			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/KCBY/	CBS	2/29/2016	1 of 6
			KPIC			
			KMTR/KMCB/	NBC/	12/31/2015	3 of 6
			KTCW(h)	CW	8/31/2016	
Yakima / Pasco /	122	8(6)	KEPR/KIMA	CBS/	2/29/2016	1 of 6
Richland /				CW	8/31/2019	
Kennewick, WA			KVVK-CD/	Univision	12/31/2014	N/A
			KUNW-CD			
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/	12/31/2018	2 of 7
				CW	8/31/2016	
Columbia / Jefferson	138	3(1)	KRCG	CBS	6/30/2015	1 of 7
City, MO						
Medford, OR	140	3(2)	KTVL	CBS/	1/31/2016	2 of 6
				CW	8/31/2016	
Beaumont, TX	141	5(3)	KFDM	CBS/	1/31/2016	1 of 6
				CW	8/31/2016	3 of 6
				FOX	12/31/2017	
			KBTV(h)			
Sioux City, IA	149	7(5)	KMEG(h)	CBS	1/31/2016	3 of 7
			KPTH	FOX/	12/31/2015	4 of 7
				MNT	11/1/2014	
Albany, GA	152	3(1)	WFXL	FOX	6/30/2017	3 of 7
Wheeling, WV /	157	3(2)	WTOV	NBC/	12/31/2017	1 of 5
Steubenville, OH				FOX	1/16/2015	
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 /	170	3(2)	KHQA	CBS/	6/30/2015	2 of 5
Hannibal, MO /				ABC	8/31/2020	
Keokuk, IA						
Marquette, MI	180	3(2)	WLUC	NBC/	12/31/2015	1 of 7
				FOX	6/30/2017	

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

(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 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

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.

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 station s 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 of 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 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 license 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.

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)

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:

- 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.

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 station 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 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.sbgi.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;

- 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;

- 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*.

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.

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 to 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 s respective market