CORPORATE OFFICE PROPERTIES TRUST
Form 8-K
July 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported) **July 29, 2009 (July 29, 2009)**

CORPORATE OFFICE PROPERTIES TRUST

(Exact name of registrant as specified in its charter)

Maryland	**1-14023**	**23-2947217**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

6711 Columbia Gateway Drive, Suite 300
Columbia, Maryland 21046
(Address of principal executive offices)

(443) 285-5400
(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On July 29, 2009, the Registrant issued a press release relating to its financial results for the three months ended June 30, 2009 and, in connection with this release, is making available certain supplemental information pertaining to its properties and operations as of and for the period ended June 30, 2009. A copy of the press release is included as Exhibit 99.1 to this report, and the supplemental information is included as Exhibit 99.2 to this report, both of which are incorporated herein by reference.

The information included herein, including the exhibits, shall not be deemed filed for any purpose, including the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or subject to liabilities of that Section. The information included herein, including the exhibits, shall also not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act regardless of any general incorporation language in such filing.

The Registrant uses non-GAAP financial measures in earnings press releases and information furnished to the Securities and Exchange Commission. The Registrant believes that these measures are helpful to investors in measuring its performance and comparing such performance to other real estate investment trusts (REITs). Descriptions of these measures are set forth below.

Funds from operations (FFO)

Funds from operations (FFO) is defined as net income computed using GAAP, excluding gains (or losses) from sales of real estate, plus real estate-related depreciation and amortization. Gains from sales of newly-developed properties less accumulated depreciation, if any, required under GAAP are included in FFO on the basis that development services are the primary revenue generating activity; the Registrant believes that inclusion of these development gains is in accordance with the National Association of Real Estate Investment Trusts (NAREIT) definition of FFO, although others may interpret the definition differently.

Accounting for real estate assets using historical cost accounting under GAAP assumes that the value of real estate assets diminishes predictably over time. NAREIT stated in its April 2002 White Paper on Funds from Operations that since real estate asset values have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. As a result, the concept of FFO was created by NAREIT for the REIT industry to address this problem. The Registrant agrees with the concept of FFO and believes that FFO is useful to management and investors as a supplemental measure of operating performance because, by excluding gains and losses related to sales of previously depreciated operating real estate properties and excluding real estate-related depreciation and amortization, FFO can help one compare the Registrant s operating performance between periods. In addition, since most equity REITs provide FFO information to the investment community, the Registrant believes that FFO is useful to investors as a supplemental measure for comparing its results to those of other equity REITs. The Registrant believes that net income is the most directly comparable GAAP measure to FFO.

Since FFO excludes certain items includable in net income, reliance on the measure has limitations; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures.

FFO is not necessarily an indication of the Registrant s cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating the Registrant s financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant s liquidity or ability to make cash distributions or pay debt service. The FFO presented by the Registrant may not be comparable to the FFO presented by other REITs since they may interpret the current NAREIT definition of FFO differently or they may not use the current NAREIT definition of FFO.

Basic FFO available to common share and common unit holders (Basic FFO)

This measure is FFO adjusted to subtract (1) preferred share dividends, (2) income attributable to noncontrolling interests through ownership of preferred units in Corporate Office Properties, L.P. (the Operating Partnership) or interests in other consolidated entities not owned by the Registrant, (3) depreciation and amortization allocable to noncontrolling interests in other consolidated entities, (4) Basic FFO allocable to restricted shares and (5) issuance costs associated with redeemed preferred shares. With these adjustments, Basic FFO represents FFO available to common shareholders and holders of common units in the Operating Partnership (common units). Common units are substantially similar to common shares of beneficial interest in the Registrant (common shares) and are exchangeable into common shares, subject to certain conditions. The Registrant believes that Basic FFO is useful to investors due to the close correlation of common units to common shares. The Registrant believes that net income is the most directly comparable GAAP measure to Basic FFO. Basic FFO has essentially the same limitations as FFO; management compensates for these limitations in essentially the same manner as described above for FFO.

Diluted FFO available to common share and common unit holders (Diluted FFO)

Diluted FFO is Basic FFO adjusted to add back any changes in Basic FFO that would result from the assumed conversion of securities that are convertible or exchangeable into common shares. However, the computation of Diluted FFO does not assume conversion of securities that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period. The Registrant believes that Diluted FFO is useful to investors because it is the numerator used to compute Diluted FFO per share, discussed below. In addition, since most equity REITs provide Diluted FFO information to the investment community, the Registrant believes Diluted FFO is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that the numerator to diluted EPS is the most directly comparable GAAP measure to Diluted FFO. Since Diluted FFO excludes certain items includable in the numerator to diluted EPS, reliance on the measure has limitations; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. Diluted FFO is not necessarily an indication of the Registrant s cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating the Registrant s financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant s liquidity or ability to make cash distributions or pay debt service. The Diluted FFO presented by the Registrant may not be comparable to the Diluted FFO presented by other REITs.

Diluted FFO per share

Diluted FFO per share is (1) Diluted FFO divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. However, the computation of

Diluted FFO per share does not assume conversion of securities other than common units in the Operating Partnership that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period. The Registrant believes that Diluted FFO per share is useful to investors because it provides investors with a further context for evaluating the Registrant s FFO results in the same manner that investors use earnings per share (EPS) in evaluating net income available to common shareholders. In addition, since most equity REITs provide Diluted FFO per share information to the investment community, the Registrant believes that Diluted FFO per share is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that diluted EPS is the most directly comparable GAAP measure to Diluted FFO per share. Diluted FFO per share has most of the same limitations as Diluted FFO (described above); management compensates for these limitations in essentially the same manner as described below for Diluted FFO.

Diluted earnings per share (diluted EPS), excluding gain on early extinguishment of debt

This measure is defined as diluted EPS adjusted to exclude the gain recognized on the repurchase of a portion of the Registrant s outstanding 3.5% Exchangeable Senior Notes. The Registrant believes that this gain is not indicative of normal operations. As such, the Registrant believes that a measure that excludes the gain is a useful supplemental measure in evaluating its operating performance. The Registrant believes that diluted EPS is the most comparable GAAP measure to this measure. A material limitation to this measure is that it does not reflect the effects of the early extinguishment of debt in accordance with GAAP; the Registrant compensates for this limitation by using diluted EPS and then supplementing its evaluation of that measure with the use of the non-GAAP measure.

Diluted FFO available to common share and common unit holders, excluding gain on early extinguishment of debt

This measure is defined as Diluted FFO adjusted to exclude the gain recognized on the repurchase of a portion of the Registrant s outstanding 3.5% Exchangeable Senior Notes. The Registrant believes that this gain is not indicative of normal operations. As such, the Registrant believes that a measure that excludes the gain is a useful supplemental measure in evaluating its operating performance. The Registrant believes that the numerator to diluted EPS is the most directly comparable GAAP measure to this non-GAAP measure. This measure has essentially the same limitations as Diluted FFO, as well as the further limitation of not reflecting the effects of the early extinguishment of debt and preferred share redemption in accordance with GAAP; management compensates for these limitations in essentially the same manner as described above for Diluted FFO.

Diluted FFO per share, excluding gain on early extinguishment of debt

This measure is defined as (1) Diluted FFO available to common share and common unit holders, excluding gain on early extinguishment of debt divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. However, the computation of the denominator for this measure does not assume conversion of securities that are convertible into common shares if the conversion of those securities would increase the measure in a given period. As discussed above, the Registrant believes that the gain on early extinguishment of debt is not indicative of normal operations. As such, the Registrant believes that a measure that excludes this item is a useful supplemental measure in evaluating its operating performance. The Registrant believes that diluted EPS is the most directly comparable GAAP measure. This measure has most of the same limitations as Diluted FFO (described above), as well as the further limitation of not reflecting the effects of the early extinguishment of debt and the preferred share redemption in accordance with GAAP; management compensates for these limitations in essentially the same manner as described above for Diluted FFO.

Diluted adjusted funds from operations available to common share and common unit holders (Diluted AFFO)

Diluted AFFO is Diluted FFO adjusted for the following: (1) the elimination of the effect of (a) noncash rental revenues (comprised of straight-line rental adjustments, which includes the amortization of recurring tenant incentives, and amortization of deferred market rental revenue, both of which are described under Cash NOI below), (b) amortization of the discount on the Registrant s Exchangeable Senior Notes, net of amounts capitalized, (c) the gain recognized on early extinguishment of debt and (d) accounting charges for original issuance costs associated with redeemed preferred shares; and (2) recurring capital expenditures (defined below). The Registrant believes that Diluted AFFO is an important supplemental measure of liquidity for an equity REIT because it provides management and investors with an indication of its ability to incur and service debt and to fund dividends and other cash needs. In addition, since most equity REITs provide Diluted AFFO information to the investment community, the Registrant believes that Diluted AFFO is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that the numerator to diluted EPS is the most directly comparable GAAP measure to Diluted AFFO. Since Diluted AFFO excludes certain items includable in the numerator to diluted EPS, reliance on the measure has limitations; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. In addition, see the discussion below regarding the limitations of recurring capital expenditures, which is used to derive Diluted AFFO. Diluted AFFO is not necessarily an indication of the Registrant s cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating the Registrant s financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant s liquidity or ability to make cash distributions or pay debt service. The Diluted AFFO presented by the Registrant may not be comparable to similar measures presented by other equity REITs.

Recurring capital expenditures

Recurring capital expenditures are defined as tenant improvements and incentives, capital improvements and leasing costs for operating properties that are not (1) items contemplated prior to the acquisition of a property, (2) improvements associated with the expansion of a building or its improvements, (3) renovations to a building which change the underlying classification of the building (for example, from industrial to office or Class C office to Class B office) or (4) capital improvements that represent the addition of something new to the property rather than the replacement of something (for example, the addition of a new heating and air conditioning unit that is not replacing one that was previously there). The Registrant believes that recurring capital expenditures is an important measure of performance for a REIT because it provides a measure of the capital expenditures that the Registrant can expect to incur on an ongoing basis, which is significant to how the Registrant manages its business since these expenditures are funded using cash flow from operations. As a result, the measure provides a further indication of the cash flow from operations that is available to fund other uses. The Registrant believes that tenant improvements and incentives, capital improvements and leasing costs associated with operating properties are the most directly comparable GAAP measures. Recurring capital expenditures do not reflect all capital expenditures incurred by the Registrant for the periods reported; the Registrant compensates for this limitation by also using the comparable GAAP measure. The recurring capital expenditures presented by the Registrant may not be comparable to the recurring capital expenditures presented by other REITs.

Real estate revenues from continuing and discontinued operations

This measure is total revenues from real estate operations, including rental revenue and tenant recoveries and other revenue, including discontinued operations. The Registrant uses this measure to evaluate the revenue produced by its real estate properties, including those reported in discontinued operations. The Registrant believes that revenues from real estate operations from continuing operations is the most directly comparable GAAP measure to this measure. The measure excludes other types of revenue earned by the Registrant, including construction contract and other service operations revenues. The measure also includes discontinued operations and, by doing so, does not reflect the overall operating performance of the Registrant s continuing operations. Management compensates for these limitations by evaluating this measure in conjunction with the most directly comparable GAAP measure and other operating statistics involving revenue.

Net operating income (NOI)

NOI is real estate revenues from continuing and discontinued operations reduced by total property expenses associated with real estate operations, including discontinued operations; total property expenses, as used in this definition, do not include depreciation, amortization or interest expense associated with real estate operations. The Registrant believes that NOI is an important supplemental measure of operating performance for a REIT s operating real estate because it provides a measure of the core real estate operations, rather than factoring in depreciation and amortization or corporate financing and general and administrative expenses; this measure is particularly useful in the opinion of the Registrant in evaluating the performance of geographic segments, same-office property groupings and individual properties. The Registrant believes that net income is the most directly comparable GAAP measure to NOI. The measure excludes many items that are includable in net income; management compensates for this limitation by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. It should not be used as an alternative to net income when evaluating the Registrant s financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant s liquidity or ability to make cash distributions or pay debt service. NOI presented by the Registrant may not be comparable to NOI presented by other equity REITs that define the measure differently.

Cash net operating income (Cash NOI)

Cash NOI is NOI (defined above) adjusted to eliminate the effects of noncash rental revenues (comprised of straight-line rental adjustments, which includes the amortization of recurring tenant incentives, and amortization of deferred market rental revenue). Under GAAP, rental revenue is recognized evenly over the term of tenant leases. Many leases provide for contractual rent increases and the effect of accounting under GAAP for such leases is to accelerate the recognition of lease revenue. Since some leases provide for periods under the lease in which rental concessions are provided to tenants, the effect of accounting under GAAP is to allocate rental revenue to such periods. Also under GAAP, when a property is acquired, in-place operating leases carrying rents above or below market are valued as of the date of the acquisition; such value is then amortized into rental revenue over the lives of the related leases.

The Registrant believes that Cash NOI is an important supplemental measure of operating performance for a REIT s operating real estate because it makes adjustments to NOI for revenue that is not associated with cash to the Registrant. As is the case with NOI, the measure is useful in the opinion of the Registrant in evaluating and comparing the performance of geographic segments, same-office property groupings and individual properties, although, since it adjusts for noncash items, it provides management and investors with a further indication of the Registrant s ability to incur and service debt and to fund dividends and other cash needs. The Registrant believes that net income is the most directly comparable GAAP measure to Cash NOI. The measure excludes many items that are includable in net income; management compensates for this limitation by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. It should not be used as an alternative to net income when evaluating the Registrant s financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant s liquidity or ability to make cash distributions or pay debt service. The Cash NOI that the Registrant presents may not be comparable to similar measures presented by other equity REITs.

Cash NOI, excluding gross lease termination fees

This measure is Cash NOI (defined above) adjusted to eliminate the effects of lease termination fees paid by tenants to terminate their lease obligations prior to the end of the agreed lease terms. Lease termination fees are often recognized as revenue in large one-time lump sum amounts upon the termination of tenant leases. The Registrant believes that Cash NOI adjusted for lease termination fees is a useful supplemental measure of operating performance in evaluating same-office property groupings because it provides a means of evaluating the effect that lease terminations had on the performance of the property groupings. As in the case of Cash NOI, since the measure adjusts for noncash items, it also provides management and investors with a further indication of the Registrant s ability to incur and service debt and to fund dividends and other cash needs. The Registrant believes that net income is the most directly comparable GAAP measure to Cash NOI, excluding gross lease termination fees. The measure has essentially the same limitations as Cash NOI as well as the further limitation of not reflecting the effect of lease termination fees in accordance with GAAP. Management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures.

Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA)

EBITDA is net income adjusted for the effects of interest expense, depreciation and amortization and income taxes. The Registrant believes that EBITDA is an important measure of performance for a REIT because it provides a further tool to evaluate the Registrant s ability to incur and service debt and to fund dividends and other cash needs that supplements the previously described non-GAAP measures and to compare the Registrant s operating performance with that of other companies. The Registrant believes that net income is the most directly comparable GAAP measure to EBITDA. EBITDA excludes items that are included in net income, including some that require cash outlays; management compensates for this limitation by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. It should not be used as an alternative to net income when evaluating the Registrant s financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant s liquidity or ability to make cash distributions or pay debt service. Additionally, EBITDA as reported by the Registrant may not be comparable to EBITDA reported by other equity REITs.

NOI Interest Coverage Ratio and EBITDA Interest Coverage Ratio

These measures divide either NOI or EBITDA by interest expense on continuing and discontinued operations (excluding amortization of deferred financing costs). The Registrant believes that these ratios are useful measures in evaluating the relationship of earnings to the total cash flow requirements for interest on loans associated with operating properties and, as such, are important tools in the Registrant s finance policy management.

NOI Debt Service Coverage Ratio and EBITDA Debt Service Coverage Ratio

These measures divide either NOI or EBITDA by the sum of interest expense on continuing and discontinued operations and scheduled principal amortization on mortgage loans for continuing and discontinued operations. The Registrant believes that these ratios are useful measures in evaluating the relationship of earnings to the total cash flow requirements of loans associated with operating properties and, as such, are important tools in the Registrant s finance policy management.

NOI Fixed Charge Coverage Ratio and EBITDA Fixed Charge Coverage Ratio

These measures divide either NOI or EBITDA by the sum of (1) interest expense on continuing and discontinued operations, (2) dividends on preferred shares and (3) distributions on preferred units in the Operating Partnership not owned by the Registrant. The Registrant believes that these ratios are useful measures in evaluating the relationship of earnings to the cash flow requirements of (1) interest expense on loans associated with operating properties and (2) dividends to preferred equity holders and, as such, are important tools in the Registrant s finance policy management.

NOI as a Percentage of Real Estate Revenues from Continuing and Discontinued Operations and EBITDA as a Percentage of Real Estate Revenues from Continuing and Discontinued Operations

These measures divide either NOI or EBITDA by real estate revenues from continuing and discontinued operations. The Registrant believes that net income divided by real estate revenues from continuing and discontinued operations is the most directly comparable GAAP measure to these two measures.

General and Administrative Expenses as a Percentage of Real Estate Revenues from Continuing and Discontinued Operations or EBITDA

These measures divide general and administrative expenses by either real estate revenues from continuing and discontinued operations or EBITDA. The Registrant believes that general and administrative expenses divided by net income is the most directly comparable GAAP measure.

Recurring Capital Expenditures as a Percentage of NOI

This measure divides recurring capital expenditures by NOI.

Diluted FFO payout ratio and diluted AFFO payout ratio

These measures are defined as (1) the sum of (a) dividends on common shares and (b) dividends on convertible preferred shares and distributions to holders of interests in the Operating Partnership when such dividends and distributions are included in Diluted FFO and Diluted AFFO divided by (2) either Diluted FFO or Diluted AFFO. The Registrant believes that these ratios are useful to investors as supplemental measures of its ability to make distributions to investors. In addition, since most equity REITs provide these ratios, the Registrant believes they are useful supplemental measures for comparing the Registrant to other equity REITs. The Registrant believes that Earnings Payout Ratio is the most comparable GAAP measure. Earnings Payout Ratio is defined as dividends on common shares divided by net income available to common shareholders. Since Diluted FFO payout ratio and Diluted AFFO payout ratio are derived from Diluted FFO and Diluted AFFO, they share the limitations previously discussed for those measures; management compensates for these limitations by using the measures simply as supplemental measures that are weighed in the balance with other GAAP and non-GAAP measures.

Dividend Coverage-Diluted FFO and Dividend Coverage-Diluted AFFO

These measures divide either Diluted FFO or Diluted AFFO by the sum of (1) dividends on common shares and (2) dividends on convertible preferred shares and distributions to holders of interests in the Operating Partnership when such dividends and distributions are included in Diluted FFO or Diluted AFFO.

Debt to Undepreciated Book Value of Real Estate Assets

This measure is defined as mortgage and other loans payable plus 3.5% Exchangeable Senior Notes divided by net investment in real estate presented on the Registrant s consolidated balance sheet excluding the effect of accumulated depreciation incurred to date on such real estate. The Registrant believes that the measure of Debt to Undepreciated Real Estate Assets is useful to management and investors as a supplemental measure of its borrowing levels. In addition, since most equity REITs provide Debt to Undepreciated Real Estate Asset information, the Registrant believes Debt to Undepreciated Real Estate Assets is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that the measure of Debt to Total Assets, defined as mortgage and other loans payable plus 3.5% Exchangeable Senior Notes divided by total assets, is the most comparable GAAP measure. Debt to Undepreciated Real Estate Assets excludes the effect of accumulated depreciation, other assets and other liabilities; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed with the comparable GAAP measure and other GAAP and non-GAAP measures.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired

None

(b) Pro Forma Financial Information

None

(c) Shell Company Transactions

None

(d) Exhibits

Exhibit Number	Exhibit Title
99.1	Press release dated July 29, 2009 for Corporate Properties Trust
99.2	Supplemental information dated June 30, 2009 for Corporate Office Properties Trust

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: July 29, 2009

CORPORATE OFFICE PROPERTIES TRUST

By:	/s/ Stephen E. Riffee
Name:	Stephen E. Riffee
Title:	Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	**Exhibit Title**
99.1	Press release dated July 29, 2009 for Corporate Office Properties Trust
99.2	Supplemental information dated June 30, 2009 for Corporate Office Properties Trust

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108,416

Total assets	$	1,563,850	$	1,485,924

LIABILITIES AND EQUITY (DEFICIT)

CURRENT LIABILITIES:

Accounts payable	$ 2,970	$ 5,952
Accrued liabilities	88,318	68,071
Income taxes payable	4,985	298

Current portion of notes payable, capital leases and commercial bank financing	26,559	19,556
Current portion of notes and capital leases payable to affiliates	2,926	3,196
Current portion of program contracts payable	71,394	68,301
Deferred barter revenues	2,747	2,522
Total current liabilities	199,899	

	167,896
LONG-TERM LIABILITIES:	
Notes payable, capital leases and commercial bank financing, less current portion	
	1,156,757
	1,169,740
Notes payable and capital leases to affiliates, less current portion	
	17,330
	19,573
Program contracts payable, less current portion	

	33,670	29,593
Deferred tax liabilities	235,413	210,335
Other long-term liabilities	46,139	45,869
Total liabilities	1,689,208	1,643,006

EQUITY (DEFICIT):

SINCLAIR BROADCAST GROUP SHAREHOLDERS EQUITY (DEFICIT):

Class A Common Stock, $.01 par value, 500,000,000 shares authorized, 52,005,622 and 50,284,052 shares issued and outstanding, respectively

520

503

Class B Common Stock, $.01 par value, 140,000,000 shares authorized, 28,933,859 and 30,083,819 shares issued and outstanding, respectively, convertible into Class A Common Stock

289

301

Additional paid-in capital

617,584

		609,640
Accumulated deficit	(747,793)	(771,953)
Accumulated other comprehensive loss	(3,792)	(3,914)
Total Sinclair Broadcast Group shareholders deficit	(133,192)	(165,423)
Noncontrolling interests	7,834	8,341
Total deficit		

	(125,358)	(157,082)
Total liabilities and equity (deficit)	$ 1,563,850	$ 1,485,924

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data) (Unaudited)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
REVENUES:				
Station broadcast revenues, net of agency commissions	$ 151,701	$ 158,809	$ 466,819	$ 465,440
Revenues realized from station barter arrangements	17,512	17,812	53,232	50,573
Other operating divisions revenues	11,655	9,831	32,073	25,618
Total revenues	180,868	186,452	552,124	541,631
OPERATING EXPENSES:				
Station production expenses	41,493	38,619	126,755	113,182
Station selling, general and administrative expenses	31,341	32,230	92,095	93,426
Expenses recognized from station barter arrangements	15,815	15,716	48,073	44,695
Amortization of program contract costs and net realizable value adjustments	12,833	15,945	38,117	47,162
Other operating divisions expenses	9,369	7,902	26,102	22,259
Depreciation of property and equipment	7,602	9,022	23,523	27,744
Corporate general and administrative expenses	5,789	6,236	21,526	20,063
Amortization of definite-lived intangible assets	4,393	4,687	14,201	14,087
Total operating expenses	128,635	130,357	390,392	382,618
Operating income	52,233	56,095	161,732	159,013
OTHER INCOME (EXPENSE):				
Interest expense and amortization of debt discount and deferred financing costs	(24,463)	(31,349)	(78,564)	(88,700)
Loss from extinguishment of debt	(117)	(3,939)	(4,519)	(4,377)
Income (loss) from equity and cost method investments	2,080	(1,997)	2,906	(2,478)
Gain on insurance settlement			1,723	
Other income, net	583	557	1,658	1,767
Total other expense	(21,917)	(36,728)	(76,796)	(93,788)
Income from continuing operations before income taxes	30,316	19,367	84,936	65,225
INCOME TAX PROVISION	(10,875)	(5,154)	(31,701)	(22,932)
Income from continuing operations	19,441	14,213	53,235	42,293
DISCONTINUED OPERATIONS:				
Loss from discontinued operations, includes income tax provision of $110, $68, $300 and $202, respectively	(110)	(68)	(300)	(202)
NET INCOME	19,331	14,145	52,935	42,091
Net (income) loss attributable to the noncontrolling interests	(93)	131	161	978
NET INCOME ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP	$ 19,238	$ 14,276	$ 53,096	$ 43,069
Dividends declared per share	$ 0.12	$	$ 0.36	$
BASIC AND DILUTED EARNINGS PER COMMON SHARE ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP:				
Earnings per share from continuing operations	$ 0.24	$ 0.18	$ 0.66	$ 0.54
Earnings per share	$ 0.24	$ 0.18	$ 0.66	$ 0.54
Weighted average common shares outstanding	80,940	80,344	80,812	80,204
Weighted average common and common equivalent shares outstanding	81,195	80,627	81,068	80,480

AMOUNTS ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP COMMON SHAREHOLDERS:								
Income from continuing operations, net of tax	$	19,348	$	14,344	$	53,396	$	43,271
Loss from discontinued operations, net of tax		(110)		(68)		(300)		(202)
Net income	$	19,238	$	14,276	$	53,096	$	43,069

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands) (Unaudited)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net income	$ 19,331	$ 14,145	$ 52,935	$ 42,091
Amortization of net periodic pension benefit costs, net of taxes	41	72	122	217
Comprehensive income	19,372	14,217	53,057	42,308
Comprehensive (income) loss attributable to the noncontrolling interests	(93)	131	161	978
Comprehensive income attributable to Sinclair Broadcast Group	$ 19,279	$ 14,348	$ 53,218	$ 43,286

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(In thousands) (Unaudited)

	Sinclair Broadcast Group Shareholders						
	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Loss	Noncontrolling Interests	Total Equity (Deficit)
BALANCE, December 31, 2010	$ 503	$ 301	$ 609,640	$ (771,953)	$ (3,914)	$ 8,341	$ (157,082)
Dividends declared on Class A and Class B Common Stock				(28,936)			(28,936)
Class A Common Stock issued pursuant to employee benefit plans	5		5,465				5,470
Class B Common Stock converted into Class A Common Stock	12	(12)					
Class A Common Stock sold by variable interest entity			1,808				1,808
Tax benefit on share based awards			671				671
Distributions to noncontrolling interest						(346)	(346)
Amortization of net periodic pension benefit					122		122

costs, net of taxes							
Net income (loss)				53,096		(161)	52,935
BALANCE, September 30, 2011	$ 520	$ 289	$ 617,584	$ (747,793)	$ (3,792)	$ 7,834	$ (125,358)

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)

	Nine Months Ended September 30, 2011	2010
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income	$ 52,935	$ 42,091
Adjustments to reconcile net income to net cash flows from operating activities:		
Amortization of deferred financing cost	4,423	4,068
Stock based compensation	4,226	3,678
Depreciation of property and equipment	23,725	27,938
Recognition of deferred revenue	(14,662)	(18,039)
Amortization of definite-lived intangible and other assets	14,201	14,087
Amortization of program contract costs and net realizable value adjustments	38,117	47,162
Original debt issuance discount paid on extinguishment of debt	(13,662)	(4,148)
Deferred tax provision	25,299	21,749
Change in assets and liabilities:		
Decrease in accounts receivable, net	3,454	757
Increase in income taxes receivable		(499)
Increase in prepaid expenses and other current assets	(1,429)	(731)
(Increase) decrease in other assets	(353)	4,230
Increase in accounts payable and accrued liabilities	32,640	25,918
Increase in income taxes payable	5,359	
Increase (decrease) in other long-term liabilities	2,277	(57)
Payments on program contracts payable	(52,739)	(69,080)
Other, net	4,539	7,811
Net cash flows from operating activities	128,350	106,935
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of property and equipment	(26,794)	(9,798)
Acquisition of intangibles	(242)	
Purchase of alarm monitoring contracts	(6,930)	(7,656)
(Increase) decrease in restricted cash	(14,943)	59,539
Dividends and distributions from equity and cost method investees	2,632	894
Investments in equity and cost method investees	(9,414)	(10,509)
Purchase of investments	(4,820)	
Proceeds from insurance settlement	1,736	
Proceeds from the sale of assets	66	
Proceeds from sale of equity investment	1,166	
Loans to affiliates	(143)	(102)
Proceeds from loans to affiliates	152	115
Net cash flows (used in) from investing activities	(57,534)	32,483
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Proceeds from notes payable, commercial bank financing and capital leases	136,349	33,056
Repayments of notes payable, commercial bank financing and capital leases	(135,150)	(150,423)
Proceeds from exercise of stock options, including excess tax benefits of share based payments of $0.7 million and $0 million, respectively	1,730	
Dividends paid on Class A and Class B Common Stock	(28,936)	
Payments for deferred financing costs	(4,365)	(1,304)
Proceeds from Class A Common Stock sold by variable interest entity	1,808	
Noncontrolling interests distributions	(346)	(175)
Repayments of notes and capital leases to affiliates	(2,513)	(2,299)

Net cash flows used in financing activities	(31,423)	(121,145)
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,393	18,273
CASH AND CASH EQUIVALENTS, beginning of period	21,974	23,224
CASH AND CASH EQUIVALENTS, end of period	$ 61,367	$ 41,497

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

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SINCLAIR BROADCAST GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements include our accounts and those of our wholly-owned and majority-owned subsidiaries and variable interest entities (VIEs) for which we are the primary beneficiary. Noncontrolling interest represents a minority owner s proportionate share of the equity in certain of our consolidated entities. All intercompany transactions and account balances have been eliminated in consolidation.

Interim Financial Statements

The consolidated financial statements for the three and nine months ended September 30, 2011 and 2010 are unaudited. In the opinion of management, such financial statements have been presented on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the consolidated balance sheets, consolidated statements of operations, consolidated statements of comprehensive income and consolidated statements of cash flows for these periods as adjusted for the adoption of recent accounting pronouncements discussed below, as necessary.

As permitted under the applicable rules and regulations of the Securities and Exchange Commission (SEC), the consolidated financial statements do not include all disclosures normally included with audited consolidated financial statements and, accordingly, should be read together with the audited consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC. The consolidated statements of operations presented in the accompanying consolidated financial statements are not necessarily representative of operations for an entire year.

Variable Interest Entities

In determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. We consolidate VIEs when we are the primary beneficiary. The assets of each of our consolidated VIEs can only be used to settle the obligations of such VIE. All the liabilities of, including debt held by, our VIEs are non-recourse to us. However, our senior secured credit facility (Bank Credit Agreement) contains cross-default provisions with the VIE debt of Cunningham Broadcasting Corporation (Cunningham). See *Note 5, Related Person Transactions* for more information.

We have entered into Local Marketing Agreements (LMAs) to provide programming, sales and managerial services for television stations of Cunningham, the license owner of seven television stations as of September 30, 2011. We pay LMA fees to Cunningham and also reimburse all operating expenses. We also have an acquisition agreement in which we have a purchase option to buy the license assets of the television stations which includes the Federal Communications Commission (FCC) license and certain other assets used to operate the station (License Assets). Our applications to acquire the FCC licenses are pending approval. We own the majority of the non-license assets of the Cunningham stations and our Bank Credit Agreement contains certain cross-default provisions with Cunningham whereby a default by Cunningham caused by insolvency would cause an event of default under our Bank Credit Agreement. We have determined that the Cunningham stations are VIEs and that based on the terms of the agreements, the significance of our investment in the stations and the cross-default provisions with our Bank Credit Agreement, we are the primary beneficiary of the variable interests because we have the power to direct the activities which significantly impact the economic performance of the VIE through the sales and managerial services we provide and we absorb losses and returns that would be considered significant to Cunningham. See *Note 5, Related Person Transactions* for more information on our arrangements with Cunningham. Included in the accompanying consolidated statements of operations for the three months ended September 30, 2011 and 2010 are net revenues of $20.9 million and $22.5 million, respectively, that relate to LMAs with Cunningham. For the nine months ended September 30, 2011 and 2010, Cunningham s stations provided us with approximately $66.8 million and $67.8 million, respectively, of total revenue.

We have outsourcing agreements with other license owners, under which we provide certain non-programming related sales, operational and administrative services. We pay a fee to the license owner based on a percentage of broadcast cash flow and we reimburse all operating expenses. We also have a purchase option to buy the License Assets. For the same reasons noted above regarding our LMAs, we have determined that the outsourced license station assets are VIEs and we are the primary beneficiary.

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As of the dates indicated, the carrying amounts and classification of the assets and liabilities of the VIEs mentioned above which have been included in our consolidated balance sheets were as follows (in thousands):

	As of September 30, 2011		As of December 31, 2010	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	2,730	$	5,319
Income taxes receivable		6		
Current portion of program contract costs		456		480
Prepaid expenses and other current assets		132		105
Total current asset		3,324		5,904
PROGRAM CONTRACT COSTS, less current portion		338		491
PROPERTY AND EQUIPMENT, net		6,885		7,461
GOODWILL		6,357		6,357
BROADCAST LICENSES		4,208		4,183
DEFINITE-LIVED INTANGIBLE ASSETS, net		6,685		6,959
OTHER ASSETS		5,691		914
Total assets	$	33,488	$	32,269
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	$	37	$	37
Accrued liabilities		268		773
Income taxes payable				44
Current portion of notes payable, capital leases and commercial bank financing		11,069		11,056
Current portion of program contracts payable		368		649
Total current liabilities		11,742		12,559
LONG-TERM LIABILITIES:				
Notes payable, capital leases and commercial bank financing, less current portion		5,181		13,484
Program contracts payable, less current portion		215		190
Total liabilities	$	17,138	$	26,233

The amounts above represent the consolidated assets and liabilities of the VIEs related to our LMA and outsourcing agreements and have been aggregated as they all relate to our broadcast business. Excluded from the amounts above are quarterly payments made to Cunningham under the LMA which are treated as a prepayment of the purchase price of the stations and capital leases between us and Cunningham which are eliminated in consolidation. The total payments made under the LMA as of September 30, 2011 and December 31, 2010 which are excluded from liabilities above were $19.9 million and $11.7 million, respectively. The total capital lease assets excluded from above were $7.7 million and $8.1 million as of September 30, 2011 and December 31, 2010, respectively. The total capital lease liabilities excluded from above were $11.8 million and $11.9 million as of September 30, 2011 and December 31, 2010, respectively. The risk and reward characteristics of the VIEs are similar.

We have investments in other real estate ventures and investment companies which are considered VIEs. However, we do not participate in the management of these entities including the day-to-day operating decisions or other decisions which would allow us to control the entity, and therefore, we are not considered the primary beneficiary of these VIEs. We account for these entities using the equity or cost method of accounting.

The carrying amounts of our investments in these VIEs for which we are not the primary beneficiary as of September 30, 2011 and December 31, 2010 were as follows (in thousands):

	As of September 30, 2011		As of December 31, 2010	
	Carrying amount	**Maximum exposure**	**Carrying amount**	**Maximum exposure**
Investments in real estate ventures	$ 8,241	$ 8,241	$ 7,769	$ 7,769
Investments in investment companies	25,815	25,815	24,872	24,872
Total	$ 34,056	$ 34,056	$ 32,641	$ 32,641

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The carrying amounts above are included in other assets in the consolidated balance sheets. The income and loss related to these investments are recorded in income from equity and cost method investments in the consolidated statement of operations. We recorded income of $1.3 million and $0.6 million in the quarters ended September 30, 2011 and 2010, respectively. We recorded income of $2.2 million and $1.1 million for the nine months ended September 30, 2011 and 2010, respectively.

Our maximum exposure is equal to the carrying value of our investments. As of September 30, 2011 and December 31, 2010, our unfunded commitments related to private equity investment funds totaled $12.9 million and $14.9 million, respectively.

Recent Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board (FASB) issued amended guidance with respect to goodwill impairment. The amended guidance requires that step two of the goodwill impairment test be performed if the carrying amount of a reporting unit is zero or negative and it is more likely than not that a goodwill impairment exists based on any adverse qualitative factors including an evaluation of the triggering circumstances noted in the guidance. The change is effective for fiscal years and interim periods within those years beginning after December 15, 2010. This guidance did not have a material impact on our consolidated financial statements.

In May 2011, the FASB issued new guidance for fair value measurements. The purpose of the new guidance is to have a consistent definition of fair value between U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). Many of the amendments to GAAP are not expected to have a significant impact on practice; however, the new guidance does require new and enhanced disclosure about fair value measurements. The amendments are effective for interim and annual periods beginning after December 15, 2011 and should be applied prospectively. We do not believe that this guidance will have a material impact on our consolidated financial statements but may require changes to our fair value disclosures.

In June 2011, the FASB issued new guidance on the presentation of comprehensive income in the financial statements. The new guidance does not make any changes to the components that are recognized in net income or other comprehensive income but rather allows an entity to choose whether to present items of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. Each component of net income and other comprehensive income along with their respective totals would need to be displayed under either alternative. The new guidance is effective for fiscal years beginning after December 15, 2011. We do not believe that this guidance will have a material impact on our consolidated financial statements.

In September 2011, the FASB issued the final Accounting Standards Update for goodwill impairment testing. The standard allows an entity to first consider qualitative factors when deciding whether it is necessary to perform the current two-step goodwill impairment test. An entity would need to perform step-one if it determines qualitatively that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. The changes are effective prospectively for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We plan to adopt this new guidance in the fourth quarter of 2011 when completing our annual impairment analysis. This guidance will impact how we perform our annual goodwill impairment testing and may change our related disclosures; however, we do not believe it will have a material impact on our consolidated financial statements.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the consolidated financial statements and in the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Restricted Cash

In October 2009, we established a cash collateral account with the proceeds from the sale of 9.25% Senior Secured Second Lien Notes due 2017 (the 9.25% Notes). The cash collateral account restricted the use of cash therein to repurchase the 3.0% Convertible Senior Notes due 2027 (the 3.0% Notes) and our 4.875% Convertible Senior Notes due 2018 (the 4.875% Notes) upon, or prior to, the expiration of the put periods for such notes in May 2010 and January 2011, respectively. Upon expiration of the put period for the 4.875% Notes in January 2011, the unused cash was used to reduce our overall debt balance pursuant to our Bank Credit Agreement. During 2010, we used $53.6 million of restricted cash to repurchase a portion of the outstanding 3.0% and 4.875% Notes. As of December 31, 2010, all of the restricted cash classified as current related to the 4.875% Notes   January 2011 put option.

In September 2011, we entered into a definitive agreement to purchase the assets of Four Points Media Group LLC (Four Points) for $200.0 million. Four Points owns and operates seven stations in four markets. We expect the transaction to close in

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first quarter 2012 subject to the approval of the FCC. Pursuant to the Asset Purchase Agreement we were required to hold 10% of the purchase price in an escrow account. As of September 30, 2011, $20.0 million in restricted cash classified as noncurrent relates to the acquisition of Four Points.

Additionally, under the terms of certain lease agreements, as of September 30, 2011 and December 31, 2010, we were required to hold $0.2 million of restricted cash related to the removal of analog equipment from some of our leased towers.

Revenue Recognition

In first quarter 2011, we adopted the Emerging Issue Task Force s amended guidance on accounting for revenue arrangements with multiple deliverables. The amended guidance clarifies that each deliverable within our multiple-deliverable revenue arrangements is accounted for as a separate unit of accounting if the delivered item or items have value to the client on a standalone basis and for an arrangement that includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the company. The guidance requires us to determine an estimated selling price (ESP) for all deliverables within an arrangement if vendor-specific objective evidence (VSOE) or third-party evidence does not exist. Application of this guidance has not changed the allocation of the arrangement revenue to the elements in our multiple-deliverable arrangements.

We enter into multiple-deliverable revenue arrangements with multi-channel video programming distributors (MVPDs) that may include a combination of retransmission consent fees, advertising, and other marketing elements. We have determined that the retransmission consent fees and advertising elements have value on a standalone basis. The other marketing elements are not valued on a stand alone basis because they are immaterial to the overall arrangement. We include the value of other marketing elements with the retransmission consent fee element.

Due to the complexities and uniqueness of each arrangement, we have determined that our ESP for the retransmission consent fee element is based upon the market, the MVPD, the network affiliation, the number of subscribers, the length of the contract and other factors. We recognize the revenue applicable to the retransmission consent element of the arrangement ratably over the life of the agreement which is representative of the delivery of our television broadcast signal. Each arrangement s life varies, typically ranging one to five years in length.

The advertising element of our multiple-deliverable arrangements is recognized in the period during which the time spots are aired. The advertising revenue is valued using VSOE which is calculated using the average selling unit rate for the advertising spot in which the commercial aired.

Our arrangements generally do not include any performance, cancellation, or refund provisions. Under certain agreements, the counterparty may terminate the agreement if particular actions occur such as the transmission failure of our broadcast signal for a certain period of time.

Income Taxes

Our income tax provision for all periods consists of federal and state income taxes. The tax provision for the three and nine months ended September 30, 2011 and 2010 is based on the estimated effective tax rate applicable for the full year after taking into account discrete tax items and the effects of the noncontrolling interests.

Our effective income tax rate for the three and nine months ended September 30, 2011 and the nine months ended September 30, 2010 approximated the statutory rate. Our effective income tax rate for the three months ended September 30, 2010 was lower than the statutory rate primarily due to a $2.3 million benefit predominantly resulting from a change in estimate related to an increased deduction for the recovery of historical losses attributable to a disposition that took place in 2009.

Reclassifications

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

It is no longer our intent to divest a portion of Alarm Funding Associates, LLC (Alarm Funding) and therefore all of the operations and net assets of Alarm Funding have been classified as continuing operations in our consolidated financial statements as of September 30, 2011. We have reclassified the net assets previously reported as held for sale in our December 31, 2010 consolidated balance sheet and the operations of Alarm Funding are classified as continuing operations in the consolidated statements of operations for the three and nine months ended September 30, 2010.

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Subsequent events

In November 2011, we entered into a definitive agreement to purchase the broadcast assets of Freedom Communications (Freedom) for $385.0 million. Freedom owns and operates eight stations in seven markets. We expect the transaction to close late in the first quarter or early in the second quarter of 2012 subject to Freedom s shareholder approval which must be obtained by November 8, 2011, approval by the FCC, and customary antitrust clearance. Following receipt of antitrust approval of the transaction, which is expected to occur within thirty days, and prior to closing of the acquisition, we will operate the stations pursuant to an LMA.

2. COMMITMENTS AND CONTINGENCIES:

Litigation

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

Various parties have filed petitions to deny or informal objections against our applications for the following stations license renewals: KGAN, Cedar Rapids, Iowa; WTTO, Birmingham, Alabama; WBFF, Baltimore, Maryland; WVAH, Charleston, West Virginia; WTTE, Columbus, Ohio; WRGT, Dayton, Ohio; WXLV-TV, Winston-Salem, North Carolina; WMYV-TV, Greensboro, North Carolina; WLFL-TV, Raleigh/Durham, North Carolina; WRDC-TV, Raleigh/Durham, North Carolina; WLOS-TV, Asheville, North Carolina; WMMP-TV, Charleston, South Carolina; WTAT-TV, Charleston, South Carolina; WMYA-TV, Anderson, South Carolina; WICS-TV Springfield, Illinois and WCGV-TV Milwaukee, Wisconsin. The FCC is in the process of considering the renewal applications and we believe the petitions have no merit.

3. NOTES PAYABLE AND COMMERCIAL BANK FINANCING

Bank Credit Agreement

On January 15, 2011, the put right period for the 4.875% Notes, which mature on July 15, 2018, expired and no holders exercised their put rights. Pursuant to our Bank Credit Agreement, the $5.1 million in restricted cash held to pay for the put of any 4.875% Notes was used towards reducing our debt balance in March 2011. On January 15, 2011, the 4.875% Notes cash interest rate of 4.875% changed to 2.0% through maturity with the difference of 2.875% being accrued and then paid at maturity. As of September 30, 2011, the face amount of the outstanding 4.875% Notes was $5.7 million.

On March 15, 2011, we entered into an amendment (the Amendment) of our Bank Credit Agreement. The final terms of the Amendment are as follows:

- A new Term Loan A facility (Term Loan A) of $115.0 million. The Term Loan A bears interest at LIBOR plus 2.25%. The Term Loan A is repayable in quarterly installments, amortizing as follows:

- 1.875% per quarter commencing March 31, 2012 to December 31, 2012
- 2.50% per quarter commencing March 31, 2013 to December 31, 2013
- 3.125% per quarter commencing March 31, 2014 to December 31, 2015
- remaining unpaid principal due at maturity on March 15, 2016

- We paid down $45.0 million of the outstanding $270.0 million Term Loan B facility (Term Loan B). Interest on the Term Loan B was reduced to LIBOR plus 3.00% with a 1.0% LIBOR floor. Principal will continue to amortize at a rate of $825,000 per quarter through September 30, 2016 ending with a final payment of the remaining unpaid principal due at maturity on October 29, 2016.

- Other amended terms provide us with incremental term loan capacity of $300.0 million and more flexibility to use our cash balances and the revolving credit facility for restricted payments and television acquisitions, including in certain circumstances the ability to make up to $100.0 million in unrestricted annual cash payments including but not limited to dividends and other strategic investments.

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6.0% Convertible Subordinated Debentures due 2012

On April 15, 2011, we completed the redemption of all $70.0 million of the 6.0% Convertible Subordinated Debentures, due 2012 (the 6.0% Notes) at 100% of the face value of such notes plus accrued and unpaid interest. The redemption of the 6.0% Notes was effected in accordance with the terms of the indenture governing the 6.0% Notes and was funded from the net proceeds of our new Term Loan A. As a result of this redemption, we recorded a loss on extinguishment of debt of $3.5 million for the quarter ended June 30, 2011.

8.375% Senior Notes due 2018

In September 2011, we repurchased, in the open market, $3.9 million principal amount of the 8.375% Senior Notes, due 2018 (the 8.375% Notes). We recognized a loss on these extinguishments of $0.1 million. As of September 30, 2011, the principal amount of the outstanding 8.375% Notes was $246.1 million.

4. EARNINGS PER SHARE

The following table reconciles income (numerator) and shares (denominator) used in our computations of diluted earnings per share for the three and nine months ended September 30, 2011 and 2010 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Income (Numerator)				
Income from continuing operations	$ 19,441	$ 14,213	$ 53,235	$ 42,293
Income impact of assumed conversion of the 4.875% Notes, net of taxes	42	42	125	125
Net (income) loss attributable to noncontrolling interests included in continuing operations	(93)	131	161	978
Numerator for diluted earnings per common share from continuing operations	19,390	14,386	53,521	43,396
Loss from discontinued operations	(110)	(68)	(300)	(202)
Numerator for diluted earnings attributable to Sinclair Broadcast Group	$ 19,280	$ 14,318	$ 53,221	$ 43,194
Shares (Denominator)				
Weighted-average common shares outstanding	80,940	80,344	80,812	80,204
Dilutive effect of stock-settled appreciation rights and stock options	1	28	2	21
Dilutive effect of 4.875% Notes	254	255	254	255
Weighted-average common and common equivalent shares outstanding	81,195	80,627	81,068	80,480

Potentially dilutive securities representing 1.0 million and 7.0 million shares of common stock for each of the three and nine months ended September 30, 2011 and 2010, respectively, were excluded from the computation of diluted earnings per common share for these periods because their effect would have been antidilutive. The decrease in potentially dilutive securities is primarily related to the full redemption of our 6.0% Notes. The net income per share amounts are the same for Class A and Class B Common Stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

5. RELATED PERSON TRANSACTIONS

David, Frederick, Duncan and Robert Smith (collectively, the controlling shareholders) are brothers and hold substantially all of the Class B Common Stock and some of our Class A Common Stock. Since the end of our last fiscal year, we engaged in the following transactions with them and/or entities in which they have substantial interests.

Related Person Leases. Certain assets used by us and our operating subsidiaries are leased from Cunningham Communications, Inc., Keyser Investment Group, Gerstell Development Limited Partnership and Beaver Dam, LLC (entities owned by the controlling shareholders). Lease payments made to these entities were $1.2 million and $1.5 million for the three months ended September 30,

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2011 and 2010, respectively. Lease payments made to these entities were $3.3 million and $3.8 million for the nine months ended September 30, 2011 and 2010, respectively.

Bay TV. In January 1999, we entered into a LMA with Bay Television, Inc. (Bay TV), which owns the television station WTTA-TV in Tampa/St. Petersburg, Florida market. Our controlling shareholders own a substantial portion of the equity of Bay TV. Payments made to Bay TV were $0.5 million for each of the three months ended September 30, 2011 and 2010 and $1.7 million and $1.2 million for the nine months ended September 30, 2011 and 2010, respectively. We received $0.1 million and $0.4 million for the three and nine months ended September 30, 2010 from Bay TV for certain equipment leases, which expired in 2010.

Cunningham Broadcasting Corporation. We have options from trusts established by Carolyn C. Smith, the mother of our controlling shareholders, for the benefit of her grandchildren that will grant us the right to acquire, subject to applicable FCC rules and regulations, 100% of the capital stock of Cunningham or 100% of the capital stock or assets of Cunningham s individual subsidiaries. As of September 30, 2011, Cunningham is the owner-operator and FCC licensee of: WNUV-TV in Baltimore, Maryland; WRGT-TV in Dayton, Ohio; WVAH-TV in Charleston, West Virginia; WTAT-TV in Charleston, South Carolina; WMYA-TV in Anderson, South Carolina; WTTE-TV in Columbus, Ohio; and WDBB-TV in Birmingham, Alabama.

In addition to the option agreement, we provide programming under LMA s to Cunningham for airing on WNUV-TV, WRGT-TV, WVAH-TV, WTAT-TV, WMYA-TV, WTTE-TV and WDBB-TV. In February 2011, Cunningham purchased the FCC license for WDBB-TV. We have an LMA with WDBB-TV, which our counterparty assigned to Cunningham in conjunction with Cunningham s purchase.

We made payments to Cunningham under the LMAs and other agreements of $4.1 million and $4.4 million for the three months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, we made payments to Cunningham of $12.5 million and $13.2 million, respectively, related to the LMAs.

Our Bank Credit Agreement contains certain cross-default provisions with certain material third-party licensees. As of September 30, 2011, Cunningham was the sole material third-party licensee.

Atlantic Automotive Corporation. We sold advertising time to and purchased vehicles and related vehicle services from Atlantic Automotive Corporation (Atlantic Automotive), a holding company which owns automobile dealerships and an automobile leasing company. David Smith, our President and Chief Executive Officer, has a controlling interest in, and is a member of the Board of Directors of Atlantic Automotive. We received payments for advertising time totaling less than $0.1 million for each of the three months ended September 30, 2011 and 2010. We received payments for advertising time of $0.1 million and $0.2 million for the nine months ended September 30, 2011 and 2010, respectively. We paid $0.4 million and $0.2 million for vehicles and related vehicle services from Atlantic Automotive during the three months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, we paid fees of $1.0 million and $0.5 million, respectively, for vehicles and related vehicle services.

Thomas & Libowitz P.A. Basil A. Thomas, a member of our Board of Directors, is the father of Steven A. Thomas, a partner and founder of Thomas & Libowitz, P.A. (Thomas & Libowitz), a law firm providing legal services to us on an ongoing basis. We paid fees of $0.1 million to Thomas & Libowitz for each of the three months ended September 30, 2011 and 2010. For each of the nine months ended September 30, 2011 and 2010, we paid fees of $0.4 million to Thomas & Libowitz.

6. SEGMENT DATA:

We measure segment performance based on operating income (loss). Our broadcast segment includes stations in 35 markets located predominately in the eastern, mid-western and southern United States. Our other operating divisions segment primarily earned revenues from sign design and fabrication; regional security alarm operating and bulk acquisitions and real estate ventures. All of our other operating divisions are located within the United States. Corporate costs primarily include our costs to operate as a public company and to operate our corporate headquarters location. Corporate is not a reportable segment. We had approximately $170.0 million and $166.4 million of intercompany loans between the broadcast segment, operating divisions segment and corporate as of September 30, 2011 and 2010, respectively. We had $5.0 million and $4.9 million in intercompany interest expense related to intercompany loans between the broadcast segment, other operating divisions segment and corporate for the three months ended September 30, 2011, and 2010, respectively. For the nine months ended September 30, 2011 and 2010, we had $14.7 million and $14.4 million, respectively, in intercompany interest expense. Intercompany loans and interest expense are excluded from the tables below. All other intercompany transactions are immaterial.

A portion of the operating results of Alarm Funding were previously included in discontinued operations in our consolidated results of operations. It is no longer our intent to divest a portion of Alarm Funding and therefore all of the operations and net assets of Alarm Funding have been classified as continuing operations in our consolidated financial statements as of September 30, 2011.

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Financial information for our operating segments are included in the following tables for the three and nine months ended September 30, 2011 and 2010 (in thousands).

For the three months ended September 30, 2011	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$ 169,213	$ 11,655	$	$ 180,868
Depreciation of property and equipment	6,874	331	397	7,602
Amortization of definite-lived intangible assets and other assets	3,474	919		4,393
Amortization of program contract costs and net realizable value adjustments	12,833			12,833
General and administrative overhead expenses	5,019	265	505	5,789
Operating income (loss)	52,407	728	(902)	52,233
Interest expense		634	23,829	24,463
Income from equity and cost method investments		2,080		2,080

For the three months ended September 30, 2010	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$ 176,621	$ 9,831	$	$ 186,452
Depreciation of property and equipment	8,220	321	481	9,022
Amortization of definite-lived intangible assets and other assets	3,961	726		4,687
Amortization of program contract costs and net realizable value adjustments	15,945			15,945
General and administrative overhead expenses	5,508	232	496	6,236
Operating income (loss)	56,468	605	(978)	56,095
Interest expense		551	30,798	31,349
Loss from equity and cost method investments		(1,997)		(1,997)

For the nine months ended September 30, 2011	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$ 520,051	$ 32,073	$	$ 552,124
Depreciation of property and equipment	21,357	961	1,205	23,523
Amortization of definite-lived intangible assets and other assets	11,568	2,633		14,201
Amortization of program contract costs and net realizable value adjustments	38,117			38,117
General and administrative overhead expenses	18,837	863	1,826	21,526
Operating income (loss)	163,315	1,452	(3,035)	161,732
Interest expense		1,893	76,671	78,564
Income from equity and cost method investments		2,906		2,906

For the nine months ended September 30, 2010	Broadcast	Other Operating Divisions	Corporate	Consolidated
Revenue	$ 516,013	$ 25,618	$	$ 541,631
Depreciation of property and equipment	25,460	942	1,342	27,744
Amortization of definite-lived intangible assets and other assets	12,017	2,070		14,087

Amortization of program contract costs and net realizable value adjustments	47,162			47,162
General and administrative overhead expenses	17,771	675	1,617	20,063
Operating income (loss)	162,508	(530)	(2,965)	159,013
Interest expense		1,299	87,401	88,700
Loss from equity and cost method investments		(2,478)		(2,478)

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7. FAIR VALUE MEASUREMENTS:

Accounting guidance provides for valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). A fair value hierarchy using three broad levels prioritizes the inputs to valuation techniques used to measure fair value. The following is a brief description of those three levels:

- *Level 1:* Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- *Level 3:* Unobservable inputs that reflect the reporting entity s own assumptions.

The carrying value and fair value of our notes, debentures, program contracts payable and non-cancelable commitments as of September 30, 2011 and December 31, 2010 were as follows (in thousands):

	September 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
6.0% Convertible Subordinated Debentures due 2012 (a)	$	$	$ 66,019	$ 70,385
4.875% Convertible Senior Notes due 2018	5,801	5,801	5,685	5,685
3.0% Convertible Senior Notes due 2027	5,400	5,400	5,400	5,400
8.375% Senior Notes due 2018	242,873	244,239	246,493	258,750
9.25% Senior Secured Second Lien Notes due 2017	488,705	525,520	487,724	544,690
Bank Credit Agreement, Term Loan A	115,000	114,713		
Bank Credit Agreement, Term Loan B	217,597	219,187	264,352	273,240
Cunningham Bank Credit Facility	13,708	13,893	21,933	22,452
Active program contracts payable	105,064	96,967	97,894	89,145
Future program liabilities (b)	116,707	91,566	88,510	72,823

(a) On April 15, 2011, we completed the redemption of all $70.0 million of these debentures at face value. We used the proceeds from the Term Loan A issuance to pay for the redemption.

(b) Future program liabilities reflect a license agreement for program material that is not yet available for its first showing or telecast and is, therefore, not recorded as an asset or liability on our balance sheet.

The fair value of our 8.375% Notes and 9.25% Notes is determined using quoted prices. The carrying value of our 3.0% and 4.875% Notes approximates their fair value. Our Term Loan A, Term Loan B and Cunningham s bank credit facility are fair valued using Level 2 hierarchy inputs described above.

Our estimates of active program contracts payable and future program liabilities were based on discounted cash flows using Level 3 inputs described above. The discount rate represents an estimate of a market participants return and risk applicable to program contracts.

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8. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

Sinclair Television Group, Inc. (STG), a wholly-owned subsidiary and the television operating subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under the Bank Credit Agreement, the 8.375% Notes and the 9.25% Notes and was the primary obligor under the 8.0% Senior Subordinated Notes due 2012 (the 8.0% Notes) until they were fully redeemed in 2010. Our Class A Common Stock, Class B Common Stock, the 4.875% Notes and the 3.0% Notes, as of September 30, 2011 were obligations or securities of SBG and not obligations or securities of STG. SBG was the obligor of the 6.0% Notes until they were fully redeemed in 2011. SBG is a guarantor under the Bank Credit Agreement, the 9.25% Notes and the 8.375% Notes. As of September 30, 2011 our consolidated total debt of $1,179.3 million included $1,125.2 million of debt related to STG and its subsidiaries of which SBG guaranteed $1,075.3 million.

SBG, KDSM, LLC, a wholly-owned subsidiary of SBG, and STG s wholly-owned subsidiaries (guarantor subsidiaries), have fully and unconditionally guaranteed, subject to certain customary release provisions, all of STG s obligations. Those guarantees are joint and several. There are certain contractual restrictions on the ability of SBG, STG or KDSM, LLC to obtain funds from their subsidiaries in the form of dividends or loans.

The following condensed consolidating financial statements present the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows of SBG, STG, KDSM, LLC and the guarantor subsidiaries, the direct and indirect non-guarantor subsidiaries of SBG and the eliminations necessary to arrive at our information on a consolidated basis. These statements are presented in accordance with the disclosure requirements under SEC Regulation S-X, Rule 3-10.

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CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2011

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 45,690	$ 453	$ 15,224	$	$ 61,367
Accounts and other receivables	36	131	109,670	5,155	(142)	114,850
Other current assets	2,087	5,133	58,109	4,370	(271)	69,428
Total current assets	2,123	50,954	168,232	24,749	(413)	245,645
Property and equipment, net	8,651	2,577	174,008	98,056	(6,622)	276,670
Investment in consolidated subsidiaries		572,787			(572,787)	
Restricted cash long-term		20,001	223			20,224
Other long-term assets	84,691	335,056	20,586	96,130	(400,301)	136,162
Total other long-term assets	84,691	927,844	20,809	96,130	(973,088)	156,386
Acquired intangible assets			826,815	69,582	(11,248)	885,149
Total assets	$ 95,465	$ 981,375	$ 1,189,864	$ 288,517	$ (991,371)	$ 1,563,850
Accounts payable and accrued liabilities	$ 307	$ 35,534	$ 49,930	$ 7,703	$ (2,186)	$ 91,288
Current portion of long-term debt	405	9,769	541	15,844		26,559
Current portion of affiliate long-term debt	965		1,961	45	(45)	2,926
Other current liabilities	(10)		78,741	395		79,126
Total current liabilities	1,667	45,303	131,173	23,987	(2,231)	199,899
Long-term debt	12,879	1,054,406	37,668	51,804		1,156,757
Affiliate long-term debt	7,663		9,668	241,735	(241,736)	17,330
Dividends in excess of investment in consolidated subsidiaries	159,804				(159,804)	
Other liabilities	46,644	1,598	439,090	55,489	(227,599)	315,222
Total liabilities	228,657	1,101,307	617,599	373,015	(631,370)	1,689,208
Common stock	809		10		(10)	809
Additional paid-in capital	617,584	19,663	291,988	50,030	(361,681)	617,584
Accumulated (deficit) earnings	(747,793)	(137,279)	281,941	(133,446)	(11,216)	(747,793)
Accumulated other comprehensive (loss) income	(3,792)	(2,316)	(1,674)	(1,082)	5,072	(3,792)
Total Sinclair Broadcast Group (deficit) equity	(133,192)	(119,932)	572,265	(84,498)	(367,835)	(133,192)
Noncontrolling interests in consolidated subsidiaries					7,834	7,834
Total liabilities and equity (deficit)	$ 95,465	$ 981,375	$ 1,189,864	$ 288,517	$ (991,371)	$ 1,563,850

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CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2010

(in thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 5,071	$ 1,022	$ 15,881	$	$ 21,974
Restricted cash - current		5,058				5,058
Accounts and other receivables	43	99	115,615	5,765	(151)	121,371
Other current assets	1,477	5,492	46,231	2,962	(284)	55,878
Total current assets	1,520	15,720	162,868	24,608	(435)	204,281
Property and equipment, net	9,856	2,669	169,260	97,219	(6,773)	272,231
Investment in consolidated subsidiaries		609,737			(609,737)	
Restricted cash long term			223			223
Other long-term assets	79,184	318,137	10,207	89,956	(380,339)	117,145
Total other long-term assets	79,184	927,874	10,430	89,956	(990,076)	117,368
Acquired intangible assets			829,884	64,694	(2,534)	892,044
Total assets	$ 90,560	$ 946,263	$ 1,172,442	$ 276,477	$ (999,818)	$ 1,485,924
Accounts payable and accrued liabilities	$ 512	$ 19,733	$ 46,734	$ 8,110	$ (1,066)	$ 74,023
Current portion of long-term debt	363	3,300	391	15,502		19,556
Current portion of affiliate long-term debt	870		2,326	113	(113)	3,196
Other current liabilities			70,428	693		71,121
Total current liabilities	1,745	23,033	119,879	24,418	(1,179)	167,896
Long-term debt	79,091	995,269	38,098	57,282		1,169,740
Affiliate long-term debt	8,403		11,170	224,207	(224,207)	19,573
Dividends in excess of investment in consolidated subsidiaries	122,994				(122,994)	
Other liabilities	43,750	1,709	394,192	47,154	(201,008)	285,797
Total liabilities	255,983	1,020,011	563,339	353,061	(549,388)	1,643,006
Common stock	804		10	282	(292)	804
Additional paid-in capital	609,640	123,695	445,577	78,637	(647,909)	609,640
Accumulated (deficit) earnings	(771,953)	(195,049)	165,316	(154,656)	184,389	(771,953)
Accumulated other comprehensive (loss) income	(3,914)	(2,394)	(1,800)	(847)	5,041	(3,914)
Total Sinclair Broadcast Group shareholders (deficit) equity	(165,423)	(73,748)	609,103	(76,584)	(458,771)	(165,423)
Noncontrolling interests in consolidated subsidiaries					8,341	8,341
Total liabilities and equity (deficit)	$ 90,560	$ 946,263	$ 1,172,442	$ 276,477	$ (999,818)	$ 1,485,924

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 169,499	$ 13,583	$ (2,214)	$ 180,868
Program and production		331	43,062	83	(1,983)	41,493
Selling, general and administrative	505	5,178	30,546	1,058	(157)	37,130
Depreciation, amortization and other operating expenses	397	121	38,432	11,030	32	50,012
Total operating expenses	902	5,630	112,040	12,171	(2,108)	128,635
Operating (loss) income	(902)	(5,630)	57,459	1,412	(106)	52,233
Equity in earnings of consolidated subsidiaries	19,456	35,862			(55,318)	
Interest expense	(355)	(21,942)	(1,228)	(6,154)	5,216	(24,463)
Other income (expense)	1,563	5,285	(5,169)	928	(61)	2,546
Total other income (expense)	20,664	19,205	(6,397)	(5,226)	(50,163)	(21,917)
Income tax (provision) benefit	(523)	3,894	(14,457)	211		(10,875)
Loss from discontinued operations		(110)				(110)
Net income (loss)	19,239	17,359	36,605	(3,603)	(50,269)	19,331
Net income attributable to the noncontrolling interests					(93)	(93)
Net income (loss) attributable to Sinclair Broadcast Group	$ 19,239	$ 17,359	$ 36,605	$ (3,603)	$ (50,362)	$ 19,238

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 176,892	$ 12,023	$ (2,463)	$ 186,452
Program and production		214	40,551	104	(2,250)	38,619
Selling, general and administrative	498	5,444	31,649	1,006	(131)	38,466

Depreciation, amortization and other operating expenses	481	105	43,255	9,422	9	53,272
Total operating expenses	979	5,763	115,455	10,532	(2,372)	130,357
Operating (loss) income	(979)	(5,763)	61,437	1,491	(91)	56,095
Equity in earnings of consolidated subsidiaries	16,409	32,631			(49,040)	
Interest expense	(3,560)	(25,969)	(1,265)	(5,667)	5,112	(31,349)
Other income (expense)	882	2,086	(5,224)	(3,091)	(32)	(5,379)
Total other income (expense)	13,731	8,748	(6,489)	(8,758)	(43,960)	(36,728)
Income tax benefit (provision)	1,524	13,215	(21,475)	1,582		(5,154)
Loss from discontinued operations			(68)			(68)
Net income (loss)	14,276	16,200	33,405	(5,685)	(44,051)	14,145
Net loss attributable to the noncontrolling interests					131	131
Net income (loss) attributable to Sinclair Broadcast Group	$ 14,276	$ 16,200	$ 33,405	$ (5,685)	$ (43,920)	$ 14,276

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 520,893	$ 37,958	$ (6,727)	$ 552,124
Program and production		958	131,677	254	(6,134)	126,755
Selling, general and administrative	1,830	18,962	90,440	2,738	(349)	113,621
Depreciation, amortization and other operating expenses	1,205	404	117,409	30,900	98	150,016
Total operating expenses	3,035	20,324	339,526	33,892	(6,385)	390,392
Operating (loss) income	(3,035)	(20,324)	181,367	4,066	(342)	161,732
Equity in earnings of consolidated subsidiaries	57,906	102,960			(160,866)	
Interest expense	(2,934)	(69,463)	(3,717)	(17,851)	15,401	(78,564)
Gain on sales of securities				391	(391)	
Other (expense) income	(793)	16,047	(14,818)	1,610	(278)	1,768
Total other income (expense)	54,179	49,544	(18,535)	(15,850)	(146,134)	(76,796)
Income tax benefit (provision)	1,953	22,647	(57,278)	977		(31,701)
Loss from discontinued operations		(300)				(300)
Net income (loss)	53,097	51,567	105,554	(10,807)	(146,476)	52,935
Net loss attributable to the noncontrolling interests					161	161
Net income (loss) attributable to Sinclair Broadcast Group	$ 53,097	$ 51,567	$ 105,554	$ (10,807)	$ (146,315)	$ 53,096

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 516,907	$ 32,496	$ (7,772)	$ 541,631
Program and production		681	119,139	274	(6,912)	113,182

Selling, general and administrative	1,623	17,649	92,078	2,575	(436)	113,489
Depreciation, amortization and other operating expenses	1,342	303	127,597	26,734	(29)	155,947
Total operating expenses	2,965	18,633	338,814	29,583	(7,377)	382,618
Operating (loss) income	(2,965)	(18,633)	178,093	2,913	(395)	159,013
Equity in earnings of consolidated subsidiaries	50,692	94,189			(144,881)	
Interest expense	(11,371)	(71,907)	(3,921)	(16,547)	15,046	(88,700)
Other income (expense)	2,058	12,453	(15,127)	(4,390)	(82)	(5,088)
Total other income (expense)	41,379	34,735	(19,048)	(20,937)	(129,917)	(93,788)
Income tax benefit (provision)	4,655	31,199	(62,030)	3,244		(22,932)
Loss from discontinued operations			(202)			(202)
Net income (loss)	43,069	47,301	96,813	(14,780)	(130,312)	42,091
Net loss attributable to the noncontrolling interests					978	978
Net income (loss) attributable to Sinclair Broadcast Group	$ 43,069	$ 47,301	$ 96,813	$ (14,780)	$ (129,334)	$ 43,069

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	$ (14,407)	$ (47,986)	$ 189,301	$ 3,213	$ (1,771)	$ 128,350
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES:						
Acquisition of property and equipment		(403)	(25,126)	(1,265)		(26,794)
Acquisition of intangibles				(242)		(242)
Purchase of alarm monitoring contracts				(6,930)		(6,930)
Increase in restricted cash		(14,943)				(14,943)
Dividends and distributions from equity and cost method investments				2,632		2,632
Investment in equity and cost method investees	(2,000)			(7,414)		(9,414)
Purchase of investments				(4,820)		(4,820)
Proceeds from insurance settlement			1,736			1,736
Proceeds from sales of assets			56	10		66
Proceeds from sale of securities				1,808	(1,808)	
Proceeds from sale of equity investment				1,166		1,166
Loans to affiliates	(143)					(143)
Proceeds from loans to affiliates	152					152
Net cash flows used in investing activities	(1,991)	(15,346)	(23,334)	(15,055)	(1,808)	(57,534)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable, commercial bank financing and capital leases		124,719		11,630		136,349
Repayments of notes payable, commercial bank financing and capital leases	(57,022)	(60,976)	(313)	(16,839)		(135,150)
Proceeds from exercise of stock options, including excess tax benefits of share based payments	1,730					1,730
Dividends paid on Class A and Class B Common Stock	(29,105)				169	(28,936)
Payments for deferred financing costs		(4,299)		(66)		(4,365)
Proceeds from Class A Common Stock sold by variable interest entity					1,808	1,808
Noncontrolling interests distributions				(346)		(346)

Repayment of notes and capital leases to affiliates	(645)		(1,868)			(2,513)
Increase (decrease) in intercompany payables	101,440	44,507	(164,355)	16,806	1,602	
Net cash flows from (used in) financing activities	16,398	103,951	(166,536)	11,185	3,579	(31,423)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		40,619	(569)	(657)		39,393
CASH AND CASH EQUIVALENTS, beginning of period		5,071	1,022	15,881		21,974
CASH AND CASH EQUIVALENTS, end of period	$	$ 45,690	$ 453	$ 15,224	$	$ 61,367

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	$ (13,966)	$ (59,095)	$ 183,105	$ (589)	$ (2,520)	$ 106,935
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment		(3,351)	(4,725)	(1,722)		(9,798)
Purchase of alarm monitoring contracts				(7,656)		(7,656)
Dividends and distributions from equity and cost method investments	709			185		894
Investments in equity and cost method investees	(2,000)			(8,509)		(10,509)
Decrease in restricted cash		59,342	197			59,539
Loans to affiliates	(102)					(102)
Proceeds from loans to affiliates	115					115
Net cash flows (used in) from investing activities	(1,278)	55,991	(4,528)	(17,702)		32,483
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable, commercial bank financing and capital leases		17,650		15,406		33,056
Repayments of notes payable, commercial bank financing and capital leases	(56,806)	(77,687)	(224)	(15,706)		(150,423)
Payments for deferred financing costs		(1,304)				(1,304)
Noncontrolling interests distributions				(175)		(175)
Repayments of notes and capital leases to affiliates	(559)		(1,740)			(2,299)
Increase (decrease) in intercompany payables	72,609	80,012	(176,597)	21,456	2,520	
Net cash flows from (used in) financing activities	15,244	18,671	(178,561)	20,981	2,520	(121,145)
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,567	16	2,690		18,273
CASH AND CASH EQUIVALENTS, beginning of period		10,364	217	12,643		23,224
CASH AND CASH EQUIVALENTS, end of period	$	$ 25,931	$ 233	$ 15,333	$	$ 41,497

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report includes or incorporates forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, 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 international, national and regional economies and credit and capital markets;
- consumer confidence;
- the activities of our competitors;
- terrorist acts of violence or war and other geopolitical events;
- natural disasters such as the earthquake and tsunami devastation in Japan;

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 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;
- the effects of the Federal Communications Commission s (FCC s) National Broadband Plan and the 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, indecency regulations, retransmission regulations and political or other advertising restrictions;
- labor disputes and legislation and other union activity associated with film, acting, writing and other guilds;
- the broadcasting community s ability to develop a 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 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;
- 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, and in certain cases, customary antitrust clearance for the purchase of Four Points, Freedom Communications and any future acquisitions;
- 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;
- our ability to successfully integrate any acquired businesses;
- our ability to effectively respond to technology affecting our industry and to increasing competition from other media providers;
- the impact of reverse network compensation payments made by us to networks pursuant to our affiliation agreements requiring compensation for network programming and the resulting negative effect on our operating results;
- 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; and
- the results of prior year tax audits by taxing authorities.

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Other matters set forth in this report and our other reports filed with the SEC, including the *Risk Factors* set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010 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 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, the forward-looking statements discussed in this report might not occur.

The following table sets forth certain operating data for the three and nine months ended September 30, 2011 and 2010:

STATEMENTS OF OPERATIONS DATA
(in thousands, except for per share data) (Unaudited)

	Three Months Ended September 30, 2011	2010	Nine Months Ended September 30, 2011	2010
Statement of Operations Data:				
Net broadcast revenues (a)	$ 151,701	$ 158,809	$ 466,819	$ 465,440
Revenues realized from station barter arrangements	17,512	17,812	53,232	50,573
Other operating divisions revenues	11,655	9,831	32,073	25,618
Total revenues	180,868	186,452	552,124	541,631
Station production expenses	41,493	38,619	126,755	113,182
Station selling, general and administrative expenses	31,341	32,230	92,095	93,426
Expenses recognized from station barter arrangements	15,815	15,716	48,073	44,695
Amortization of program contract costs and net realizable value adjustments	12,833	15,945	38,117	47,162
Depreciation and amortization expenses (b)	11,995	13,709	37,724	41,831
Other operating divisions expenses	9,369	7,902	26,102	22,259
Corporate general and administrative expenses	5,789	6,236	21,526	20,063
Operating income	52,233	56,095	161,732	159,013
Interest expense and amortization of debt discount and deferred financing costs	(24,463)	(31,349)	(78,564)	(88,700)
Loss from extinguishment of debt	(117)	(3,939)	(4,519)	(4,377)
Income (loss) from equity and cost method investees	2,080	(1,997)	2,906	(2,478)
Gain on insurance settlement			1,723	
Other income, net	583	557	1,658	1,767
Income from continuing operations before income taxes	30,316	19,367	84,936	65,225
Income tax provision	(10,875)	(5,154)	(31,701)	(22,932)
Income from continuing operations	19,441	14,213	53,235	42,293
Discontinued operations:				
Loss from discontinued operations, net of taxes	(110)	(68)	(300)	(202)
Net income	19,331	14,145	52,935	42,091
Net (income) loss attributable to the noncontrolling interests	(93)	131	161	978
Net income attributable to Sinclair Broadcast Group	$ 19,238	$ 14,276	$ 53,096	$ 43,069

Basic and Diluted Earnings Per Common Share Attributable to Sinclair Broadcast Group:								
Earnings per share from continuing operations	$	0.24	$	0.18	$	0.66	$	0.54
Earnings per share	$	0.24	$	0.18	$	0.66	$	0.54

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Balance Sheet Data:	**September 30, 2011**	**December 31, 2010**
Cash and cash equivalents	$ 61,367	$ 21,974
Total assets	$ 1,563,850	$ 1,485,924
Total debt (c)	$ 1,203,572	$ 1,212,065
Total equity (deficit)	$ (125,358)	$ (157,082)

(a) Net broadcast revenues is defined as broadcast revenues, net of agency commissions.

(b) Depreciation and amortization includes depreciation and amortization of property and equipment and amortization of definite-lived intangible assets and other assets.

(c) Total debt is defined as notes payable, capital leases and commercial bank financing, including the current and long-term portions.

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

Executive Overview financial events since June 30, 2011.

Results of Operations an analysis of our revenues and expenses for the three and nine months ended September 30, 2011 and 2010, including comparisons between quarters and expectations for the three months ended December 31, 2011.

Liquidity and Capital Resources a discussion of our primary sources of liquidity, an analysis of our cash flows from or used in operating activities, investing activities and financing activities and an update of our debt refinancings during the three and nine months ended September 30, 2011.

EXECUTIVE OVERVIEW

Third Quarter 2011 Events

- In August, our Board of Directors declared a quarterly common stock dividend of $0.12 per share;

- In July, we entered into a renewal of 10 affiliation agreements with The CW (CW) which represents all of the CW affiliates which we own, program or provide sales services to, effective September 1, 2011 and expiring August 31, 2016;

- In September 2011, we entered into a definitive agreement to purchase the assets of Four Points Media Group LLC (Four Points) for $200.0 million. Four Points owns and operates seven stations in four markets. We expect the transaction to close in first quarter 2012 subject to the approval of the FCC. Effective October 1, 2011, we are providing television management services and working capital needs of the stations in consideration of both service fees and performance incentives through a local marketing agreement until the closing of the acquisition;

- In September 2011, we repurchased in the open market $3.9 million aggregate principal amount of our 8.375% Notes; and

- In September 2011, we extended our LMA for WTTA-TV in Tampa, Florida with Bay Television Inc. for an additional five years.

Other

- In October 2011, we repurchased in the open market $8.6 million aggregate principal amount of our 8.375% Notes;

- In October 2011, we extended our LMA for WNYS-TV in Syracuse, New York for an additional three years;

- In November 2011, our board of directors declared a dividend of $0.12 per share; and

- In November 2011, we entered into a definitive agreement to purchase the broadcast assets of Freedom Communications (Freedom) for $385.0 million. Freedom owns and operates eight stations in seven markets. We expect the transaction to close late in the first quarter or early in the second quarter of 2012 subject to Freedom s shareholder approval which must be obtained by November 8, 2011, approval by the FCC, and customary antitrust clearance. Following receipt of antitrust approval of the transaction, which is expected to occur within thirty days, and prior to closing of the acquisition, we will operate the stations pursuant to an LMA.

RESULTS OF OPERATIONS

In general, this discussion is related to the results of our continuing operations, except for discussions regarding our cash flows, which also include the results of our discontinued operations. Unless otherwise indicated, references in this discussion and analysis to the third quarter of 2011 and 2010 refer to the three months ended September 30, 2011 and 2010, respectively. Additionally, any references to the first, second or fourth quarter are to the three months ended March 31, June 30, and December 31, respectively, for the year being discussed. We have two reportable segments, broadcast and other operating divisions that are disclosed separately from our corporate activities.

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SEASONALITY/CYCLICALITY

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

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

BROADCAST SEGMENT

Broadcast Revenue

The following table presents our broadcast revenues from continuing operations, net of agency commissions, for the three and nine months ended September 30, 2011 and 2010 (in millions):

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2011	**2010**	**Percent Change**	**2011**	**2010**	**Percent Change**
Local revenues:						
Non-political	$ 115.5	$ 111.9	3.2%	$ 358.9	$ 340.7	5.3%
Political	0.7	3.0	(a)	1.2	3.8	(a)
Total local	116.2	114.9	1.1%	360.1	344.5	4.5%
National revenues:						
Non-political	33.8	37.1	(8.9)%	103.7	109.6	(5.4)%
Political	1.7	6.8	(a)	3.0	11.3	(a)
Total national	35.5	43.9	(19.1)%	106.7	120.9	(11.7)%
Total net broadcast revenues	$ 151.7	$ 158.8	(4.5)%	$ 466.8	$ 465.4	0.3%

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

Net broadcast revenues. When comparing the third quarter 2011 to the same period in 2010, we showed increases in advertising revenues generated from the schools, retail/department stores, automotive and fast food sectors. However, advertising revenues in the political, telecommunications, services, media and home products sectors showed a decrease between the third quarter 2011 and the same period in 2010. Automotive, which typically is our largest category, represented 21.0% of the third quarter s net time sales and was up 3.2% in the third quarter

2011 compared to the same period in 2010.

From a network affiliation or program service arrangement perspective, the following table sets forth our affiliate percentages of net time sales which includes any network compensation for the three and nine months ended September 30, 2011 and 2010:

	# of Stations	Percent of Net Time Sales for the Three months ended September 30, 2011	2010	Net Time Sales Percent Change	Percent of Net Time Sales for the Nine months ended September 30, 2011	2010	Net Time Sales Percent Change
FOX	20	45.3%	44.3%	(4.6)%	47.3%	46.2%	0.4%
ABC	9	21.1%	21.5%	(8.7)%	20.1%	20.4%	(3.4)%
MyNetworkTV	16	17.1%	17.3%	(7.7)%	16.1%	16.3%	(3.2)%
The CW	10	12.8%	13.3%	(10.3)%	12.7%	13.5%	(7.4)%
CBS	2	2.8%	2.7%	(6.4)%	2.7%	2.8%	(3.2)%
NBC	1	0.5%	0.7%	(31.6)%	0.5%	0.7%	(22.9)%
Digital	(a)	0.4%	0.2%	210.3%	0.6%	0.1%	290.6%
Total	58						

(a) We broadcast programming from network affiliations or program service arrangements with TheCoolTV, The Country Network, MyNetworkTV, This TV and Estrella on 69 channels through our stations second and third digital signals.

Political Revenues. Political revenues decreased by $7.4 million to $2.4 million for the third quarter 2011 when compared to the same period in 2010. For the nine months ended September 30, 2011, political revenues decreased by $10.9 million to $4.2 million when compared to the same period in 2010. Political revenues are typically higher in election years such as 2010.

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Local Revenues. Excluding political revenues, our local broadcast revenues, which include local times sales, retransmission revenues and other local revenues, were up $3.6 million for the third quarter 2011 when compared to the same period in 2010. The increase was primarily driven by increased retransmission revenues from MVPDs. For the nine months ended September 30, 2011, our local broadcast revenues, excluding political revenues were up $18.2 million. The increase is due to an increase in retransmission revenues from MVPDs and an increase in advertising spending particularly in the automotive sector, as well as an increase due to a change in networks for the Super Bowl programming from NBC to FOX.

National Revenues. Our national broadcast revenues, excluding political revenues and including national time sales and other national revenues, were down $3.3 million for the third quarter 2011 compared to same period in 2010. For the nine months ended September 30, 2011 when compared to the same period in 2010, our national broadcast revenues were down $5.9 million. This was primarily due to a decrease in advertising spending by other media advertisers, such as the food/grocery and home products sectors.

Broadcast Expenses

The following table presents our significant expense categories in our broadcast segment for the three and nine months ended September 30, 2011 and 2010 (in millions):

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2011	2010	Percent Change (Increase/ (Decrease))	2011	2010	Percent Change (Increase/ (Decrease))
Station production expenses	$ 41.5	$ 38.6	7.5%	$ 126.8	$ 113.2	12.0%
Station selling, general and administrative expenses	$ 31.3	$ 32.2	(2.8)%	$ 92.1	$ 93.4	(1.4)%
Amortization of program contract costs and net realizable value adjustments	$ 12.8	$ 15.9	(19.5)%	$ 38.1	$ 47.2	(19.3)%
Corporate general and administrative expenses	$ 5.0	$ 5.5	(9.1)%	$ 18.8	$ 17.8	5.6%
Gain on insurance settlement	$	$	%	$ 1.7	$	100.0%

Station production expenses. Station production expenses increased during the third quarter 2011 and nine months ended September 30, 2011 compared to the same periods in 2010 primarily due to an increase in fees pursuant to network affiliation agreements, increased compensation expense, increased promotional advertising expenses and increased rating service fees due to annual scheduled rate increases. Additionally, news profit share expenses increased due to better news performance which resulted in higher payments to our news share partners.

Station selling, general and administrative expense. Station selling, general and administrative expenses decreased during the third quarter and nine months ended September 30, 2011 compared to the same period in 2010, primarily due to lower non-income based tax expense, lower sales management bonuses, and decreased national sales agency and local commissions costs. These decreases were partially offset by an increase in bad debt expense.

We expect station production and station selling, general and administrative expenses in fourth quarter 2011 to increase compared to third quarter 2011.

Amortization of program contract costs and net realizable value adjustments. The amortization of program contract costs decreased during the third quarter 2011 and for the nine months ended September 30, 2011 compared to the same period in 2010. Over the past few years we have purchased more barter and short-term program contracts which are less expensive and result in lower contract cost amortization. We expect program contract amortization to trend higher in fourth quarter 2011 compared to third quarter 2011 due to cyclicality.

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

Gain on insurance settlement. In the third quarter 2010, our building for WCGV-TV and WVTV-TV in Milwaukee, Wisconsin flooded due to massive storms. In the first quarter 2011, we recognized a gain on insurance settlement of $1.7 million related to repairing the building and replacing certain equipment.

OTHER OPERATING DIVISIONS SEGMENT

Triangle Sign & Service, LLC (Triangle), a sign designer/fabricator, real estate ventures, Alarm Funding Associates, LLC (Alarm Funding), a regional security alarm operating and bulk acquisition company and other nominal businesses make up our other

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operating divisions segment. Revenues for our other operating divisions increased $1.9 million to $11.7 million during the third quarter 2011 compared to $9.8 million during the same period in 2010. For the nine months ended September 30, 2011, revenues for our other operating divisions increased $6.5 million to $32.1 million compared to $25.6 million during the same period in 2010. The increase is primarily due to increases in Triangle s sign and service contract volume, the acquisition of new alarm monitoring contracts by Alarm Funding and improved leasing activity for our consolidated real estate ventures. Expenses including other operating divisions expenses, depreciation and amortization and applicable other income (expense) items such as interest expense increased $1.6 million to $11.3 million during the third quarter 2011 compared to $9.7 million during the same period in 2010. For the nine months ended September 30, 2011, expenses including other operating divisions expense, depreciation and amortization and applicable other income (expense) items, such as interest expense increased $4.4 million to $31.7 million compared to $27.3 during the same period in 2010. This increase was in correlation with the increase in revenue activity.

A portion of the operating results of Alarm Funding were previously included in discontinued operations in our consolidated results of operations. It is no longer our intent to divest a portion of Alarm Funding and therefore all of the operations and net assets of Alarm Funding have been classified as continuing operations in our consolidated financial statements as of September 30, 2011.

Income from Equity and Cost Method Investments. Results of our equity and cost method investments in private investment funds and real estate ventures are included in income from equity and cost method investments in our consolidated statements of operations. During the nine months ended September 30, 2011, we recorded income of $1.4 million related to our real estate ventures including a $0.8 million gain on the sale of one of our real estate ventures and income of $1.5 million related to certain private investment funds. During the nine months ended September 30, 2010, we recorded income of $1.9 million related to certain private investment funds and a loss of $4.4 million related to our real estate ventures.

CORPORATE AND UNALLOCATED EXPENSES

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2011	2010	Percent Change (Increase/ (Decrease))	2011	2010	Percent Change (Increase/ (Decrease))
Corporate general and administrative expenses	$ 0.5	$ 0.5	%	$ 1.8	$ 1.6	12.5%
Interest expense	$ 23.8	$ 30.8	(22.7)%	$ 76.7	$ 87.4	(12.2)%
Loss from extinguishment of debt	$ (0.1)	$ (3.9)	(97.4)%	$ (4.5)	$ (4.3)	4.7%
Income tax provision	$ (10.9)	$ (5.2)	109.6%	$ (31.7)	$ (22.9)	38.4%

Corporate general and administrative expenses. We allocate most of our corporate general and administrative expenses to the broadcast segment. The explanation that follows combines the corporate general and administrative expenses found in the *Broadcast Segment* section with the corporate general and administrative expenses found in this section, *Corporate and Unallocated Expenses*. These results exclude general and administrative costs from our other operating divisions segment which are included in our discussion of expenses in the *Other Operating Divisions Segment* section.

Corporate general and administrative expenses increased for the nine months ended September 30, 2011 compared to the same period in 2010. This is primarily due to an increase in employee bonuses, stock-based compensation from the issuance of stock-settled appreciation rights and the issuance of restricted and unrestricted common stock. These increases were partially offset by lower health and other insurance costs.

We expect corporate general and administrative expenses to increase in the fourth quarter 2011 compared to third quarter 2011.

Interest expense. Interest expense has decreased primarily due to our amending and restating the Bank Credit Agreement in third quarter 2010 and the first quarter 2011, the redemption of our 8.0% Notes in fourth quarter 2010, our 6.0% Notes in 2010 and second quarter 2011. We expect interest expense to slightly decrease in fourth quarter 2011 compared to third quarter 2011.

Loss from extinguishment of debt. During the nine months ended September 30, 2011, we amended our Bank Credit Agreement and paid down a portion of our Term Loan B and repurchased certain of our 8.375% Notes resulting in a loss of $1.0 million from extinguishment of debt. Additionally, we completed the redemption of all $70.0 million of the 6.0% Notes at 100% of the face value of such notes resulting in a loss of $3.5 million. We used the proceeds from our Term Loan A to pay for the redemption.

During the nine months ended September 30, 2010, through a combination of tender offers, the exercise of holder put rights and an open market repurchase, we redeemed $31.3 million and $22.3 million of our 4.875% and 3.0% Notes, respectively, resulting in a loss on extinguishment of $0.5 million and $0.1 million, respectively. Additionally, we made a prepayment on our Term Loan B in second quarter 2010 and amended our Term Loan B in third quarter 2010 reducing by $65.6 million the principal amount outstanding of our Term Loan B, resulting in a loss of $3.1 million from extinguishment of debt. Additionally, we repurchased, in the open market, \$6.1 million in principal amount of our 6.0% Notes, resulting in a loss of \$0.4 million from extinguishment of debt.

Income tax provision. The effective tax rate for the three months ended September 30, 2011 including the effects of the noncontrolling interest was a provision of 36.3% as compared to a provision of 26.4% during the same period in 2010. The increase in the effective tax rate for the three months ended September 30, 2011 as compared to the same period in 2010 is primarily due to a \$2.3 million 2010 tax benefit predominantly resulting from a change in estimate related to an increased deduction for the recovery of historical losses attributable to a disposition that took place in 2009.

The effective tax rate for the nine months ended September 30, 2011 including the effects of the noncontrolling interest was a provision of 37.3% as compared to a provision of 34.6% during the same period in 2010. The increase in the effective tax rate for the nine months ended September 30, 2011 as compared to the same period in 2010 is primarily due to a \$2.3 million 2010 tax benefit predominantly resulting from a change in estimate related to an increased deduction for the recovery of historical losses attributable to a disposition that took place in 2009.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2011, we had \$61.4 million in cash and cash equivalent balances and net working capital of approximately \$45.7 million. Cash generated by our operations and borrowing capacity under the Bank Credit Agreement are used as our primary source of liquidity. As of September 30, 2011, we had \$75.4 million of borrowing capacity available on our revolving credit facility and incremental term loan capacity of \$300.0 million under our Bank Credit Agreement. We anticipate that existing cash and cash equivalents, cash flow from our operations and borrowing capacity under the Bank Credit Agreement will be sufficient to satisfy our debt service obligations, capital expenditure requirements and working capital needs for the next twelve months. For our long-term liquidity needs, in addition to the sources described above, we may rely upon the issuance of long-term debt, the issuance of equity or other instruments convertible into or exchangeable for equity, or the sale of non-core assets. However, there can be no assurance that additional financing or capital or buyers of our non-core assets will be available, or that the terms of any transactions will be acceptable or advantageous to us.

On April 15, 2011, we completed the redemption of all \$70.0 million of the 6.0% Notes at 100% of the face value of such notes. We used the proceeds from our Term Loan A to pay for the redemption.

In September and October 2011, we repurchased \$3.9 million and \$8.6 million aggregate principal amount, respectively, of our 8.375% Notes in the open market using cash on hand.

Sources and Uses of Cash

The following table sets forth our cash flows for the three and nine months ended September 30, 2011 and 2010 (in millions):

	For the Three Months Ended September 30, 2011	For the Three Months Ended September 30, 2010	For the Nine Months Ended September 30, 2011	For the Nine Months Ended September 30, 2010
Net cash flows from operating activities	$ 60.1	$ 46.8	$ 128.4	$ 106.9
Cash flows (used in) from investing activities:				
Acquisition of property and equipment	$ (6.1)	$ (5.1)	$ (26.8)	$ (9.8)
Decrease in restricted cash	(20.0)	17.5	(14.9)	59.5
Dividends and distributions from cost method investees	1.3	0.8	2.6	0.9
Purchase of alarm monitoring contracts	(2.5)	(4.3)	(6.9)	(7.7)
Investments in equity and cost method investees	(1.1)	(4.1)	(9.4)	(10.5)
Other	(3.7)	(0.1)	(2.1)	0.1
Net cash flows (used in) from investing activities	$ (32.1)	$ 4.7	$ (57.5)	$ 32.5
Cash flows from (used in) financing activities:				
Proceeds from notes payable, commercial bank financing and capital leases	$ 3.4	$ 24.0	$ 136.4	$ 33.1
Repayments of notes payable, commercial bank financing and capital leases	(10.6)	(75.8)	(135.2)	(150.4)
Dividends paid on Class A and Class B Common Stock	(9.7)		(28.9)	
Noncontrolling interests (distributions) contributions	(0.1)	(0.1)	(0.3)	(0.2)
Other	(0.9)	(0.9)	(3.4)	(3.6)
Net cash flows used in financing activities	$ (17.9)	$ (52.8)	$ (31.4)	$ (121.1)

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Operating Activities

Net cash flows from operating activities increased during the third quarter 2011 compared to the same period in 2010. The primary reason for the increase was due to a decrease in program payments and a decrease in cash paid for interest and interest on accretion of debt discount in the third quarter 2011, compared to the same period in 2010.

Net cash flows from operating activities increased during the nine months ended September 30, 2011 compared to the same period in 2010. This increase was primarily the result of increased net income, less cash paid for program contracts and interest.

We expect program payments and interest expense to slightly decrease in the fourth quarter 2011 compared to the third quarter 2011.

Investing Activities

With the exception of restricted cash, net cash flows used in investing activities decreased during the third quarter 2011 compared to the same period in 2010. During the third quarter 2011, we had less incremental contributions in our equity and cost method investments as well as purchases of alarm monitoring contracts. This was offset by an increase in other investments as well as an increase in capital expenditures. We increased our investment in restricted cash during the third quarter 2011 pursuant to the Asset Purchase Agreement for Four Points which required us to deposit 10% of the purchase price in an escrow account.

With the exception of restricted cash, net cash flows used in investing activities increased during the nine months ended September 30, 2011 compared to the same period in 2010. In 2011, we increased other investments and increased capital expenditures primarily for news operations and upgrades to our master control systems in order to upgrade these operations to high definition (HD). As of September 30, 2011, six out of the 12 markets with news were broadcasting in HD and 16 out of 35 markets had HD master control operations. We are planning to add HD news broadcasts in one additional market and HD master control operations in 6 additional markets over the next three months for news operations and upgrades to our master control systems.

In the nine months ended September 30, 2010, we used $59.5 million in restricted cash to pay for the tender offers of the 3.0% and 4.875% Notes, the put exercise of the 3.0% Notes and an open market repurchase of 4.875% Notes. In the nine months ended September 30, 2011, we increased our restricted cash by $20.0 million related to the escrow requirement pursuant to the Four Points Asset Purchase Agreement. In addition, we used the remaining proceeds from the sale of the 9.25% Notes, after the expiration of the put period for the 4.875% Notes, to reduce our overall debt balance.

In fourth quarter 2011, we anticipate incurring more capital expenditures than incurred in the third quarter 2011.

Financing Activities

Net cash flows used in financing activities decreased in the third quarter 2011 compared to the same period in 2010. This was primarily due to a decrease in our debt repayments in third quarter 2011 compared to the same period in 2010. This was partially offset by the quarterly stock dividend paid in third quarter 2011.

Net cash flows used in financing activities decreased during the nine months ended September 30, 2011 compared to the same period in 2010. In first quarter 2011, we amended our Bank Credit Agreement resulting in a new Term Loan A of $115.0 million and reducing our Term Loan B by $45.0 million. In February 2011, our Board of Directors reinstated a quarterly common stock dividend of $0.12 per share and in May 2011 and August 2011, our Board of Directors declared a $0.12 per share common stock dividend. Future dividends on our common shares, if any, will be at the discretion of our Board of Directors and will depend on several factors including our results of operations, cash requirements and surplus, financial condition, covenant restrictions and other factors that the Board of Directors may deem relevant.

CONTRACTUAL CASH OBLIGATIONS

As disclosed above under *Liquidity and Capital Resources-Financing Activities,* during first quarter 2011, we borrowed $115.0 million under the Term Loan A and used $45.0 million to pay down the Term Loan B. On April 15, 2011, we used the remaining net proceeds to complete the redemption of all $70.0 million of the 6.0% Notes at 100% of the face value of such notes. In September 2011, we repurchased, in the open market, $3.9 million face value of the 8.375% Notes. There were no material changes outside the ordinary course of business to our contractual cash obligations disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

In September 2011, we entered into a definitive agreement to purchase the assets of Four Points Media Group LLC (Four Points) for $200.0 million. Four Points owns and operates seven stations in four markets. We expect the transaction to close in first quarter 2012 subject to the approval of the FCC. Effective October 1, 2011, we are providing television management

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services and working capital needs of the stations in consideration of both service fees and performance incentives through a local marketing agreement until the closing of the acquisition.

In November 2011, we entered into a definitive agreement to purchase the broadcast assets of Freedom Communications (Freedom) for $385.0 million. Freedom owns and operates eight stations in seven markets. We expect the transaction to close late in the first quarter or early in the second quarter of 2012 subject to Freedom s shareholder approval which must be obtained by November 8, 2011, approval by the FCC, and customary antitrust clearance. Following receipt of antitrust approval of the transaction, which is expected to occur within thirty days, and prior to closing of the acquisition, we will operate the stations pursuant to an LMA.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

On March 15, 2011, we entered into an amendment of our Bank Credit Agreement. The amendment includes a new Term Loan A of $115.0 million. Under the amendment, we paid down $45.0 million of the outstanding $270.0 million balance under the Term Loan B. The Term Loan B will bear interest at LIBOR plus 3.0% with a 1.0% LIBOR floor. The Term Loan A will bear interest at LIBOR plus 2.25%. Any outstanding amounts accrue interest with a variable rate and therefore increase our risk to rising interest rates.

On April 15, 2011, we completed the redemption of all $70.0 million of the 6.0% Notes at 100% of the face value of such notes.

Other than the foregoing, there have been no material changes from the quantitative and qualitative discussion about market risk previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the design and effectiveness of our disclosure controls and procedures and our internal control over financial reporting as of September 30, 2011.

The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The term internal control over financial reporting, as defined in Rules 13a-15d-15(f) under the Exchange Act, means a process designed by, or under the supervision of our Chief Executive and Chief Financial Officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles (GAAP) and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that our receipts and expenditures are being made in accordance with authorizations of management or our Board of Directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material adverse effect on our financial statements.

Assessment of Effectiveness of Disclosure Controls and Procedures

Based on the evaluation of our disclosure controls and procedures as of September 30, 2011, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2011, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management s override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There have been no material changes to the Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. REMOVED AND RESERVED

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit Number	**Description**
10.1	Asset Purchase Agreement dated September 8, 2011 between Four Points Media Group LLC and Sinclair Television Group, Inc.
31.1	Certification by David D. Smith, as Chairman and Chief Executive Officer of Sinclair Broadcast Group, Inc., pursuant to Rule 13a-14(a) of the Exchange Act (15 U.S.C. § 7241).
31.2	Certification by David B. Amy, as Chief Financial Officer of Sinclair Broadcast Group, Inc., pursuant to Rule 13a-14(a) of the Exchange Act (15 U.S.C. § 7241).
32.1	Certification by David D. Smith, as Chairman and Chief Executive Officer of Sinclair Broadcast Group, Inc., pursuant to Rule 13a-14(b) of the Exchange Act and § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C § 1350).
32.2	Certification by David B. Amy, as Chief Financial Officer of Sinclair Broadcast Group, Inc., pursuant to Rule 13a-14(b) of the Exchange Act and § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C § 1350).
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized on the 4th day of November 2011.

SINCLAIR BROADCAST GROUP, INC.

By:	/s/ David R. Bochenek David R. Bochenek Vice President/Chief Accounting Officer (Authorized Officer and Chief Accounting Officer)

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