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SINCLAIR BROADCAST GROUP INC

Form 10-K

March 01, 2019

false--12-31FY20182018-12-310000912752YesfalseLarge Accelerated FilerSINCLAIR BROADCAST GROUP INCfalsefalseNoYes4200000P3M0.050.50.50.50.5P1YP2YP1YP8Y5100000045000000.710.710.720.720.740.740.180.180.180000912752 2018-01-01 2018-12-31 0000912752 us-gaap:CommonClassAMember 2019-02-25 0000912752 us-gaap:CommonClassBMember 2019-02-25 0000912752 2018-06-30 0000912752 us-gaap:CommonClassAMember 2017-12-31 0000912752 2018-12-31 0000912752 2017-12-31 0000912752 us-gaap:CommonClassBMember 2018-12-31 0000912752 us-gaap:CommonClassAMember 2018-12-31 0000912752 us-gaap:CommonClassBMember 2017-12-31 0000912752 2016-01-01 2016-12-31 0000912752 2017-01-01 2017-12-31 0000912752 us-gaap:NoncontrollingInterestMember 2018-01-01 2018-12-31 0000912752 us-gaap:RetainedEarningsMember 2018-01-01 2018-12-31 0000912752 us-gaap:AdditionalPaidInCapitalMember 2018-01-01 2018-12-31 0000912752 us-gaap:CommonClassAMember us-gaap:CommonStockMember 2018-12-31 0000912752 us-gaap:CommonClassAMember us-gaap:CommonStockMember 2018-01-01 2018-12-31 0000912752 us-gaap:CommonClassBMember us-gaap:CommonStockMember 2017-12-31 0000912752 us-gaap:CommonClassAMember us-gaap:CommonStockMember 2017-12-31 0000912752 us-gaap:RetainedEarningsMember 2018-12-31 0000912752 us-gaap:CommonClassBMember us-gaap:CommonStockMember 2018-12-31 0000912752 us-gaap:AdditionalPaidInCapitalMember 2017-12-31 0000912752 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-12-31 0000912752 us-gaap:RetainedEarningsMember 2017-12-31 0000912752 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0000912752 us-gaap:NoncontrollingInterestMember 2018-12-31 0000912752 us-gaap:AdditionalPaidInCapitalMember 2018-12-31 0000912752 us-gaap:NoncontrollingInterestMember 2017-12-31 0000912752 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-12-31 0000912752 us-gaap:AdditionalPaidInCapitalMember 2017-01-01 2017-12-31 0000912752 us-gaap:CommonClassAMember us-gaap:CommonStockMember 2017-01-01 2017-12-31 0000912752 us-gaap:CommonClassBMember us-gaap:CommonStockMember 2016-12-31 0000912752 us-gaap:RetainedEarningsMember 2016-12-31 0000912752 us-gaap:NoncontrollingInterestMember 2016-12-31 0000912752 2016-12-31 0000912752 us-gaap:AdditionalPaidInCapitalMember 2016-12-31 0000912752 us-gaap:RetainedEarningsMember 2017-01-01 2017-12-31 0000912752 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-12-31 0000912752 us-gaap:NoncontrollingInterestMember 2017-01-01 2017-12-31 0000912752 us-gaap:CommonClassAMember us-gaap:CommonStockMember 2016-12-31 0000912752 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-12-31 0000912752 us-gaap:NoncontrollingInterestMember 2015-12-31 0000912752 2015-12-31 0000912752 us-gaap:CommonClassAMember us-gaap:CommonStockMember 2016-01-01 2016-12-31 0000912752 us-gaap:CommonClassBMember us-gaap:CommonStockMember 2015-12-31 0000912752 us-gaap:CommonClassBMember us-gaap:CommonStockMember 2016-01-01 2016-12-31 0000912752 us-gaap:RetainedEarningsMember 2015-12-31 0000912752 us-gaap:AdditionalPaidInCapitalMember 2016-01-01 2016-12-31 0000912752 us-gaap:RetainedEarningsMember 2016-01-01 2016-12-31 0000912752 us-gaap:AdditionalPaidInCapitalMember 2015-12-31 0000912752 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2015-12-31 0000912752 us-gaap:NoncontrollingInterestMember 2016-01-01 2016-12-31 0000912752 us-gaap:CommonClassAMember us-gaap:CommonStockMember 2015-12-31 0000912752 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-01-01 2016-12-31 0000912752 us-gaap:CommonClassAMember 2018-01-01 2018-12-31 0000912752 us-gaap:CommonClassAMember 2017-01-01 2017-12-31 0000912752 us-gaap:CommonClassBMember 2017-01-01 2017-12-31 0000912752 us-gaap:CommonClassAMember 2016-01-01 2016-12-31 0000912752 us-gaap:CommonClassBMember 2018-01-01 2018-12-31 0000912752 us-gaap:CommonClassBMember 2016-01-01 2016-12-31 0000912752 srt:ScenarioPreviouslyReportedMember 2016-01-01 2016-12-31 0000912752 srt:RestatementAdjustmentMember us-gaap:AccountingStandardsUpdate201615Member 2017-01-01 2017-12-31 0000912752 srt:RestatementAdjustmentMember us-gaap:AccountingStandardsUpdate201615Member 2016-01-01 2016-12-31 0000912752 srt:ScenarioPreviouslyReportedMember 2017-01-01 2017-12-31 0000912752

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[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

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

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

**OR**

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

**FOR THE TRANSITION PERIOD FROM TO .**

**COMMISSION FILE NUMBER: 000-26076**

**SINCLAIR BROADCAST GROUP, INC.**

(Exact name of Registrant as specified in its charter)

**Maryland 52-1494660**  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

**10706 Beaver Dam Road**  
**Hunt Valley, MD 21030**  
(Address of principal executive offices)

**(410) 568-1500**  
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Based on the closing sales price of \$32.15 per share as of June 30, 2018, the aggregate market value of the voting and non-voting common equity of the Registrant held by non-affiliates was approximately \$2,453.1 million.

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

<b>Title of each class</b>	<b>Number of shares outstanding as of February 25, 2019</b>
Class A Common Stock	65,721,967
Class B Common Stock	25,670,684

Documents Incorporated by Reference - Portions of our definitive Proxy Statement relating to our 2019 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K. We anticipate that our Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2018.

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Table of Contents

**SINCLAIR BROADCAST GROUP, INC.  
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2018**

**TABLE OF CONTENTS**

<b><u>PART I</u></b>		<b><u>5</u></b>
<u>ITEM 1.</u>	<u>BUSINESS</u>	<u>5</u>
<u>ITEM 1A.</u>	<u>RISK FACTORS</u>	<u>20</u>
<u>ITEM 1B.</u>	<u>UNRESOLVED STAFF COMMENTS</u>	<u>32</u>
<u>ITEM 2.</u>	<u>PROPERTIES</u>	<u>32</u>
<u>ITEM 3.</u>	<u>LEGAL PROCEEDINGS</u>	<u>32</u>
<u>ITEM 4.</u>	<u>MINE SAFETY DISCLOSURES</u>	<u>32</u>
<b><u>PART II</u></b>		<b><u>33</u></b>
<u>ITEM 5.</u>	<u>MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	<u>33</u>
<u>ITEM 6.</u>	<u>SELECTED FINANCIAL DATA</u>	<u>35</u>
<u>ITEM 7.</u>	<u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>37</u>
<u>ITEM 7A.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>53</u>
<u>ITEM 8.</u>	<u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	<u>53</u>
<u>ITEM 9.</u>	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	<u>53</u>
<u>ITEM 9A.</u>	<u>CONTROLS AND PROCEDURES</u>	<u>53</u>
<u>ITEM 9B.</u>	<u>OTHER INFORMATION</u>	<u>54</u>
<b><u>PART III</u></b>		<b><u>55</u></b>
<u>ITEM 10.</u>	<u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	<u>55</u>
<u>ITEM 11.</u>	<u>EXECUTIVE COMPENSATION</u>	<u>55</u>
<u>ITEM 12.</u>	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	<u>55</u>
<u>ITEM 13.</u>		<u>55</u>

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR  
INDEPENDENCE

<u>ITEM 14.</u>	<u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	<u>55</u>
<b><u>PART IV</u></b>		<u>55</u>
<u>ITEM 15.</u>	<u>EXHIBITS, FINANCIAL STATEMENT SCHEDULES</u>	<u>55</u>
<u>ITEM 16.</u>	<u>FORM 10-K SUMMARY</u>	60
<b><u>SIGNATURES</u></b>		60

Table of Contents

**FORWARD-LOOKING STATEMENTS**

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

***General risks***

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

***Industry risks***

- the business conditions of our advertisers particularly in the political, automotive, and service categories;
- 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;
- the performance of networks and syndicators that provide us with programming content, as well as the performance of internally originated programming;
- the availability and cost of programming from networks and syndicators, as well as the cost of internally originated programming;
- our relationships with networks and their strategies to distribute their programming via means other than their local television affiliates, such as over-the-top content;
- the effects of the Federal Communications Commission's (FCC) National Broadband Plan, the impact of the repacking of our broadcasting spectrum, as a result of the incentive auction, within a limited timeframe and funding allocated;
- the potential for additional governmental regulation of broadcasting or changes in those regulations and court actions interpreting those regulations, including ownership regulations limiting over-the-air television's ability to compete effectively (including regulations relating to Joint Sales Agreements (JSA), Shared Services Agreements (SSA), cross ownership rules, and the national ownership cap), arbitrary enforcement of indecency regulations, retransmission consent regulations and political or other advertising restrictions, such as payola rules;
- the impact of FCC and Congressional efforts which may restrict a television station's retransmission consent negotiations;
- the impact of FCC rules requiring broadcast stations to publish, among other information, political advertising rates online;
- the impact of foreign government rules related to digital and online assets;
- labor disputes and legislation and other union activity associated with film, acting, writing and other guilds and professional sports leagues;
- the broadcasting community's ability to develop and adopt a viable mobile digital broadcast television (mobile DTV) strategy and platform, such as the adoption of ATSC 3.0 broadcast standard, and the consumer's appetite for mobile television;
- the impact of programming payments charged by networks pursuant to their affiliation agreements with broadcasters requiring compensation for network programming;
- the potential impact from elimination of rules prohibiting mergers of the four major television networks;

the effects of declining live/appointment viewership as reported through rating systems and local television efforts to adopt and receive credit for same day viewing plus viewing on-demand thereafter;

- changes in television rating measurement methodologies that could negatively impact audience results;
- the ability of local MVPDs to coordinate and determine local advertising rates as a consortium;
- changes in the makeup of the population in the areas where stations are located;
- the operation of low power devices in the broadcast spectrum, which could interfere with our broadcast signals;
- Over-the-top (OTT) technologies and their potential impact on cord-cutting;
- the impact of MVPDs, virtual MVPDs (vMVPDs), and OTTs offering “skinny” programming bundles that may not include television broadcast stations or other programming that we distribute; and
- fluctuations in advertising rates and availability of inventory.

Table of Contents

***Risks specific to us***

- the effectiveness of our management;
- our ability to attract and maintain local, national, and network advertising and successfully participate in new sales channels such as programmatic and addressable advertising through business partnership ventures and the development of technology;
- our ability to service our debt obligations and operate our business under restrictions contained in our financing agreements;
- our ability to successfully implement and monetize our own content management system (CMS) designed to provide our viewers significantly improved content via the internet and other digital platforms;
- our ability to successfully renegotiate retransmission consent and affiliation fees (cable network fees) agreements;
- our ability to secure distribution of our programming to a wide audience;
- our ability to renew our FCC licenses;
- our limited ability to obtain FCC approval for any future acquisitions, as well as, in certain cases, customary antitrust clearance for any future acquisitions;
- our exposure to any wrongdoing by those outside the Company, but which could affect our business or pending acquisitions;
- our ability to identify media business investment opportunities and to successfully integrate any acquired businesses, as well as the success of our new content and distribution initiatives in a competitive environment, including CHARGE!, TBD, Comet, STIRR, Circa, other original programming, and mobile DTV;
- 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 effectively respond to technology affecting our industry and to increasing competition from other media providers;
- our ability to deploy a nationwide of next generation broadcast platforms network (NextGen);
- the strength of ratings for our local news broadcasts including our news sharing arrangements; and
- the results of prior year tax audits by taxing authorities.

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



Table of Contents**PART I****ITEM 1. BUSINESS**

We are a diversified television broadcasting company with national reach and a strong focus on using our spectrum to bring together content providers, advertisers, and consumers on various platforms. The content, distributed through our broadcast platform, consists of programming provided by third-party networks and syndicators, local news, our own networks, and other original programming produced by us. We also distribute our original programming, and owned and operated networks, on other third-party platforms. Additionally, we own digital and internet media products that are complementary to our extensive portfolio of television station related digital properties. We focus on offering marketing solutions to advertisers through our television and digital platforms and digital agency services. Outside of our media related businesses, we operate technical services companies focused on supply and maintenance of broadcast transmission systems as well as research and development for the advancement of broadcast technology, and we manage other non-media related investments.

*Broadcast*

As of December 31, 2018, our broadcast distribution platform consists primarily of our broadcast television stations. We own, provide programming and operating services pursuant to local marketing agreements (LMAs), or provide sales services and other non-programming operating services pursuant to other outsourcing agreements (such as JSAs and SSAs) to 191 stations in 89 markets. These stations broadcast 605 channels, including 240 channels affiliated with primary networks or program service providers comprised of: FOX (59), ABC (41), CBS (30), NBC (24), CW (47), and MyNetworkTV (MNT) (39). The other 365 channels broadcast programming from Antenna TV, Azteca, Bounce Network, CHARGE!, Comet, Estrella TV, Get TV, Grit, Me TV, Movies!, Nevada Sports Network, Stadium, TBD, Telemundo, This TV, Unimas, Univision, Weather, and two channels broadcasting independent programming. For the purpose of this report, these 191 stations and 605 channels are referred to as “our” stations and channels. Refer to our *Television Markets and Stations* table later in this *Item 1*. for more information.

Our broadcast segment provides free over-the-air programming to television viewing audiences in the communities we serve through our local television stations. The programming that we provide on our primary channels consists of network provided programs, locally-produced news, local sporting events, programming from program service arrangements, syndicated entertainment programs, and internally originated programming provided by our other media subsidiaries. We provide live, local sporting events on many of our stations by acquiring the local television broadcast rights for these events.

We are the nation's largest producer of local news. We produce approximately 2,500 hours of news per week at 126 stations in 85 markets. During 2018, our stations were awarded with 338 journalism awards, including two National Edward R. Murrow awards.

Our broadcast segment derives revenue primarily from the sale of advertising inventory on our television stations and fees received from MVPDs for the right to distribute our channels on their distribution platforms. We also earn revenues by providing digital content to non-linear devices via websites, mobile, and social media advertisements. Our objective is to meet the needs of our advertising customers by delivering significant audiences in key demographics. Our strategy is to achieve this objective by providing quality local news programming, popular network, syndicated and live sports programs, and other original content to our viewing audience. We attract most of our national television advertisers through national marketing representation firms which have offices in New York City, Los Angeles, Chicago, and Atlanta. Our local television advertisers are attracted through the use of a local sales force at each of our television stations, which is comprised of approximately 700 marketing consultants and 100 local sales managers company-wide.

Our operating results are subject to cyclical fluctuations from political advertising. Political spending has been significantly higher in the even-number years due to the cyclicity of political elections. In addition, every four years, political spending is typically elevated further due to the advertising related to the presidential election. Because of the political election cyclicity, there has been a significant difference in our operating results when comparing even-numbered years' performance to the odd numbered years' performance. Additionally, our operating results are impacted by the number and importance of individual political races and issues discussed on a national level as well as those within the local communities we serve. We believe political advertising will continue to be a strong advertising category in our industry. Political advertising levels may increase further as political-activism, around social, political, economic and environmental causes, continues to draw attention and Political Action Committees (PACs), including so-called Super PACs, continue to increase spending.

Table of Contents

*Owned Networks and Content*

We own and operate various networks carried on distribution platforms owned by us or others including: Comet, our science fiction multicast network; CHARGE!, our adventure and action-based emerging network, which launched in February 2017; and TBD, the first multiscreen TV network in the U.S. market to bring premium internet-first content to TV homes across America, which launched in February 2017.

We also own and operate Tennis Channel, a cable network which includes coverage of many of tennis' top tournaments and original professional sport and tennis lifestyle shows, and Tennis Magazine, the sport's largest print publication, and Tennis.com (collectively, Tennis), the most visited online tennis platform in the world.

In February 2019, we announced a joint venture with the Chicago Cubs (Cubs) that will own and operate Marquee Sports Network, a regional sports network based in Chicago, Illinois. Marquee will be the Chicago-region's exclusive network for fans to view live Cubs games beginning with the 2020 Major League Baseball season and will also feature exclusive Cubs content and other local sports programming.

Our internally developed content, in addition to our local news, includes Ring of Honor (ROH), our professional wrestling promotion, and Full Measure with Sharyl Attkisson (Full Measure), our national Sunday morning investigative and political analysis program.

Also, we have an investment in Stadium, a network that brings together professional sports highlights and college games.

*Digital and Internet*

We earn revenues from Compulse Integrated Marketing (Compulse), a full service digital agency which uses our digital expertise to help businesses run social media, search, advertising, email marketing, web design, mobile marketing and creative services, and audience extension, and navigate and compete in a world of constant innovation and changes in consumer behavior. In August 2018, Compulse expanded its business with the launch of CompulseOTT, a new over-the-top advertising platform exclusively focused on OTT advertising.

DataSphere Technologies, acquired in June 2017, provides marketing services to small businesses across the country and works in partnership with multiple media companies, including Sinclair.

Our digital and internet content includes Circa, a national digital news operation offering video-rich news and entertainment tailored for mobile devices and aimed at the younger demographic; NewsON, a free, ad-supported app that provides instant access to live or on-demand local news broadcasts; and STIRR, a new national OTT streaming service which offers live and on-demand content spanning entertainment, sports, and news which launched in January 2019.

Sinclair Digital Ventures focuses on investment in emerging digital technologies, ad tech, and digital content companies that support, compliment, or expand the Company's businesses.

Table of Contents*Technical Services*

We own subsidiaries which are dedicated to providing technical services to the broadcast industry, including: Acrodyne Technical Services, a provider of service and support for broadcast transmitters throughout the world; Dielectric, a designer and manufacturer of broadcast systems including all components from transmitter output to antenna; ONE Media, a technology innovator at the forefront of developing industry standards and related technologies for ATSC 3.0, a next generation (NextGen) broadcast standard encompassing a flexible and enhanced vision for broadcasting; and ONE Media 3.0, a wholly-owned subsidiary whose purpose is to develop business opportunities, products, and services associated with the NextGen broadcast transmission standard and TV platform.

*Non-media Investments*

We own various non-media related investments across multiple asset classes including private equity, mezzanine financing, and real estate investments. Some of the largest investments include: Triangle Sign and Service (Triangle), a sign designer and fabricator; Jefferson Park, a mixed-use land development project in Frederick, MD; investments in sustainability initiatives; and a portfolio of apartment complexes.

*Corporate Information*

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

*Television Markets and Stations*

As of December 31, 2018, we own and operate or provide programming and/or sales and other shared services to television stations in the following 89 markets:

Market	Market Rank (a)	Number of Channels	Stations	Network Affiliation (b)
Washington, DC	6	4	WJLA	ABC
Seattle / Tacoma, WA	13	6	KOMO, KUNS	ABC
Minneapolis / St. Paul, MN	15	4	WUCW	CW
St. Louis, MO	21	4	KDNL	ABC
Portland, OR	22	10	KATU, KUNP, KUNP-LD	ABC
Pittsburgh, PA	24	7	WPGH, WPNT	FOX, MNT
Raleigh / Durham, NC	25	7	WLFL, WRDC	CW, MNT
Baltimore, MD	26	8	WBFF, WNUV(c), WUTB(d)	FOX, CW, MNT
Nashville, TN	27	9	WZTV, WNAB(d), WUXP	FOX, CW, MNT
Salt Lake City, UT	30	9	KUTV, KMYU, KJZZ, KENV(d)	CBS, MNT, IND
San Antonio, TX	31	8	KABB, WOAI, KMYS(d)	FOX, NBC, CW
Columbus, OH	34	9	WSYX, WTTE(c), WWHO(d)	ABC, FOX, CW, MNT
Cincinnati, OH	35	7	WKRC, WSTR(d)	CBS, CW, MNT
Milwaukee, WI	36	3	WVTV	CW, MNT
West Palm Beach / Fort Pierce, FL	37	12	WPEC, WTVX, WTCN-CA,	CBS, CW, MNT

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Asheville, NC / Greenville, SC	38	8	WWHB-CA	
Las Vegas, NV	39	8	WLOS, WMYA(c)	ABC, MNT
Austin, TX	40	2	KSNV, KVCW	NBC, CW, MNT
Harrisburg / Lancaster / Lebanon / York, PA	41	3	KEYE	CBS
			WHP	CBS, CW, MNT
Birmingham / Tuscaloosa, AL	43	14	WBMA-LD, WDBB(c), WTTO, WABM	ABC, CW, MNT

7

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Table of Contents

Market	Market Rank (a)	Number of Channels	Stations	Network Affiliation (b)
Norfolk, VA	44	4	WTVZ	MNT
Oklahoma City, OK	45	6	KOKH, KOCB	FOX, CW
Greensboro / High Point / Winston Salem, NC	46	7	WXLV, WMYV	ABC, MNT
Grand Rapids / Kalamazoo, MI	49	3	WWMT	CBS, CW
Buffalo, NY	52	7	WUTV, WNYO	FOX, MNT
Providence, RI / New Bedford, MA	53	4	WJAR	NBC
Fresno / Visalia, CA	54	12	KMPH, KMPH-CD, KFRE	FOX, CW
Richmond, VA	56	4	WRLH	FOX, MNT
Little Rock / Pine Bluff, AR	57	4	KATV	ABC
Mobile, AL / Pensacola, FL	58	11	WEAR, WPMI(d), WFGX, WJTC(d)	ABC, NBC, MNT, IND
Albany, NY	59	7	WRGB, WCWN	CBS, CW
Tulsa, OK	61	4	KTUL	ABC
Wilkes Barre / Scranton, PA	62	10	WOLF(c), WSWB(d), WQMY(c)	FOX, CW, MNT
Lexington, KY	63	4	WDKY	FOX
Dayton, OH	64	8	WKEF, WRGT(d)	ABC, FOX, MNT
Flint / Saginaw / Bay City, MI	65	10	WSMH, WEYI(d), WBSF(d)	FOX, NBC, CW
Green Bay / Appleton, WI	67	7	WLUK, WCWF	FOX, CW
Roanoke / Lynchburg, VA	68	4	WSET	ABC
Omaha, NE	69	7	KPTM, KXVO(c)	FOX, CW, MNT
Charleston / Huntington, WV	70	7	WCHS, WVAH(d)	ABC, FOX
Toledo, OH	71	4	WNWO	NBC
Columbia, SC	74	4	WACH	FOX
Des Moines, IA	75	4	KDSM	FOX
Wichita / Hutchinson, KS	76	18	KSAS, KOCW, KAAS, KAAS-LP, KSAS-LP, KMTW(c)	FOX, MNT
Spokane, WA	77	3	KLEW	CBS
Harlingen / Weslaco / Brownsville / McAllen, TX	78	3	KGBT	CBS
Rochester, NY	80	7	WHAM(d), WUHF	ABC, FOX, CW
Syracuse, NY	81	7	WTVH(d), WSTM, WSTQ-LP	CBS, NBC, CW
Champaign / Springfield / Decatur, IL	82	17	WICS, WICD, WCCU(d), WRSP(d), WBUI(d)	ABC, FOX, CW
Chattanooga, TN	83	7	WTVC, WFLI(d)	ABC, FOX, CW, MNT
Portland, ME	84	6	WGME, WPFO(d)	CBS, FOX
El Paso, TX	85	7	KDBC, KFOX	CBS, FOX, MNT
Madison, WI	86	4	WMSN	FOX
Cedar Rapids, IA	87	7	KGAN, KFXA(d)	CBS, FOX
Paducah, KY/ Cape Girardeau, MO	88	7	KBSI, WDKA	FOX, MNT

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Savannah, GA	93	4	WTGS	FOX
Charleston, SC	94	3	WCIV	ABC, MNT
Myrtle Beach / Florence, SC	95	7	WPDE, WWMB(c)	ABC, CW
South Bend-Elkhart, IN	99	2	WSBT	CBS, FOX
Boise, ID	100	7	KBOI, KYUU-LD	CBS, CW Plus
Tri-Cities, TN-VA	102	7	WEMT(d), WCYB	FOX, NBC, CW
Johnstown / Altoona, PA	106	4	WJAC	NBC

8

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Table of Contents

Market	Market Rank (a)	Number of Channels	Stations	Network Affiliation (b)
Greenville / New Bern / Washington, NC	107	8	WCTI, WYDO(d)	ABC, FOX
Reno, NV	109	9	KRXI, KRNVD, KAME(c)	FOX, NBC, MNT
Lincoln and Hasting-Kearney, NE	111	11	KHGI, KHGI-LD, KWNB, KHGI-CD, KWNB-LD, KFXL	ABC, FOX
Tallahassee, FL	112	7	WTWC, WTLF(d)	NBC, FOX, CW Plus
Peoria / Bloomington, IL	113	1	WHOI	Comet
Macon, GA	118	3	WGXA	ABC, FOX
Yakima / Pasco / Richland / Kennewick, WA	119	18	KIMA, KEPR, KUNW-CD, KVVK-CD, KORX-CD	CBS, CW Plus
Traverse City / Cadillac, MI	120	11	WGTU(d), WGTQ(d), WPBN, WTOM,	ABC, NBC
Bakersfield, CA	122	7	KBAK, KBFX-CD	CBS, FOX
Eugene, OR	123	18	KVAL, KCBY, KPIC(e), KMTR(d), KMCB(d), KTCW(d)	CBS, NBC, CW Plus
Corpus Christi, TX	128	3	KSCC, KTOV-LP, KXPX-LP	FOX, MNT
Amarillo, TX	131	8	KVII, KVIH	ABC, CW Plus
Chico-Redding, CA	132	13	KRCR, KCVU(d), KRVU-LD, KUCO-LP, KKTF-LD	ABC, FOX, MNT
Medford, OR	135	4	KTVL	CBS, CW Plus
Columbia / Jefferson City, MO	136	4	KRCG	CBS
Beaumont / Port Arthur / Orange, TX	140	7	KFDM, KBTVD	CBS, FOX, CW Plus
Sioux City, IA	149	15	KMEG(d), KPTH, KBVK-LP, KPTP-LD	CBS, FOX, MNT
Albany, GA	152	4	WFXL	FOX
Gainesville, FL	157	8	WGFL(c), WNBW(d), WYME-CD(c)	CBS, NBC, MNT
Wheeling, WV / Steubenville, OH	162	3	WTOV	NBC, FOX
Missoula, MT	164	6	KECI, KCFW	NBC
Abilene / Sweetwater, TX	165	4	KTXS, KTES-LD	ABC, CW Plus
Quincy, IL / Hannibal, MO / Keokuk, IA	174	3	KHQA	ABC, CBS
Butte / Bozeman, MT	185	3	KTVM	NBC
Eureka, CA	195	10	KAEF, KBVU(d), KECA-LD, KEUV-LP	ABC, FOX, CW, MNT
San Angelo, TX	196	3	KTXE-LD	ABC, CW
Ottumwa, IA / Kirksville, MO	200	3	KTVO	ABC, CBS
<b>Total Television Channels</b>		<b>605</b>		

(a) Rankings are based on the relative size of a station's Designated Market Area (DMA) among the 210 generally recognized DMAs in the United States as estimated by Nielsen Media Research (Nielsen) as of September 2018.

(b) We broadcast programming from the following providers on our channels:





Table of Contents

Affiliation	Number of Channels	Number of Markets	Expiration Dates (1)
ABC	41	30	August 31, 2022
CBS	30	25	April 30, 2020 through December 31, 2021
CW	47	36	August 31, 2019 through August 31, 2021
FOX	59	43	December 31, 2019 through December 31, 2020
MNT	39	32	August 31, 2019
NBC	24	17	December 31, 2021

**Total Major Network Affiliates 240**

Affiliation	Number of Channels	Number of Markets	Expiration Dates (1)
Antenna TV	22	20	January 1, 2019 through January 1, 2021
Azteca	3	2	February 28, 2018 through August 31, 2020
Bounce Network	1	1	August 31, 2019
CHARGE!	65	57	(2)
Comet	90	75	(2)
Estrella TV	1	1	September 30, 2017
Get TV	5	5	June 30, 2017
Grit	1	1	December 31, 2019
Independent programming	2	2	N/A
Me TV	18	15	February 28, 2018 through August 31, 2021
Movies!	7	6	November 1, 2019 through November 18, 2019
Stadium	53	48	December 31, 2022
TBD	75	65	(2)
Telemundo	1	1	December 31, 2019
This TV	5	4	November 1, 2014 through December 31, 2015
Unimas	1	1	December 31, 2019
Univision	9	5	December 31, 2019
Weather	6	4	December 31, 2017
<b>Total Other Affiliates</b>	<b>365</b>		

**Total Television Channels 605**

When we negotiate the terms of our network affiliations or program service arrangements, we generally negotiate on behalf of all of our stations affiliated with that entity simultaneously. This results in substantially similar terms (1) for our stations, including the expiration date of the network affiliations or program service arrangements. If the affiliation agreement expires, we may continue to operate under the existing affiliation agreement on a temporary basis while we negotiate a new affiliation agreement.

(2) An owned and operated network, which is carried on our multi-cast distribution platform.

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

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

(e) We provide programming, sales, operational, and administrative services to this station, of which 50% is owned by a third party.



Table of Contents

***Operating Strategy***

*Programming to Attract Viewership.* We seek to target our programming offerings to attract viewership, to meet the needs of the communities in which we serve, and to meet the needs of our advertising customers. In pursuit of this strategy, we seek to develop original programming or obtain, at attractive prices, popular syndicated programming that is complementary to each station's network programming. We also seek to broadcast live local and national sporting events that would appeal to a large segment of the local community. Moreover, we produce local news at 126 stations in 85 markets. See *News* below for further discussion.

Television advertising prices are based on ratings information measured and distributed by Nielsen and Comscore. Except for its Local People Meter service and Household viewing in Set Meter Markets, Nielsen is currently not accredited by the Media Rating Council, an independent organization that monitors rating services. As of December 31, 2018, Sinclair's footprint includes 12 markets measured by Code Reader methodology and 48 markets measured by RPD+ methodology, which uses Set Top Box data. Neither of these methodologies are currently accredited by the Media Rating Council. Comscore is an alternative rating service provider that uses set-top box television measurements to provide us additional measurement information to the ratings services that Nielsen provides for most of our stations.

*News.* Local news is at the heart of the Company. Our mission is to serve our communities by sharing relevant information to alert, protect, and empower our audiences. We believe that the production and broadcasting of local news is an important link to the community and an aid to a station's efforts to expand its viewership. In addition, local news programming can provide access to advertising sources targeted specifically to local news viewers. Our news stations also produce content on digital platforms such as websites, mobile applications, OTT, and social media.

During 2018, we expanded news in 6 markets. During the year ended December 31, 2018, 34% of our net time sales were earned during the local news we produce each week.

Our local news initiatives are an important part of our strategy. We have entered into local news sharing arrangements in which we receive news in 12 markets from other in-market broadcasters. We believe that, in the markets where we have news share arrangements, such arrangements generally provide both higher viewer ratings and revenues for the station receiving the news and generate a profit for the news share provider. Generally, both parties and the local community are beneficiaries of these arrangements.

In addition to our traditional local news stories, we have utilized our national reach and placement in the nation's capital to provide our local viewers with broader national news stories which are relevant to our local viewers.

Our local news coverage is supported by our national news desk and Capitol Hill bureau. These teams produce daily unique stories unavailable from other sources. This content provides a significant point of difference with a focus on accountability reporting for our stations. Available on-air and online, the bureau not only expands our news presence, but gives our local station viewers an opportunity to hear the views of their members of Congress through programs such as "Connect to Congress," our weekly on-air and digital feature which provides an electronic video pathway for lawmakers to speak to their constituents. Our weekly investigative news program, Full Measure with Sharyl Attkisson, reinforces our mission to provide our fearless storytelling on significant topics of public importance.

In January 2019, we announced a new, daily commentary segment, "Cross Point with Ameshia Cross". As programming like "Connect to Congress" continues to garner high engagement and strong reception among viewers, the addition will expand the repertoire of contributors and provide another perspective to the issues discussed in Boris Epshteyn's 'Bottom Line with Boris'.

During 2017, we created a national investigative news unit consisting of more than 50 reporters, which we plan to grow, to provide in-depth stories not covered elsewhere.

We also provide our viewers with "Town Halls," which brings together our viewers to discuss major local and national topics. During 2018 we produced "Town Halls" covering political debates and discussions about a wide range of topics including the Me Too movement, bullying and teen suicide, hurricanes, school safety, and opioids. During 2019, we expect to produce over 120 hours of such coverage.

In 2017, we acquired NewsOn, a single app to watch live, local news on mobile and OTT devices.

Table of Contents

*Popular Sporting Events.* At some of our stations, we have been able to acquire local television broadcast rights for certain sporting events, including NBA basketball, MLB baseball, NFL football, NHL hockey, ACC basketball, both Big Ten and SEC football and basketball, and certain other college and high school sports. Our CW and MyNetworkTV stations generally face fewer preemption restrictions on broadcasting live local sporting events compared with our FOX, ABC, CBS, and NBC stations, which are required to broadcast a greater number of hours of programming supplied by the networks. In addition, our stations that are affiliated with FOX, ABC, CBS, and NBC have network arrangements to broadcast certain NBA basketball games, MLB baseball games, NFL football games, NHL hockey games, and PGA golf events, as well as other popular sporting events. Tennis has telecast rights to the U.S. Open; Wimbledon; Roland Garros (French Open); Australian Open; ATP World Tour Masters 1000, 500, and 250 events; WTA Premier, International, and Finals; Laver Cup; Hopman Cup; ATP and WTA Pro Circuit; and College and Junior events and exhibitions. Our stations also broadcast programming and other content provided by Tennis and we provide access to certain events through our premium OTT offering, Tennis Channel Plus. See *Development of Original Networks and Content* below for a discussion related to the operating strategy of Tennis. In February 2019, we announced a joint venture with the Chicago Cubs (Cubs) that will own and operate Marquee Sports Network, a regional sports network based in Chicago, Illinois. Marquee will be the Chicago-region's exclusive network for fans to view live Cubs games beginning with the 2020 Major League Baseball season and will also feature exclusive Cubs content and other local sports programming.

*Control of Operating and Programming Costs.* By employing a disciplined approach to managing programming acquisition and other costs, we have been able to achieve operating margins that we believe are very competitive within the television broadcast industry. We believe our national reach as of December 31, 2018 of approximately 39% of the country provides us with a strong position to negotiate with programming providers and, as a result, the opportunity to purchase high quality programming at more favorable prices. Moreover, we emphasize control of each of our station's programming and operating costs through program-specific profit analysis, detailed budgeting, regionalization of staff, and detailed long-term planning models. We also control our programming cost by creating original high-quality programming that is distributed on our broadcast platform. This original programming includes our CHARGE!, TBD, Comet, and Stadium networks; ROH; and Full Measure.

*Developing Local Franchises.* We believe the greatest opportunity for a sustainable and growing customer base lies within our local communities. Therefore, we have focused on developing a strong local sales force at each of our television stations, which is comprised of approximately 700 marketing consultants and 100 local sales managers company-wide. Excluding political advertising revenue, distribution revenues, and other local revenues, 54.2% and 69.9% of our same station net time sales were local for the years ended December 31, 2018 and 2017, respectively. Our goal is to grow our local revenues by increasing our market share, developing new business opportunities, and offering marketing solutions across our platforms.

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

*Multi-Channel Broadcasting.* FCC rules allow broadcasters to transmit additional digital channels within the spectrum allocated to each FCC license holder. This provides viewers with additional programming alternatives at no additional cost to them. We may consider other alternative programming formats that we could air using our multi-channel digital spectrum space with the goal towards achieving higher profits and community service. As of

December 31, 2018, we have 416 multi-channels in our digital spectrum.

*Distribution Agreements.* We have distribution agreements with MVPDs, vMVPDs, and OTT distributors who compensate us for the right to retransmit our broadcast signals and owned networks. Our successful negotiations with MVPDs have created agreements that produce meaningful sustainable revenue streams.

*Improvement and Maintenance of Our Distribution Platforms.* Our Acrodyne and Dielectric subsidiaries are leaders in servicing and manufacturing broadcast infrastructure. As a result, we maintain a strong infrastructure through which we provide high quality uninterrupted content on our broadcast stations. These subsidiaries are critical in both the repack of the broadcast spectrum and the buildout of the infrastructure behind the Advanced Television Systems Committee standard 3.0 (ATSC 3.0) for both our stations and other broadcasters.

*Developing New Business.* We strive to develop new business models to complement or enhance our traditional television broadcast business. We have developed new ways to sell online, mobile text messaging, social media advertising, and audience

Table of Contents

extension services along with our traditional commercial broadcasting model. Additionally, we continue to leverage our national reach to provide new high quality content to our local communities.

We continue to expand our digital distribution platforms through initiatives such as our new video management system, which simplifies and automates our broadcast-to-digital streaming workflow and allows for dynamic replacement of broadcast ads with digital ads targeted to each individual viewer, and allows us to ingest and redistribute content across our platform so that we can break news first. By using a single ad-serving system across all of our web sites, mobile apps, and other digital assets, we are able to streamline our sales workflow, optimize yield, and deliver comprehensive sales opportunities across our digital footprint. Additionally, we are deploying OTT initiatives, such as STIRR, as well as our own content applications.

Additionally, we have continued to develop business opportunities, products, and services associated with NextGen as discussed under *Development of Next Generation Broadcast Platform* below.

*Strategic Realignment of Media Portfolio.* We routinely review potential media acquisitions, dispositions, and swaps. At any given time, we may be in discussions with one or more media owners.

*Development of Original Networks and Content.* In March 2016, we acquired Tennis. Unlike fully distributed cable networks that are in a declining business, Tennis, with its live tournaments and matches, passionate fan base, and established brand, was under-distributed. With our relationships with the multi-video program distributors (MVPDs) and the attractiveness of Tennis' following, we have negotiated significant increases in carriage with MVPDs, with more penetration expected. Among the many benefits of the expanded carriage and pairing their content with our broadcast promotional capabilities, are additional MVPD subscriber fees, viewers, and advertising revenues. In March 2017, we acquired Tennis Magazine, the sport's largest print publication, and Tennis.com, the most visited online tennis platform in the world. These acquisitions complement Tennis Channel and allows us to provide greater and more in depth tennis content to consumers on TV, internet, and print. We have also expanded Tennis Channel's content by obtaining or extending rights to network and OTT streaming coverage of Women's Tennis Association, ATP World Tour 1000s, and ATP World 500s.

We have also launched or announced multicast networks Comet, our science fiction multicast network; CHARGE!, our adventure and action-based emerging network, which launched in February 2017; TBD, the first multiscreen TV network in the U.S. market to bring premium internet-first content to TV homes across America, which launched in February 2017.

Additionally, in February 2019, we announced Marquee Sports Network, a regional sports network based in Chicago, Illinois as discussed under *Original Networks and Content* under *Item 1. Business*.

*Digital and Internet.* Our digital properties, Circa, Compulse, Datasphere, and NewsOn are innovative products and extensions of our core broadcast business that allow us to compete for digital, internet, network, and print impressions and revenues. We continue to seek additional opportunities to invest in emerging digital technologies, ad tech, and digital content companies that support and expand Sinclair's digital capabilities and non-linear footprint.

Also, in January 2019, we launched STIRR a new national OTT streaming service which offers live and on-demand content spanning entertainment, sports, and news.

*Development of Next Generation Broadcast Platform.* In 2017, the FCC approved the use of ATSC 3.0, a next generation broadcast transmission standard. NextGen is capable of merging broadcast and broadband data services using over-the-air spectrum and Internet-provided data connectivity, allowing a mature broadcast industry to reinvent itself due to its mobility, addressability, capacity, IP connectivity, and conditional access.



NextGen will allow us to use our spectrum for more than just video-formatted data as we do today. As a data-agnostic Internet Protocol (IP) based pipe, we also will be able to distribute any kind of data including text, audio, video, and software. While our one-to-many architecture will remain a strength, we will be able to deliver “the last mile” from program/data origination to the consumer's receiver device across a more robust system, connect legacy ATSC 1.0 televisions to NextGen using hot spots and wi-fi functionality, and provide compatible data-offload service offerings in conjunction with certain 5G platforms. Among the many emerging opportunities are hyper-local news, weather, and traffic; dynamic ad insertion; geographic and demographic-targeted advertising; customizable content; better measurement and analytics; the ability to interface with devices connected to the Internet; flexibility to add streams as needed; substantially enhanced picture quality with immersive audio; connectivity to automobiles, including 3D mapping, telematics and infotainment; data wholesale models; and other content delivery networks. Conditional access capabilities also permits broadcasters to offer secure “skinny-bundle” pay services as well as video-on-demand offerings. In addition, NextGen provides new emergency capabilities, including advanced alerting functions which can provide evacuation routes and device wake-up features. All of these features will be available to mobile devices, allowing us to reach viewers anywhere.

Table of Contents

In order to bring this technology to the market, we have partnered with technology leaders to develop broadcasting solutions and services in the U.S. and globally. We have also formed a joint venture with other broadcasters, SpectrumCo, to promote spectrum efficiency and innovation, and aggregate and monetize underutilized spectrum capacity over which to deliver national services and create opportunities such as robust video and data exchange. We continue to work with other NextGen stakeholders to build and test the single frequency network tower infrastructure, develop systems to allow the convergence of NextGen and 5G data delivery, and design NextGen receiver chips for mobile devices. We expect the implementation and adoption of NextGen to occur over the next three years alongside the government's broadcast spectrum repack. Throughout 2019, we will begin deployment of NextGen capabilities on our own television facilities and in conjunction with other station operators in our markets. When completed, the country will have a lower-cost, world class wireless IP data distribution network capable of supporting multiple business models.

*Monetization of Certain Intellectual Property Rights.* We have developed, on our own and through our ONE Media, LLC joint venture with Coherent Logix, several ATSC 3.0-related patents that we intend to monetize directly, through third-party agents, or through a patent pool designed to consolidate similar patents owned by independent licensors for licensing to equipment manufacturers.

*Other Non-media Investments.* We have sought ways to diversify our business and return additional value to our shareholders through investments in non-media based businesses and real estate. We hold investments in various companies from different industries, including: a sign design and fabrication company; various real estate ventures in developmental land, operating commercial and multi-family residential real estate properties and apartments; investments in sustainability initiatives; and investments in private equity and structured debt / mezzanine financing investment funds. Currently, operating results from our investments represent a small portion of our overall operating results.

## **FEDERAL REGULATION OF TELEVISION BROADCASTING**

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

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

### ***License Grant and Renewal***

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

Although historically renewal of a license, including those of the Company, is granted in the vast majority of cases, even when petitions to deny are filed, there can be no assurance that the license of any station will be renewed or, if renewed, that the renewal terms will be for the maximum term permitted.

All of our stations' most recent license renewal applications have been granted for the maximum term permitted. The next television license renewal application cycle will begin on June 1, 2020. On November 26, 2018, the American Cable Association (ACA) filed an informal request with the FCC seeking to require the early filing of renewal applications for the licenses of four of our stations. We filed an opposition to this informal request on December 10, 2018. The matter remains pending, and we cannot predict whether or when the FCC will take action on ACA's informal request.

Table of Contents

***Ownership Matters***

*General.* The Communications Act prohibits the assignment of a broadcast license or the transfer of control of a broadcast licensee without the prior approval of the FCC. In determining whether to permit the assignment or transfer of control of, or the grant or renewal of, a broadcast license, the FCC considers a number of factors pertaining to the licensee, including compliance with various rules limiting common ownership of media properties, the “character” of the licensee and those persons holding “attributable” interests in that licensee and compliance with the Communications Act’s limitations on foreign ownership. The FCC has indicated that in order to approve an assignment or transfer of a broadcast license the FCC must make an affirmative determination that the proposed transaction serves the public interest, not merely that the transaction does not violate its rules or shares factual elements with other transactions previously approved by the FCC, and that it may deny a transaction if it determines that the transaction would not be in the public interest.

The FCC generally applies its ownership limits to “attributable” interests held by an individual, corporation, partnership or other association. In the case of corporations holding, or through subsidiaries controlling, broadcast licenses, the interests of officers, directors and those who, directly or indirectly, have the right to vote 5% or more of the corporation’s stock (or 20% or more of such stock in the case of insurance companies, investment companies and bank trust departments that are passive investors) are generally attributable. In addition, pursuant to what is known as the equity-debt-plus rule, a major programming supplier or same-market media entity will be an attributable owner of a station if the supplier or same-market media entity holds debt or equity, or both, in the station that is greater than 33% of the value of the station’s total debt plus equity. Further, the Communications Act generally prohibits foreign parties from having more than a 20% interest (voting or equity) in a broadcast licensee or more than a 25% interest in the parent of that licensee without receiving prior FCC approval to exceed these limits.. Following a Declaratory Ruling in 2013 in which the Commission indicated that it was open to considering proposals for foreign investment in broadcast licenses that exceed the 25% benchmark on a case by case basis, on September 29, 2016, the FCC adopted a Report and Order which among other things, (i) simplified the foreign ownership approval process for broadcast licensees seeking to exceed the 25% benchmark and (ii) modified the methodology a licensee may use to determine compliance with the foreign ownership rules.

Sinclair and its subsidiaries are domestic corporations, and the members of the Smith family (who, as of December 31, 2018, together hold approximately 76.6% of the common voting rights of Sinclair) are all United States citizens. Our amended and restated Articles of Incorporation (the Amended Certificate) contain limitations on alien ownership and control that are substantially similar to those contained in the Communications Act. Pursuant to the Amended Certificate, we have the right to repurchase alien-owned shares at their fair market value to the extent necessary, in the judgment of the Board of Directors, to comply with the alien ownership restrictions.

Additional ownership rules as currently in effect are as follows:

*Radio / Television Cross-Ownership Rule and Newspaper / Broadcast Cross-Ownership Rule.* Until recently, the FCC’s rules (i) limited the combined number of television and radio stations a party could own in a market to up to two television stations and six radio stations, depending on the number of independent media voices in the market, and (ii) prohibited the common ownership of a radio or television broadcast station and a daily newspaper in the same market. On November 20, 2017, the FCC released an Order on Reconsideration (Ownership Order on Reconsideration) that, among other changes, eliminated the Radio/Television Cross-Ownership Rule and the Newspaper/Broadcast Cross-Ownership Rule. The rule changes adopted in the Ownership Order on Reconsideration became effective on February 7, 2018. Petitions for Review of the Ownership Order on Reconsideration are currently pending in a consolidated proceeding before the U.S. Court of Appeals for the Third Circuit and Sinclair filed to intervene in the proceeding. We cannot predict the outcome of this proceeding. We do not currently own any daily newspapers.

*National Ownership Rule.* The national television viewing audience reach cap is 39%. Under this rule, where an individual or entity has an attributable interest in more than one television station in a market, the percentage of the national television viewing audience encompassed within that market is only counted once. Additionally, because VHF stations (channels 2 through 13) historically covered a larger portion of the market than UHF stations (channels 14 through 51), only half of the households in the market area of any UHF station are included when calculating an entity's national television viewing audience (commonly referred to as the UHF discount). On September 6, 2016, the FCC released a Report and Order eliminating the UHF discount (the "UHF Discount Order"), and on April 21, 2017, the Commission released an Order on Reconsideration (the "UHF Discount Order on Reconsideration") to reinstate the UHF discount pending a future rulemaking to examine the UHF discount together with the national audience reach cap. The UHF discount was reinstated on June 15, 2017 and is currently in effect. A Petition for Review of the UHF Discount Order on Reconsideration was filed in the U.S. Court of Appeals for the D.C. Circuit on May 12, 2017, and was dismissed by the Court on July 25, 2018. On December 18, 2017, the Commission released a Notice of Proposed Rulemaking to examine the national audience reach cap, including the UHF discount. The rulemaking proceeding remains pending. We cannot predict the outcome of the rulemaking proceeding.

Table of Contents

The majority of the stations we own and operate, or to which we provide programming services, are UHF. With the UHF discount, our current reach (for FCC purposes) is approximately 25% of U.S. households. See *Item 1A. Risk Factors* for further discussion of the risk related to the outcome of rules governing the UHF discount.

*Local Television (Duopoly) Rule.* A party may own television stations in adjoining markets, even if there is a digital noise limited service contour overlap between the two stations' broadcast signals, and generally may own two stations in the same market only (i) if there is no digital overlap between the stations; or (ii) not more than one station is among the top-four rated stations in the market (the top-four rule). Prior to the Ownership Order on Reconsideration, the FCC did not allow a party to own more than one station in the same market if there was digital overlap between the stations unless the market containing both the stations would contain at least eight independently owned full-power television stations post-merger (the eight voices test). The Ownership Order on Reconsideration eliminated the eight voices test. The Ownership Order on Reconsideration also modified the top-four rule to permit parties to own up to two top-four rated stations in the same market on a case-by-case basis. Both rule changes became effective on February 7, 2018. Petitions for Review of the Ownership Order on Reconsideration, including the changes to the Local Television Rule, are currently pending in a consolidated proceeding before the U.S. Court of Appeals for the Third Circuit. We cannot predict the outcome of this proceeding.

***Local Marketing and Outsourcing Agreements***

Certain of our stations have entered into agreements with other stations in the same market, through which we provide programming and operating services pursuant to time brokerage or local marketing agreements (LMAs) or provide sales services and other non-programming operating services pursuant to outsourcing agreements, such as joint sales agreements (JSAs) and shared services agreements (SSAs). LMAs are attributable where a licensee holds an attributable interest in a television station and (i) programs more than 15% of the weekly broadcast hours and/or (ii) sells more than 15% of the weekly advertising time on another television station in the same market. LMAs existing prior to November 5, 1996 are currently grandfathered until further FCC action. Currently, all of our LMAs are grandfathered under the local television ownership rule because they were entered into prior to November 5, 1996. If the FCC were to eliminate the grandfathering of these LMAs, we would have to terminate or modify these LMAs.

In August 2016, the FCC completed both its 2010 and 2014 quadrennial reviews of its media ownership rules and issued an order (Ownership Order) which left most of the existing multiple ownership rules intact, but amended the rules to provide for the attribution of JSAs where two television stations are located in the same market, and a party with an attributable interest in one station sells more than 15% of the advertising time per week of the other station. JSAs existing as of March 31, 2014 were grandfathered until October 1, 2025, at which point they would have to be terminated, amended or otherwise come into compliance with the JSA attribution rule. The subsequent Ownership Order on Reconsideration eliminated the JSA attribution rule. The rule changes adopted in the Ownership Order on Reconsideration became effective on February 7, 2018. Petitions for Review of the Ownership Order on Reconsideration, including the elimination of the JSA attribution rule, are currently pending in a consolidated proceeding before the U.S. Court of Appeals for the Third Circuit. We cannot predict the outcome of this proceeding. If we are required to terminate or modify our LMAs or JSAs, our business could be adversely affected in several ways, including losses on investments and termination penalties. For more information on the risks, see *Changes in rules on local marketing agreements under "The FCC's multiple ownership rules may limit our ability to operate multiple television stations in some markets and may result in a reduction in our revenue or prevent us from reducing costs. Changes in these rules may threaten our existing strategic approach to certain television markets."* within *Item 1A. Risk Factors* and *Changes in the Rules of Television Ownership, Local Marketing Agreements, Joint Sales Agreements, Retransmission Consent Negotiations, and National Ownership Cap* under *Note 11. Commitments and Contingencies* within the *Consolidated Financial Statements* for further discussion.

In March 2014, the FCC issued a public notice on the processing of broadcast television applications proposing sharing arrangements and contingent interests. The public notice indicated that the FCC would closely scrutinize any broadcast assignment or transfer application that proposes that two or more stations in the same market will enter into an agreement to share facilities, employees and/or services or to jointly acquire programming or sell advertising including through a JSA, LMA or similar agreement and enter into an option, right of first refusal, put /call arrangement or other similar contingent interest, or a loan guarantee. In February 2017, the processing guidelines provided in the March 2014 public notice were rescinded by the FCC.

*Antitrust Regulation.* The Department of Justice (DOJ) and the Federal Trade Commission have increased their scrutiny of the television industry and have reviewed matters related to the concentration of ownership within markets (including LMAs and outsourcing agreements) even when ownership or the LMA or other outsourcing agreement in question is permitted under the laws administered by the FCC or by FCC rules and regulations. The DOJ takes the position that an LMA or other outsourcing agreement entered into in anticipation of a station's acquisition with the proposed buyer of the station constitutes a change in beneficial ownership of the station which, if subject to filing under the Hart-Scott-Rodino Antitrust Improvements Act, cannot be implemented until the waiting period required by that statute has ended or been terminated.

Table of Contents

On January 4, 2019, the Company received three civil investigative demands (CIDs) from the Antitrust Division of the DOJ. We believe the DOJ has similar civil investigative demands to other companies in our industry. In each CID, the DOJ requested that the Company produce certain documents and materials relating to JSAs in a specific DMA. We are cooperating and are in discussions with the DOJ regarding our response to the CID. At this time, we are unable to predict the outcome of the CID process, including whether it will result in any action or proceeding against us.

***Satellite Carriage***

The Satellite Home Viewer Act (SHVA), as extended by The Satellite Home Viewer Improvement Act of 1999 (SHVIA), the Satellite Home Viewer Extension and Reauthorization Act (SHVERA), the Satellite Television Extension and Localism Act of 2010 (STELA) and the Satellite Television Extension and Localism Act Reauthorization (STELAR) among other things, (i) allows satellite carriers to provide local television signals by satellite within a station market, and to carry all local signals in any market where they carry any local signals, (ii) requires all television stations to elect to exercise certain “must-carry” or “retransmission consent” rights in connection with their carriage by satellite carriers, and (iii) authorizes satellite delivery of distant network signals, significantly viewed signals and local low-power television station signals into local markets under defined circumstances.

***Must-Carry / Retransmission Consent***

Television broadcasters are required to make triennial elections to exercise either certain “must-carry” or “retransmission consent” rights in connection with their carriage by cable systems in each broadcaster’s local market. By electing to exercise must-carry rights, a broadcaster demands carriage and receives a specific channel on cable systems within its DMA. Must carry rights are not absolute and are dependent on a number of factors which may or may not be present in a particular case. Alternatively, if a broadcaster chooses to exercise retransmission consent rights, it can prohibit cable systems from carrying its signal or grant the appropriate cable system the authority to retransmit the broadcast signal for a fee or other consideration. We have elected to exercise our retransmission consent rights with respect to all of our stations. In February 2015, the FCC issued an order implementing certain statutorily required changes to its rules governing the duty to negotiate retransmission consent agreements in good faith. Under these rules, unless the stations are directly or indirectly under common de jure control as permitted under the regulations of the Commission, a station may not delegate authority to negotiate or approve a retransmission consent agreement to a station located in the same market or to a third party that negotiates together with another television station in the same market, nor may stations in the same market facilitate or agree to facilitate coordinated negotiation of retransmission consent terms for their stations in that market, including through the sharing of information.

Further, in September 2015, the FCC released a Notice of Proposed Rulemaking in response to a Congressional directive in STELAR to examine the “totality of the circumstances test” for good-faith negotiations of retransmission consent. The proposed rulemaking sought comment on new factors and evidence to consider in its evaluation of claims of bad faith negotiation, including service interruptions prior to a “marquee sports or entertainment event,” restrictions on online access to broadcast programming during negotiation impasses, broadcasters’ ability to offer bundles of broadcast signals with other broadcast stations or cable networks, and broadcasters’ ability to invoke the FCC’s exclusivity rules during service interruptions. On July 14, 2016, the FCC's then-Chairman Wheeler announced that the FCC would not, at that time, proceed to adopt additional rules governing good faith negotiations of retransmission consent. No formal action has yet been taken on this Proposed Rulemaking, and we cannot predict if the full Commission will agree to terminate the Rulemaking without action.

***Network Non-Duplication / Syndicated Exclusivity / Territorial Exclusivity***



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

Table of Contents

***Digital Television***

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

***Programming and Operations***

The Communications Act requires broadcasters to serve the “public interest.” The FCC has relaxed or eliminated many of the more formalized procedures it had developed in the past to promote the broadcast of certain types of programming responsive to the needs of a station’s community of license. FCC licensees continue to be required, however, to present programming that is responsive to the needs and interests of their communities and to maintain certain records demonstrating such responsiveness. Complaints from viewers concerning a station’s programming may be considered by the FCC when it evaluates renewal applications of a licensee, although such complaints may be filed at any time and generally may be considered by the FCC at any time. Stations also must pay regulatory and application fees and follow various rules promulgated under the Communications Act that regulate, among other things, political advertising, sponsorship identifications, obscene and indecent broadcasts, and technical operations, including limits on radio frequency radiation. In addition, television licensees have obligations to create and follow employment outreach programs, provide a minimum amount of programming for children, comply with rules relating to the emergency alert system (EAS), maintain an online public inspection file, and abide by regulations specifying requirements to provide closed captions for its programming. FCC licensees are, in general, responsible for the content of their broadcast programming, including that supplied by television networks. Accordingly, there is a risk of being fined as a result of our broadcast programming, including network programming.

On October 24, 2017, the FCC approved the elimination of the main studio rule, which required each broadcast television, FM radio, and AM radio licensee to have a main studio staffed with at least two employees located in or near its station’s local community. The elimination of the main studio rule became effective on January 8, 2018.

***Pending Matters***

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

On November 16, 2017, the FCC adopted a Report and Order and Further Notice of Proposed Rulemaking authorizing the voluntary deployment of ATSC 3.0 and adopting rules to afford broadcasters flexibility to deploy ATSC 3.0 based transmissions while minimizing impact on consumers and industry stakeholders and seeking comment on certain additional matters. The Report and Order took effect on March 5, 2018, except for certain rules that required approval from the Office of Management and Budget which became effective on July 17, 2018. The public comment period for the proposed rulemaking closed on March 20, 2018, and the rulemaking remains pending.

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

Congress authorized the FCC to conduct so-called “incentive auctions” to auction and re-purpose broadcast television spectrum for mobile broadband use. In the repacking process associated with the auction, the FCC reassigned some stations to new post-auction channels. Full-power and Class A stations are expected to complete the transition to their post-auction channels in one of ten phases between November 30, 2018 and July 3, 2020. The legislation authorizing the incentive auction provides the FCC with a \$1.75 billion fund to reimburse reasonable costs incurred by stations that are reassigned to new channels in the repack. Congress allocated an additional \$1 billion to the reimbursement fund in the FCC Reauthorization Act of 2018. See *Broadcast Incentive Auction* under *Note 2. Acquisitions and Dispositions of Assets* within the *Consolidated Financial Statements* for further discussion of our participation, results, and post-auction process.

Table of Contents

On December 13, 2018, the FCC released a Notice of Proposed Rulemaking to initiate the 2018 Quadrennial Regulatory Review of the FCC's broadcast ownership rules, pursuant to the statutory requirement that the FCC review its media ownership rules every four years to determine whether they remain "necessary in the public interest as the result of competition." The NPRM generally seeks comment on whether the Local Radio Ownership Rule, the Local Television Ownership Rule, and the Dual Network Rule should be retained, modified, or eliminated. With respect to the Local Television Ownership Rule specifically, among other things, the NPRM seeks comment on possible modifications to the rule's operation, including the relevant product market, the numerical limit, the top-four prohibition; and the implications of multicasting, satellite stations, low power stations and the next generation standard. In addition, the NPRM examines further several diversity related proposals raised in the last quadrennial review proceeding. The public comment period will begin 60 days after publication of the NPRM in the Federal Register, which publication has not yet occurred.

***Other Considerations***

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

**ENVIRONMENTAL REGULATION**

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

**COMPETITION**

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

Competition in the television broadcasting industry occurs primarily in individual DMAs. Generally, a television broadcasting station in one DMA does not compete with stations in other DMAs. Our television stations are located in highly competitive DMAs. MVPDs can increase competition for a broadcast television station by bringing into its

market additional cable network channels. These narrow cable network channels are typically low rated, and, as a result, advertisements are inexpensive to the local advertisers. MVPDs may also connect two or more cable systems together, also called an interconnect, which gives advertisers the option to reach more households in a market with a single buy. In addition, certain of our DMAs are overlapped by over-the-air stations from adjacent DMAs and MVPDs of stations from other DMAs, which tends to spread viewership and advertising expenditures over a larger number of television stations. In addition, there is increased competition with OTT and other digital offerings that air video advertisements and sell programmatically to agencies and advertisers.

Television stations compete for audience share primarily on the basis of program popularity, which has a direct effect on advertising rates. Our network affiliated stations are largely dependent upon the performance of network provided programs in order to attract viewers. Non-network time periods are programmed by the station primarily with syndicated programs purchased for cash, cash and barter, or barter-only, as well as through self-produced news, public affairs programs, live local sporting events, paid-programming, and other entertainment programming.

Table of Contents

Television advertising rates are based upon factors which include the size of the DMA in which the station operates; a program's popularity among the viewers that an advertiser wishes to attract; the number of advertisers competing for the available time; the demographic makeup of the DMA served by the station; the availability of alternative advertising media in the DMA; the aggressiveness and knowledge of the sales forces in the DMA to call on and understand their client's need; and development of projects, features, and programs that tie advertiser messages to programming. We believe that our sales and programming strategies allow us to compete effectively for advertising revenues within our DMAs.

The television broadcasting industry is continuously faced with technical changes and innovations, competing entertainment and communications media, changes in labor conditions, and governmental restrictions or actions of federal regulatory bodies, including the FCC, any of which could possibly have a material effect on a television station's operations and profits.

Moreover, technology advances and regulatory changes affecting programming delivery through fiber optic lines, video compression, and new wireless uses could lower entry barriers for new video channels and encourage the further development of increasingly specialized "niche" programming. Telephone companies are permitted to provide video distribution services, on a common carrier basis, as "cable systems" or as "open video systems," each pursuant to different regulatory schemes. Additionally, over-the-top (OTT) services allow consumers to consume programming on-demand through access to the internet and without a subscription with an MVPD. We continue to compete with the OTT services for viewership.

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

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

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

## **EMPLOYEES**

As of December 31, 2018, we had approximately 9,000 employees. Approximately 800 employees are represented by labor unions under certain collective bargaining agreements. We have not experienced any significant labor problems and consider our overall labor relations to be good.

## **AVAILABLE INFORMATION**

We regularly use our website as a source of company information and it can be accessed at [www.sbgi.net](http://www.sbgi.net). We make available, free of charge through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of

the Exchange Act as soon as reasonably practicable after such documents are electronically submitted to the SEC, who also makes these reports available at <http://www.sec.gov>. In addition, a replay of each of our quarterly earnings conference calls is available on our website until the subsequent quarter's earnings call. The information contained on, or otherwise accessible through, our website is not a part of this Annual Report on Form 10-K and is not incorporated herein by reference.

**ITEM 1A. RISK FACTORS**

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

Table of Contents

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

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

the levels of automobile and services advertising, which historically have represented a large portion of our advertising revenue; for the year ended December 31, 2018, automobile and services advertising represented 20.5% and 17.6%, respectively, of our net time sales and internet revenue;

the levels of political advertising, which are significantly higher in even-number years and elevated further every four years related to the presidential election, historically have represented a large portion of our advertising revenue; for the year ended December 31, 2018, political advertising represented 16.4% of our net time sales and internet revenue;

the health of the economy in the areas where our television stations are located and in the nation as a whole;

the popularity of our programming and that of our competition;

the levels of political advertising, which are affected by political beliefs, public opinion, campaign finance laws, and the ability of political candidates and political action committees to raise and spend funds which are subject to seasonal fluctuations;

the effects of declining live/appointment viewership as reported through rating systems and local television efforts to adopt and receive credit for same day viewing plus viewing on-demand thereafter;

the effects of new rating methodologies;

changes in the makeup of the population in the areas where our stations are located;

the activities of our competitors, including increased competition from other forms of advertising-based mediums, such as other broadcast television stations, radio stations, MVPDs, internet and broadband content providers and other print, outdoor, and media outlets serving in the same markets;

over-the-top (OTT) and other emerging technologies and their potential impact on cord-cutting;

the impact of MVPDs, vMVPDs, and OTT distributors offering “skinny” programming bundles that may not include all programming of television broadcast stations and/or cable channels, such as Tennis Channel;

changes in pricing and sellout levels; and

other factors that may be beyond our control.

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

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

We have a high level of debt, totaling \$3,892.5 million at December 31, 2018, compared to the book value of shareholders’ equity of \$1,600.3 million on the same date.

Our relatively high level of debt poses the following risks, particularly in periods of declining revenues:

- we may be unable to service our debt obligations, especially during general negative economic, financial credit, and market industry conditions;
- we may use a significant portion of our cash flow to pay principal and interest on our outstanding debt, especially during general negative economic and market industry conditions;
-



the amount available for working capital, capital expenditures, dividends and other general corporate purposes may be limited because a significant portion of cash flow is used to pay principal and interest on outstanding debt;

- our lenders may not be as willing to lend additional amounts to us for future working capital needs, additional acquisitions or other general corporate purposes;
- the cost to borrow from lenders may increase;
- our ability to access the capital markets may be limited, and we may be unable to issue securities with pricing or other terms that we find attractive, if at all;
- if our cash flow were inadequate to make interest and principal payments, we might have to restructure or refinance our indebtedness or sell one or more of our stations to reduce debt service obligations;
- we may be more vulnerable to adverse economic conditions than less leveraged competitors and thus, less able to withstand competitive pressures; and

Table of Contents

because the interest rate under the Bank Credit Agreement is a floating rate, any increase will reduce the funds available to repay our obligations and for operations and future business opportunities and will make us more vulnerable to the consequences of our leveraged capital structure. As of December 31, 2018, approximately \$1,438.5 million principal amount of our recourse debt relates to the Bank Credit Agreement.

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

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

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

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

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

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

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

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

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

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

Our Bank Credit Agreement contains certain cross-default provisions with certain material third-party licensees, defined as any party that owns the license assets of one or more television stations which we provide services to pursuant to LMAs and/or other outsourcing agreements and those stations provide 20% or more of our aggregate broadcast cash flows. A default caused by an involuntary or voluntary petition filed for liquidation, reorganization or other relief of insolvency by a material third-party licensee, or a failure of a material third-party licensee to preserve and maintain its legal existence or any of its material rights, privileges or franchises including its broadcast licenses, would cause an event of default and potential acceleration under our Bank Credit Agreement. As of December 31, 2018, there were no material third party licensees as defined in our Bank Credit Agreement.

Table of Contents

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

At December 31, 2018, we had \$484.6 million available (subject to certain borrowing conditions) for additional borrowings under the revolving credit facility (the Revolving Credit Facility) of the Bank Credit Agreement. Under the terms of the debt instruments to which we are subject, and provided we meet certain financial and other covenants, we may be able to incur substantial additional indebtedness in the future, including additional senior debt and secured debt. If we incur additional indebtedness, the risks described in the risk factors in this report relating to having substantial debt could intensify.

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

We have pursued and intend to selectively continue to pursue strategic acquisitions and investments, subject to market conditions, our liquidity, and the availability of attractive acquisition and investment candidates, with the goal of improving our business. We may not be able to identify other attractive acquisitions or investment targets or we may not be able to fund additional acquisitions or investments in the future.

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

Certain acquisitions, such as television stations, are subject to the approval of the FCC and potentially, other regulatory authorities. The need for FCC and other regulatory approvals could restrict our ability to consummate future transactions and potentially require us to divest certain television stations if the FCC believes that a proposed acquisition would result in excessive concentration in a market, even if the proposed combinations may otherwise comply with FCC ownership limitations. There can be no assurance that future acquisitions will be approved by the FCC or other regulatory authorities, or that a requirement to divest existing stations or business will not have an adverse outcome on the transaction.

See *Note 2. Acquisitions and Dispositions of Assets* within the *Consolidated Financial Statements* for further discussion of acquisitions completed in the years ended December 31, 2017 and 2016.

**Our investments in other non-media related businesses involve risks, including the diversion of resources, that may adversely affect our business or results of operations.**

We have made investments in certain non-media related businesses. See *Item 1. Business* for further description of such investments and/or subsidiaries. Managing the operations of these businesses and the costs incurred by these businesses involve risks, including the diversion of our management's attention from managing the operations of our broadcast businesses and diverting other resources that could be used in our broadcast businesses. Such diversion of resources may adversely affect our business and results of operations. In addition, our investments in real estate ventures carry inherent risks related to owning interests in real property, including, among others, the relative illiquidity of real estate, potential adverse changes in real estate market conditions, and changes in tenant preferences. There can be no assurance that our investments in these businesses will yield a positive rate of return or otherwise be recoverable.

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

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

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

our ability to pursue the acquisition of attractive television and non-television assets may be limited if we are unable to obtain any necessary additional capital on favorable terms, if at all;

Table of Contents

our ability to pursue the divestiture of certain television and non-television assets at attractive values may be limited; the possibility that our business partners, such as counterparties to our outsourcing and news share arrangements, could be negatively impacted and our ability to maintain these business relationships could also be impaired; our ability to refinance our existing debt on terms and at interest rates we find attractive, if at all, may be impaired; our ability to make certain capital expenditures may be significantly impaired; and the possibility of consumers cutting the cord, thereby impacting our retransmission revenues.

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

One of our most significant costs is network and syndicated programming. Our ability to generate revenue to cover this cost may affect the value of our securities. If a particular network or program is not popular in relation to its costs, we may not be able to sell enough advertising time to cover the cost.

We generally purchase syndicated programming content from others rather than producing such content ourselves, therefore, we have limited control over the costs of the programming. Often we must purchase syndicated programming several years in advance and may have to commit to purchase more than one year's worth of programming. We may replace programs that are doing poorly before we have recaptured any significant portion of the costs we incurred or before we have fully amortized the costs. We also receive programming from networks with which we have network affiliation agreements. Generally, the agreements are for several years. The popularity of networks can affect revenue earned on those channels. Any of these factors could reduce our revenues or otherwise cause our costs to escalate relative to revenues. These factors are exacerbated during a weak advertising market.

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

The production of internally originated programming requires a large up-front investment and the revenues derived from the airing of internally originated programming primarily depends upon its acceptance by the public, which is difficult to predict. The commercial success of original content also depends upon the quality and acceptance of other competing content released into the marketplace at or near the same time, the availability of a growing number of alternative forms of entertainment, general economic conditions and their effects on consumer spending, and other tangible and intangible factors, all of which can change and cannot be predicted with certainty. Any of these factors could reduce our revenues or otherwise cause our costs to escalate relative to revenues. These factors are exacerbated during a weak advertising market.

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

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

As network affiliation agreements come up for renewal, we (or licensees of the stations we provide programming and/or sales services to), may not be able to negotiate terms comparable to or more favorable than our current

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

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

Table of Contents

may have a negative effect on our financial condition or results of operations. See *Television Markets and Stations* within *Item 1. Business* for a listing of expirations of our affiliations agreements.

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

As retransmission consent agreements expire, we may not be able to renegotiate such agreements at terms comparable to or more favorable than our current agreements. This may cause revenues and/or revenue growth from our retransmission consent agreements to decrease under the renegotiated terms despite the fact that our current retransmission consent agreements include automatic annual fee escalators. In addition, certain networks or program service providers with which we are affiliated are currently, or in the future are expected to, require us to share revenue from retransmission consent agreements with them as part of renewing expiring affiliation agreements or pursuant to certain rights contained in existing affiliation agreements. Generally, our retransmission consent agreements and agreements with networks or program service providers are for different lengths of time and expire in different periods. If we are unable to negotiate a retransmission consent agreement or the revenue received as part of those agreements declines over time, then we may be exposed to a reduction in or loss from retransmission revenue net of revenue shared with networks and program service providers. We cannot predict the outcome or provide assurances as to the outcome of any future negotiations relating to our affiliation agreements or what impact, if any, they may have on our financial condition and results of operations. See *Television Markets and Stations* within *Item 1. Business* for a listing of expirations of our affiliations agreements.

During 2016, we entered into a consent decree with the FCC pursuant to an investigation regarding allegations made by an MVPD that we violated FCC rules around negotiating retransmission consent agreements. See *Changes in the Rules of Television Ownership, Local Marketing Agreements, Joint Sales Agreements, Retransmission Consent Negotiations, and National Ownership Cap* under *Note 11. Commitments and Contingencies* within the *Consolidated Financial Statements* for further discussion.

**The effects of the economic environment could require us to record an asset impairment of goodwill and indefinite-lived intangible assets.**

We are required to analyze goodwill and certain other intangible assets for impairment. The accounting guidance establishes a method of testing goodwill and broadcast licenses for impairment on an annual basis, or on an interim basis if an event occurs that would reduce the fair value of a reporting unit or an indefinite-lived asset below its carrying value. For additional information regarding impairments to our goodwill and broadcast licenses, see *Valuation of Goodwill and Indefinite-Lived Intangible Assets* under *Critical Accounting Policies and Estimates* within *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Note 5. Goodwill, Indefinite-Lived Intangible Assets and Other Intangible Assets* within the *Consolidated Financial Statements*.

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

Some of our officers, directors, and majority shareholders own stock or partnership interests in businesses that do business with us or otherwise do business that conflicts with our interests. They may transact some business with us upon approval by the independent members of our board of directors even if there is a conflict of interest or they may engage in business competitive to our business and those transactions may benefit the officers, directors or majority shareholders to the detriment of our security holders. Each of David D. Smith, Frederick G. Smith, and J. Duncan



Smith is an officer and director of Sinclair and Robert E. Smith is a director of Sinclair. Together, the Smiths hold shares of our common stock that control the outcome of most matters submitted to a vote of shareholders.

David D. Smith, Frederick G. Smith, J. Duncan Smith, Robert E. Smith, and David B. Amy, our Vice Chairman, together own interests (less than 5% in aggregate) in Allegiance Capital Limited Partnership, a limited partnership in which we also hold an interest. Frederick G. Smith owns an interest (less than 1%) in Patriot Capital II, L.P., a limited partnership in which we also hold an interest. For additional information regarding our related person transactions, see *Note 13. Related Person Transactions* within the *Consolidated Financial Statements*. We can give no assurance that these transactions or any transactions that we may enter into in the future with our officers, directors, or majority shareholders, have been, or will be, negotiated on terms as favorable to us as we would obtain from unrelated parties. Maryland law and our financing agreements limit the extent to which our officers, directors, and majority shareholders may transact business with us and pursue business opportunities that we might pursue. These limitations do not, however, prohibit all such transactions.

Table of Contents

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

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

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

As of December 31, 2018, David D. Smith, Frederick G. Smith, J. Duncan Smith, and Robert E. Smith hold shares representing approximately 76.6% of the common stock voting rights of the Company and, therefore, control the outcome of most matters submitted to a vote of shareholders, including, but not limited to, electing directors, adopting amendments to our certificate of incorporation, and approving corporate transactions. The Smiths hold substantially all of the Class B Common Stock, which have ten votes per share. Our Class A Common Stock has only one vote per share. In addition, the Smiths hold four of our board of directors' seats and, therefore, have the power to exert significant influence over our corporate management and policies. The Smiths have entered into a stockholders' agreement pursuant to which they have agreed to vote for each other as candidates for election to our board of directors until December 31, 2025.

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

(See *Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* and *Item 13. Certain Relationships and Related Transactions*, which will be included as part of our Proxy Statement for our 2019 Annual Meeting.)

Significant divestitures by the Smiths could cause them to own or control less than 51% of the voting power of our shares, which would in turn give Cunningham the right to terminate the LMAs and other outsourcing agreements with Cunningham due to a "change in control." Any such terminations could have an adverse effect on our results of operations. The FCC's multiple ownership rules may limit our ability to operate multiple television stations in some markets and may result in a reduction in our revenue or prevent us from reducing costs. Changes in these rules may threaten our existing strategic approach to certain television markets. See the risk factor below regarding the FCC's multiple ownership rules.

**We may be subject to investigations or fines from governmental authorities, such as, but not limited to penalties related to violations of FCC indecency, children's programming, sponsorship identification, and other FCC rules and policies, the enforcement of which has increased in recent years, and complaints related to such violations may delay our renewal applications with the FCC.**

We provide a significant amount of live news reporting that is provided by the broadcast networks or is controlled by our on-air news talent. Although both broadcast network and our on-air talent have generally been professional and careful in what they say, there is always the possibility that information may be reported that is inaccurate or even in violation of certain indecency rules promulgated by the FCC. In addition, entertainment and sports programming provided by broadcast syndicators and networks may contain content that is in violation of the indecency rules promulgated by the FCC. Because the interpretation by the courts and the FCC of the indecency rules is not always clear, it is sometimes difficult for us to determine in advance what may be indecent programming. We have insurance to cover some of the liabilities that may occur, but the FCC has enhanced its enforcement efforts relating to the regulation of indecency. Also, the FCC has various rules governing children's television programming, including commercial matter limitations. We are subject to such rules regardless of whether the programming is produced by us or by third parties. Violation of the indecency or children's programming rules could potentially subject us to penalties, license revocation, or renewal or qualification proceedings. There can be no assurance that an incident that may lead to significant fines or other penalties by the FCC can be avoided.

Table of Contents

From time to time, we may have received or been promised payment for airing program material. FCC rules require that all such sponsored material be explicitly identified at the time of the broadcast as paid for and by whom, except when it is clear that the mention of a product or service constitutes sponsorship identification. There can be no assurance that an incident that may lead to significant fines or other penalties by the FCC can be avoided. On December 21, 2017, the FCC issued a Notice of Apparent Liability for Forfeiture proposing a \$13.4 million fine for violations of the FCC's sponsorship identification rules by the Company and certain of its subsidiaries. We have responded to dispute the Commission's findings and the proposed fine; however, we cannot predict the outcome of any potential FCC action related to this matter.

From time to time, we may be the subject of an investigation from governmental authorities. For example, as described more fully under *The FCC's multiple ownership rules and federal antitrust regulation may limit our ability to operate multiple television stations in some markets and may result in a reduction in our revenue or prevent us from reducing costs. Changes in these rules may threaten our existing strategic approach to certain television markets* below, on January 4, 2019, the Company received three CIDs from the Antitrust Division of the DOJ relating to JSAs in a specific DMA. We believe the DOJ has issued similar civil investigative demands to other companies in our industry. There can be no assurance that an investigation will not lead to an action or proceeding against us. In the event an action or proceeding is commenced, we may be subject to fines, penalties and changes in our business that could have a negative effect on our financial condition and results of operations

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

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

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

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

Television ownership

As discussed in *National Ownership Rule* under *Federal Regulation of Television Broadcasting* within *Item 1. Business*, in April 2017 the FCC adopted the UHF Discount Order on Reconsideration to restore the UHF discount, which reinstatement became effective in June 2017. A Petition to Review the UHF Discount Order on Reconsideration was filed with the U.S. Court of Appeals for the D.C. Circuit in May 2017, and dismissed by the Court in July 2018. On December 18, 2017, the Commission released a Notice of Proposed Rulemaking to examine the National Ownership Rule, including the UHF discount, which remains pending. We cannot predict the outcome of this rulemaking proceeding. Because we are near the 39% cap without application of the UHF discount, changes to the UHF discount or National Ownership Rule could limit our ability to acquire television stations in additional markets.

Under federal law, the FCC is required to review its ownership rules every four years (a "Quadrennial Review") to determine whether they are necessary in the public interest as the result of competition and to repeal or modify any regulation the FCC determines to be no longer in the public interest.

In August 2016, the FCC completed both its 2010 and 2014 quadrennial reviews of its media ownership rules and issued an order (Ownership Order) which left most of the existing multiple ownership rules intact, but amended the rules to provide for the attribution of JSAs where two television stations are located in the same market, and a party with an attributable interest in one station sells more than 15% of the advertising time per week of the other station. The Ownership Order also required that JSAs that existed prior to March 31, 2014, may remain in place until October 1, 2025, at which point they must be terminated, amended or otherwise come into compliance with the rules. These "grandfathered" JSAs could be transferred or assigned without losing grandfathering status. The subsequent

Table of Contents

Ownership Order on Reconsideration eliminated the JSA attribution rule. The rule changes adopted in the Ownership Order on Reconsideration became effective on February 7, 2018. Petitions for Review of the Ownership Order on Reconsideration, including elimination of the JSA attribution rule, are currently pending in a consolidated proceeding before the U.S. Court of Appeals for the Third Circuit. We cannot predict the outcome of this proceeding. If we are required to terminate or modify our JSAs, our business could be adversely affected in several ways, including losses on investments and termination penalties. See *Note 12. Variable Interest Entities* within the *Consolidated Financial Statements* for further discussion of our JSAs which we consolidate as variable interest entities.

Certain of our stations have entered into what have commonly been referred to as local marketing agreements or LMAs. One typical type of LMA is a programming agreement between two separately owned television stations serving the same market, whereby the licensee of one station programs substantial portions of the broadcast day and sells advertising time during such programming segments on the other licensee's station subject to the ultimate editorial and other controls being exercised by the latter licensee. We believe these arrangements allow us to reduce our operating expenses and enhance profitability. See *Note 12. Variable Interest Entities* within the *Consolidated Financial Statements* for further discussion of our LMAs which we consolidate as variable interest entities.

In addition to our LMAs, we have entered into outsourcing agreements (such as JSAs) whereby 34 stations provide various non-programming related services such as sales, operational and managerial services to or by other stations within the same markets. We believe this structure allows stations to achieve operational efficiencies and economies of scale, which should otherwise improve broadcast cash flow and competitive positions. For additional information, refer to *Television Markets and Stations* within *Item 1. Business*.

On December 13, 2018, the FCC released a Notice of Proposed Rulemaking to initiate the 2018 Quadrennial Regulatory Review of the FCC's broadcast ownership rules. The NPRM seeks comment on whether the Local Radio Ownership Rule, the Local Television Ownership Rule, and the Dual Network Rule continue to be necessary in the public interest or whether they should be modified or eliminated. With respect to the Local Television Ownership Rule specifically, among other things, the NPRM seeks comment on possible modifications to the rule's operation, including the relevant product market, the numerical limit, the top-four prohibition; and the implications of multicasting, satellite stations, low power stations and the next generation standard. In addition, the NPRM examines further several diversity related proposals raised in the last quadrennial review proceeding. The public comment period will begin 60 days after publication of the NPRM in the Federal Register, which publication not yet occurred. We cannot predict when the FCC will conclude the 2018 Quadrennial Regulatory Review or what the outcome of the proceeding will be.

On January 4, 2019, the Company received three CIDs from the Antitrust Division of the DOJ. In each CID, the DOJ requested that the Company produce certain documents and materials relating to JSAs in a specific DMA. We believe the DOJ has issued similar civil investigative demands to other companies in our industry. We are cooperating and are in discussions with the DOJ regarding our response to the CID. At this time, we are unable to predict the outcome of the CID process, including whether it will result in any action or proceeding against us.

See *Changes in the Rules of Television Ownership, Local Marketing Agreements, Joint Sales Agreements, Retransmission Consent Negotiations, and National Ownership Cap* under *Note 11. Commitments and Contingencies* within the *Consolidated Financial Statements* for further discussion.

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

**Loss of revenues.** If the FCC requires us to modify or terminate existing arrangements, we would lose some or all of the revenues generated from those arrangements. We would lose revenue because we will have fewer demographic

options, a smaller audience distribution and lower revenue share to offer to advertisers.

*Increased costs.* If the FCC requires us to modify or terminate existing arrangements, our cost structure would increase as we would potentially lose significant operating synergies and we may also need to add new employees. With termination of LMAs, we likely would incur increased programming costs because we will be competing with the separately owned station for syndicated programming.

*Losses on investments.* As part of certain of our arrangements, we own the non-license assets used by the stations with which we have arrangements. If certain of these arrangements are no longer permitted, we would be forced to sell these assets, restructure our agreements or find another use for them. If this happens, the market for such assets may not be as good as when we purchased them and, therefore, we cannot be certain of a favorable return on our original investments.

Table of Contents

*Termination penalties.* If the FCC requires us to modify or terminate existing arrangements before the terms of the arrangements expire, or under certain circumstances, we elect not to extend the terms of the arrangements, we may be forced to pay termination penalties under the terms of certain of our arrangements. Any such termination penalties could be material.

*Alternative arrangements.* If the FCC requires us to terminate the existing arrangements, we may enter into one or more alternative arrangements. Any such arrangements may be on terms that are less beneficial to us than the existing arrangements.

Failure of owner / licensee to exercise control

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

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

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

Congress authorized the FCC to conduct so-called "incentive auctions" to auction and re-purpose broadcast television spectrum for mobile broadband use. See *Broadcast Incentive Auction* under *Note 2. Acquisitions and Dispositions of Assets* within the *Consolidated Financial Statements* for further discussion of our participation, results, and post-auction process.

We can not predict whether the FCC will adopt further policies or incentive auctions which may affect our broadcast spectrum.

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

New technology and the subdivision of markets

Cable providers, direct broadcast satellite companies, and telecommunication companies are developing new technology that allows them to transmit more channels on their existing equipment to highly targeted audiences, reducing the cost of creating channels and potentially leading to the division of the television industry into ever more specialized niche markets. Competitors who target programming to such sharply defined markets may gain an advantage over us for television advertising revenues. The decreased cost of creating channels may also encourage new competitors to enter our markets and compete with us for advertising revenue. In addition, technologies that



allow viewers to digitally record, store, and play back television programming may decrease viewership of commercials as recorded by media measurement services such as Nielsen or Comscore and, as a result, lower our advertising revenues. The current ratings provided by Nielsen for use by broadcast stations for live viewing Digital Video Recording playback are limited to 7 days past the original air date. Additionally, in most market, no credit is given for online viewing. The effects of new ratings system technologies, including “code readers,” “viewer assignment,” “portal people meters,” and “set-top boxes (used in Nielsen’s RPD+ methodology)” and the ability of such technologies to be a reliable standard that can be used by advertisers is still under review for accreditation from The Media Rating Council, an independent organization that monitors rating services. As of December 31, 2018, Sinclair’s footprint includes 27 markets that will use Portable People Meters, 7 Meter markets that will see Set Top Box data added, 12 markets measured by Code Reader methodology, and 48 markets measured by RPD+ methodology.

Table of Contents

Cable providers, direct broadcast satellite companies, and telecommunication companies may include over-the-air antennas within their set-top boxes allowing them to provide free over-the-air signals to their subscribers which could result in decreases in our distributions revenues received for our signal being carried on their channels.

Since digital television technology allows broadcasting of multiple channels within the additional allocated spectrum, this technology could expose us to additional competition from programming alternatives. In addition, technological advancements and the resulting increase in programming alternatives, such as cable television, direct broadcast satellite systems, pay-per-view, home video and entertainment systems, video-on-demand, OTT, mobile video, and the Internet have also created new types of competition to television broadcast stations and will increase competition for household audiences and advertisers.

We cannot provide any assurances that we will remain competitive with these developing technologies.

Types of competitors

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

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

Deregulation

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

**We have invested and will continue to invest in new technology initiatives which may not result in usable technology or intellectual property.**

We have heavily invested in the development of the NextGen platforms as discussed in *Development of Next Generation Broadcast Platform* under *Operating Strategy* within *Item 1. Business*. We do not know whether the outcome of our research and development will result in technology that will be usable on our distribution platform or available to license to third parties. Additionally, even if our efforts result in usable technology, we do not know whether it will be included within the ATSC 3.0 framework. Any failure to develop this technology could result in the loss of our investment. Our cost incurred related to the development of the NextGen platform is recorded within non-media expenses within our consolidated statements of operations. Additionally, we have developed, on our own and through joint ventures, several ATSC 3.0 related patents that we will attempt to monetize directly, through third-party agents, or through a patent pool designed to consolidate similar patents owned by independent licensors for licensing to equipment manufacturers. We do not know whether our attempts at monetization will result in licensing arrangements that will be accepted by such equipment manufacturers or result in any royalty payments for our intellectual property rights.



Table of Contents

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

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

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

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

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

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

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

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

**If we fail to maintain the requirements for continued listing on the NASDAQ stock market, our common stock could be delisted from trading, which would adversely affect the liquidity of our common stock and our ability to raise additional capital.**

Our common stock is currently listed for quotation on the NASDAQ stock market. We are required to meet specified listing criteria in order to maintain our listing. If we fail to satisfy continued listing requirements, our common stock could be delisted. Any potential delisting of our common stock from the NASDAQ would make it more difficult for our stockholders to sell our stock in the public market and would likely result in decreased liquidity and increased volatility for our common stock.

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

If the United States becomes engaged in global conflicts in the future, there may be an adverse effect on our results of operations. Also, any terrorist attacks or other acts of violence may have a similar negative effect on our business or results of operations.

Table of Contents**Cybersecurity risks, cyber incidents, data privacy, and other information technology failures could adversely affect our business and disrupt operations.**

Our information technology systems are critically important to operating our business efficiently and effectively. We rely on our information technology systems to manage our business data, communications, news and advertising content, digital products, order entry, fulfillment, and other business processes. Despite our security measures, network and information systems related events, such as computer hackings, cyber threats, security breaches, viruses or other destructive or disruptive software, process breakdowns, or malicious or other activities, and natural or other disasters could result in a disruption of our services and operations. These events could also result in, but are not limited to, the improper disclosure of personal data or confidential information, including through third parties which receive any of such information on a confidential basis for business purposes and could be subject to any of these events, and damage our reputation and require us to expend resources to remedy any such breaches. The occurrence of any of these events could have a material adverse effect on our business and results of operations.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Generally, each of our stations has facilities consisting of offices, studios, sales offices, and tower and transmitter sites. Transmitter and tower sites are located in areas to provide maximum signal coverage to our stations' markets. We believe that all of our properties, both owned and leased, are generally in good operating condition, subject to normal wear and tear, and are suitable and adequate for our current business operations. See *Television Markets and Stations* within *Item 1. Business*, for a listing of our station locations. We believe that no one property represents a material amount of the total properties owned or leased. The following is a summary of our principal owned and leased real properties as of December 31, 2018:

	<b>Owned</b>		<b>Leased</b>	
	<b>Buildings</b>	<b>Land</b>	<b>Buildings</b>	<b>Land</b>
	<b>(Square</b>	<b>(Acres)</b>	<b>(Square</b>	<b>(Acres)</b>
	<b>Feet)</b>		<b>Feet)</b>	
<b>Broadcast Related Real Estate</b>				
Office and studio properties	1,969,054	960	703,763	11
Antenna and transmitter properties	293,353	2,418	125,973	438
<b>Other Operating Real Estate</b>				
Corporate offices	60,870	5	118,463	—
Office and warehouse property	1,250	—	408,726	—
<b>Other Non-Media Investment Real Estate</b>				
Rental property	99,913	1	—	—
Recreational property	28,000	725	—	—
Land held for development	—	702	—	—

**ITEM 3. LEGAL PROCEEDINGS**

We are a party to lawsuits, claims, and regulatory matters 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. Except as noted under *Litigation* within *Note 11. Commitments and Contingencies* within the *Consolidated Financial Statements*, we do not believe the outcome of these matters, individually or in the aggregate, will have a material effect on the Company's financial statements.”

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

32

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Table of Contents

**PART II**

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

Our Class A Common Stock is listed for trading on the NASDAQ stock market under the symbol SBGI. Our Class B Common Stock is not traded on a public trading market or quotation system.

As of February 25, 2018, there are approximately 45 shareholders of record of our Class A common stock. This number does not include beneficial owners holding shares through nominee names.

See *Note 3. Stock-Based Compensation* within the *Consolidated Financial Statements* for discussion of our stock-based compensation plans.



Table of Contents***Comparative Stock Performance***

The following line graph compares the yearly percentage change in the cumulative total shareholder return on our Class A Common Stock with the cumulative total return of the NASDAQ Composite Index and the cumulative total return of the NASDAQ Telecommunications Index (an index containing performance data of radio and television broadcast companies and communication equipment and accessories manufacturers) from December 31, 2013 through December 31, 2018. The performance graph assumes that an investment of \$100 was made in the Class A Common Stock and in each Index on December 31, 2013 and that all dividends were reinvested. Total shareholder return is measured by dividing total dividends (assuming dividend reinvestment) plus share price change for a period by the share price at the beginning of the measurement period.

<b>Company/Index/Market</b>	<b>12/31/2013</b>	<b>12/31/2014</b>	<b>12/31/2015</b>	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2018</b>
Sinclair Broadcast Group, Inc.	100.00	78.23	95.13	99.73	115.59	82.45
NASDAQ Composite Index	100.00	114.62	122.81	133.19	172.11	165.84
NASDAQ Telecommunications Index	100.00	102.75	100.20	106.61	130.48	130.76

Table of Contents**Stock Repurchases**

The following table summarizes repurchases of our stock in the quarter ended December 31, 2018:

Period	Total Number of Shares Purchased (a)	Average Price Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (in millions)
Class A Common Stock : (b)				
10/01/18 – 10/31/18	2,817,686	\$ 28.44	2,817,686	\$ 963.0
11/01/18 – 11/30/18	1,074,118	\$ 29.68	1,074,118	\$ 931.0
12/01/18 – 12/31/18	2,233,706	\$ 28.19	2,233,706	\$ 868.0

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

On September 6, 2016, the Board of Directors authorized a \$150.0 million share repurchase authorization. On

(b) August 9, 2018, the Board of Directors authorized an additional \$1.0 billion share repurchase authorization. There is no expiration date and currently, management has no plans to terminate this program. As of December 31, 2018, the remaining authorization under the program was \$868.0 million.

**ITEM 6. SELECTED FINANCIAL DATA**

The selected consolidated financial data for the years ended December 31, 2018, 2017, 2016, 2015, and 2014 have been derived from our audited consolidated financial statements.

The information below should be read in conjunction with *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and the *Consolidated Financial Statements* included elsewhere in this annual report on Form 10-K.

Table of Contents**STATEMENTS OF OPERATIONS DATA**  
**(In thousands, except per share data)**

	As of December 31,				
	2018	2017	2016	2015	2014
<b>Statements of Operations Data:</b>					
Media revenues (a), (b)	\$2,918,727	\$2,566,936	\$2,520,676	\$2,030,079	\$1,799,187
Non-media revenues	136,354	69,279	101,834	95,853	69,655
Total revenues	3,055,081	2,636,215	2,622,510	2,125,932	1,868,842
Media production expenses (b)	1,191,016	1,064,144	955,604	733,199	578,687
Media selling, general and administrative expenses	629,919	533,537	501,589	431,728	372,220
Depreciation and amortization (c)	280,088	275,925	282,324	264,887	228,787
Amortization of program contract costs and net realizable value adjustments	100,899	115,523	127,880	124,619	106,629
Non-media expenses	122,491	75,199	84,733	84,239	62,533
Corporate general and administrative expenses	111,070	113,253	73,556	64,246	62,495
(Gain) loss on asset dispositions and other, net of impairment	(40,063)	(278,872)	(6,029)	278	(37,160)
Operating income	659,661	737,506	602,853	422,736	494,651
Interest expense and amortization of debt discount and deferred financing costs	(291,976)	(212,315)	(211,143)	(191,447)	(174,862)
Loss from extinguishment of debt	—	(1,404)	(23,699)	—	(14,553)
(Loss) income from equity method investments	(60,831)	(14,307)	906	709	2,313
Other income, net	3,369	9,264	3,973	1,795	4,998
Income before income taxes	310,223	518,744	372,890	233,793	312,547
Income tax benefit (provision)	35,775	75,360	(122,128)	(57,694)	(97,432)
Net income	345,998	594,104	250,762	176,099	215,115
Net income attributable to noncontrolling interests	(4,757)	(18,091)	(5,461)	(4,575)	(2,836)
Net income attributable to Sinclair Broadcast Group	\$341,241	\$576,013	\$245,301	\$171,524	\$212,279
<b>Earnings Per Common Share Attributable to Sinclair Broadcast Group:</b>					
Basic earnings per share	\$3.38	\$5.77	\$2.62	\$1.81	\$2.19
Diluted earnings per share	\$3.35	\$5.72	\$2.60	\$1.79	\$2.17
Dividends declared per share	0.74	\$0.72	\$0.71	\$0.66	\$0.63

	Years Ended December 31,				
	2018	2017	2016	2015	2014
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$1,060,330	\$681,326	\$259,984	\$149,972	\$17,682
Total assets	\$6,572,092	\$6,784,470	\$5,963,168	\$5,432,315	\$5,410,328
Total debt (d)	\$3,892,455	\$4,048,650	\$4,203,848	\$3,854,360	\$3,886,872
Total equity	\$1,600,320	\$1,534,366	\$557,936	\$499,678	\$405,343

(a) Media revenues include advertising revenue, distribution revenue, and other media related revenues.

Amounts have been revised in accordance with the adoption of the accounting guidance affecting ASC 606, as discussed under *Recent Accounting Pronouncements* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements*.

(c) Depreciation and amortization includes depreciation and amortization of property and equipment and amortization

of definite-lived intangible assets and other assets.

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

Table of Contents

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

The following Management’s Discussion and Analysis provides qualitative and quantitative information about our financial performance and condition and should be read in conjunction with the other sections in this Annual Report, including *Item 1. Business*, *Item 6. Selected Financial Data*, and our *Consolidated Financial Statements* including the accompanying notes to those statements. This discussion consists of the following sections:

Executive Overview — a description of our business, summary of significant events and financial highlights from 2018, and information about industry trends;

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

Results of Operations — a summary of the components of our revenues by category and by network affiliation or program service arrangement, a summary of other operating data and an analysis of our revenues and expenses for 2018, 2017, and 2016, including comparisons between years and certain expectations for 2019; and

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

**EXECUTIVE OVERVIEW**

We are a diversified television broadcasting company with national reach and a strong focus on using our spectrum to bring together content providers, advertisers, and consumers on various platforms. The content, distributed through our broadcast platform, consists of programming provided by third-party networks and syndicators, local news, our own networks, and other original programming produced by us. We also distribute our original programming, and owned and operated networks, on other third-party platforms. Additionally, we own digital and internet media products that are complementary to our extensive portfolio of television station related digital properties. We focus on offering marketing solutions to advertisers through our television and digital platforms and digital agency services. Outside of our media related businesses, we operate technical services companies focused on supply and maintenance of broadcast transmission systems as well as research and development for the advancement of broadcast technology, and we manage other non-media related investments.

We have one reportable operating segment: “Broadcast.” Our Broadcast segment is comprised of all of our television stations. We also earn revenues from our owned networks, original content, digital and internet services, technical services, and non-media investments. These businesses are included within “Other”. Corporate and unallocated expenses primarily include our costs to operate as a public company and to operate our corporate headquarters location. Other and Corporate are not reportable segments.

STG, for which certain assets and results of operations are included in the Broadcast segment and which is a wholly owned subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under our Bank Credit Agreement, the 5.375% Notes, 5.625% Notes, 6.125% Notes, 5.125% Notes, and 5.875% Notes. SBG is a guarantor under all of these debt instruments. Our Class A Common Stock and Class B Common Stock remain obligations or securities of SBG and not obligations or securities of STG.

For more information about our business, reportable segments, and our operating strategy, see *Item 1. Business* in this Annual Report.

***Summary of Significant Events and Financial Highlights from 2018***

**Television and Digital Content**

In January 2018, the Company entered into multi-year affiliation renewals with ABC that extend affiliations across all Sinclair stations to 2022. Additionally, ABC renewed affiliations with certain third-parties that the Company provides sales and other services to under a joint sales agreement

In January 2018, Circa expanded its digital footprint with the debut of a video-driven, live news app, providing unique live video covering a wide range of breaking news stories that are in-the-moment, pushing trending issues, alerting users as stories are developing.

Table of Contents

In February 2018, the Company entered into a multi-year renewal with Nielsen Holdings for TV ratings services.

In February 2018, the Company entered into multi-year affiliation renewals with NBC in three markets, including KSNV in Las Vegas, NV; WJAC in Johnstown, PA; and WTOV in Wheeling, WV. Additionally, NBC renewed an affiliation with KRNV in Reno, NV that the Company provides sales and other services to under a joint sales agreement.

In June 2018, the FAA granted the Company permission to fly our newsgathering unmanned aircraft systems (UAS) beyond daylight operations, a restriction which most UAS operators are subject.

In August 2018, the Company launched CompulseOTT, a new over-the-top advertising platform exclusively focused on OTT advertising which will offer advertisers commercials in :15 and :30 second lengths on leading OTT distribution platforms such as Roku, AppleTV, gaming consoles, SmartTV's, and streaming sticks.

Sinclair's newsrooms, dedicated to impactful journalism with a local focus, won 338 awards in 2018, including two National RTDNA Edward R. Murrow Awards at Circa and KOMO-TV awarded in May; 45 Regional RTDNA Edward R. Murrow Awards by 21 newsrooms; and 84 Emmy's at 23 newsrooms.

The Company produced and/or aired 93 debates during the 2018 election cycle, including hosting debates for US Senate, House of Representatives, Gubernatorial, Mayor, County Executive, City and County Council, and Attorney General races.

In January 2019, the Company launched STIRR, a free, ad-supported streaming service that will include access to some of the most popular national news, sports, entertainment and digital first channels, a robust video on demand library and a new local channel featuring programming based on a user's location, ensuring that viewers can still access the local news and lifestyle programming that is relevant to their everyday life.

In January 2019, the Company and the licensees of stations to which the Company provides services, and NBC entered into multi-year renewals of NBC affiliates in 13 markets, including KTVM and KDBZ in Butte/Bozeman MT, KMTR, KTCW and KMCB in Eugene OR, WEYI in Flint/Saginaw/Bay City MI, WNBW in Gainesville FL, KECI and KCFW in Missoula MT, WPMI in Mobile AL/Pensacola FL, WJAR in Providence RI, WOAI in San Antonio TX, WSTM in Syracuse NY, WTWC in Tallahassee FL, WNWO in Toledo OH, WPBN and WTOM in Traverse City/Cadillac MI, and WCYB in Tri-Cities TN-VA.

In February 2019, the Company and the licensees of stations to which the Company provides services, and FOX Broadcasting Company entered into amendments to multi-year renewals of the 26 FOX affiliations that were previously renewed as part of the agreement entered in May 8, 2018, revising certain aspects of such agreements and waiving any termination rights the parties may have had with respect to such agreements.

In February 2019, the Company and the Chicago Cubs (the Cubs) announced the formation of a joint venture that will own and operate Marquee Sports Network (Marquee), a regional sports network (RSN) based in Chicago, Illinois. Marquee will be the Chicago-region's exclusive network for fans to view live Cubs games beginning with the 2020 Major League Baseball season and will also feature exclusive Cubs content and other local sports programming. In addition to the execution of the joint venture agreement, the Cubs simultaneously entered into a long-term rights agreement with Marquee.

Broadcast Distribution

In January 2018, the Company entered into a multi-year retransmission renewal with Verizon Fios for the carriage of Sinclair stations on its platforms.

In April 2018, the Company entered into a multi-year retransmission renewal with Cox for the carriage of Sinclair stations, Tennis Channel, and Sinclair's national networks on its platforms.

In August 2018, the Company entered into a multi-year retransmission renewal with Altice for the carriage of the Company's stations, Tennis Channel, and the Company's national networks on its Optimum and Suddenlink owned systems.

In October 2018, the Company entered a distribution agreement for its ABC, CBS, FOX and NBC affiliates to be re-launched on Sony's Playstation Vue where PlayStation Vue carries local channels, and announced that Playstation Vue will also be launching Tennis Channel and the Company's 24-hour science fiction channel, Comet.

In December 2018, the Company and the DISH Network (DISH) entered into a multi-year agreement for the continued carriage of the Company's broadcast television stations and Tennis Channel on DISH's direct broadcast satellite platform and additional carriage of one of Sinclair's emerging networks. The companies also agreed to carriage of Sinclair-owned networks, including Tennis Channel, on DISH's Sling TV.



Table of Contents

In January 2019, the Company entered into a multi-year retransmission renewal with Mediacom for the carriage of the Company's stations, Tennis Channel, and the Company's emerging networks on its systems.

ATSC 3.0

In January 2018, the Company and Imagine Communications reached an agreement to collaborate on the new monetization opportunities of ATSC 3.0 digital television technology. By providing oversight in the product development process and beta testing for both ATSC 1.0 and 3.0 models, the Company will play a critical role in the development of Imagine's next-generation business process systems for traffic, ad sales, and data analytics that allow for unit- and impression-based buys.

In January 2018, the Company, Nexstar, Univision and American Tower announced the first domestic deployment of the NextGen TV standard and a single frequency network in Dallas, TX. The deployment will involve multiple stations, NextGen TV program transmissions, and simulcasts on 1.0 host stations using customized channel sharing agreements. The Single Frequency Network sites will allow us to validate the mobile, customized programming, and other data-use cases enabled by the ATSC 3.0 standard.

In January 2018, the Company and SK Telecom entered into an MOU for the development of systems to allow the convergence of NextGen and 5G data delivery.

In April 2018, India based OTT/Cloud solutions company Gaian Solutions, the Company, and our subsidiary ONE Media 3.0, LLC signed an MOU to work together to create a Next Generation Broadcast Platform to support the Company's ATSC 3.0 vision and plan to deploy a proof of concept.

In January, ONE Media 3.0, LLC, a subsidiary of the Company, and Saankhya Labs in collaboration with VeriSilicon and Samsung Foundry announced the completed design and development of a mobile chip die that supports ATSC 3.0 and other global standards. The compact design and low power operation make it a perfect receive device for mobile and portable applications. Reference designs are underway that will be used with cell phones and tablet devices.

In January, the Company and SK Telecom announced a joint venture agreement to lead the next-generation, hybrid wireless market in the U.S. and globally. The two companies will collaborate on technologies and services that will bring together mobile-wireless, including 5G, and over-the-air wireless to support hybrid business solutions.

In January, the Company, SK Telecom and Harman signed a Memorandum of Understanding to jointly develop and commercialize digital broadcasting network-based automotive electronics technology for global markets.

Financing and Shareholder Returns

On September 6, 2016, the Board of Directors authorized a \$150.0 million share repurchase authorization. On August 9, 2018, the Board of Directors authorized an additional \$1.0 billion share repurchase authorization. There is no expiration date and currently, management has no plans to terminate this program. During 2018, we repurchased an additional 7.8 million shares for \$220.9 million. During 2019, we repurchased an additional 3.5 million shares for \$105.0 million as of March 1, 2019.

For the year ended December 31, 2018, we paid dividends of \$0.74 per share, including an increase from \$0.18 to \$0.20 in the fourth quarter of 2018. In February 2019, we declared a quarterly cash dividend of \$0.20 per share.

Table of Contents

Other Legal and Regulatory

In July 2018, the FCC released an HDO to commence a hearing before an ALJ with respect to the Company's proposed acquisition of Tribune. In August 2018, Sinclair received a termination notice of its Merger Agreement from Tribune. In response, Sinclair withdrew with prejudice its FCC application to acquire Tribune and filed with the ALJ a notice of withdrawal of the applications and motion to terminate the hearing. In September, the FCC's Enforcement Bureau notified the ALJ that it did not oppose the termination of the hearing. The motion remains pending at the office of the ALJ. See *Note 11. Commitments and Contingencies* within the *Consolidated Financial Statements* for further discussion.

In August 2018, Tribune filed a lawsuit against Sinclair in the Delaware Chancery Court for breach of contract. On August 29, 2018, Sinclair filed its Answer, Affirmative Defenses, and Verified Counterclaim to the Verified Complaint filed by Tribune in the Delaware Court of Chancery. See *Note 11. Commitments and Contingencies* within the *Consolidated Financial Statements* for further discussion.

In August 2018, a putative Sinclair shareholder, filed a class action complaint alleging that the Company and other defendants violated the federal securities laws by issuing false or misleading disclosures concerning the Merger prior to the termination thereof. See *Note 11. Commitments and Contingencies* within the *Consolidated Financial Statements* for further discussion.

During the third quarter of 2018, twenty-two putative class action lawsuits were filed against the Company and other broadcasters alleging that the defendants conspired to fix prices for commercials to be aired on broadcast television stations throughout the United States, in violation of the Sherman Antitrust Act, and, in one case, state consumer protection and tort laws. See *Note 11. Commitments and Contingencies* within the *Consolidated Financial Statements* for further discussion.

On November 6, 2018, the Company and a number of other broadcasters agreed to enter into a proposed consent decree with the Department of Justice (DOJ). This consent decree resolves the Department of Justice's investigation into the sharing of pacing information among certain stations in some local markets. The DOJ filed the consent decree and related documents in the U.S. District Court for the District of Columbia on November 13, 2018. The consent decree is not an admission of any wrongdoing by the Company, and does not subject Sinclair to any monetary damages or penalties. See *Note 11. Commitments and Contingencies* within the *Consolidated Financial Statements* for further discussion.

Other Events

In January 2018, Rob Weisbord assumed the role of Chief Revenue Officer for the Company, a new role reflecting the increased diversification of our business and new revenue streams we are creating.

In April 2018, Sinclair Vice President of Advanced Technology, Mark Aitken, was awarded the 2018 NAB Television Engineering Achievement Award for his leadership in the development of Next Gen TV and the Company's Chief Revenue Officer, Rob Weisbord, was honored with the Technology Leadership Award, one of the most highly recognized tech awards in the TV industry, presented by the industry publications, Broadcasting & Cable and TV Technology to executives who have become outstanding tech leaders.

In May 2018, the Company awarded its Broadcast Diversity Scholarship to seven applicants, distributing over \$30,000 in financial assistance to students demonstrating a promising future in the broadcast industry.

In June 2018, at the Company's Annual Shareholders' Meeting, the Company's shareholder's re-elected its eight Directors and ratified the appointment of PricewaterhouseCoopers as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018.

In June 2018, Brian Bark joined the Company as Vice President / Chief Information Officer, responsible for the Company's workplace technology strategy.

In July 2018, the Company's stations News 3 (KSNV) and the CW Las Vegas (KVCW) were named "2018 St. Jude Dream Home Station of the Year" for their successful campaign to raise \$850,000 for St. Jude Children's Research Hospital and the giveaway of a home.

In August 2018, the Company's station, KRCC in Redding CA, partnered with the Salvation Army to aid short- and long-term disaster relief efforts for the victims of the Carr fire, with a mission to raise money to provide evacuees

with basic necessities. The Company and viewers in our markets combined to contribute more than \$400,000 to the fundraising effort.

In September 2018, the Company held a coordinated "Stand Strong for the Carolina's" relief-effort, in which the Company and viewers in our markets combined to contribute \$240,000 to the Salvation Army, who was helping victims of Hurricane Florence in North Carolina and the surrounding impacted region.

40

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Table of Contents

In October 2018, the Company held a coordinated "Stand Strong for the Gulf Coast" relief-effort, in which Sinclair and viewers in our markets combined to contribute more than \$85,000 to the Salvation Army, who was helping victims of Hurricane Michael in the Florida Panhandle and the surrounding impacted region.

In 2018, the Company donated a total of \$150,000 to support the Salvation Army's disaster relief work related to the California wildfires, Hurricane Florence and Hurricane Michael.

In January 2019, the Board of Directors voted to increase the size of the board from eight to nine members and named the Honorable Benson Everett Legg to serve as its newest member.

## **Industry Trends**

Political spending is significantly higher in the even-numbered years due to the cyclicity of political elections. In addition, every four years, political spending is typically elevated further due to the advertising related to the presidential election.

The FCC has permitted broadcast television stations to use their digital spectrum for a wide variety of services including multi-channel broadcasts. The FCC "must-carry" rules only apply to a station's primary digital stream.

Retransmission consent rules provide a mechanism for broadcasters to seek payment from MVPDs who carry broadcasters' signals. Recognition of the value of the programming content provided by broadcasters, including local news and other programming and network programming all in HD has generated increased local revenues.

Many broadcasters are enhancing / upgrading their websites to use the internet to deliver rich media content, such as newscasts and weather updates, to attract advertisers and to compete with other internet sites and smart phone and tablet device applications and other social media outlets.

Seasonal advertising increases occur in the second and fourth quarters due to the anticipation of certain seasonal and holiday spending by consumers.

Broadcasters have found ways to increase returns on their news programming initiatives while continuing to maintain locally produced content through the use of news sharing arrangements.

Advertising revenue related to the Olympics occurs in even numbered years and the Super Bowl is aired on a different network each year. Both of these popularly viewed events can have an impact on our advertising revenues.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates including those related to revenue recognition, goodwill and intangible assets, program contract costs, income taxes, variable interest entities, and transactions with related parties. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These estimates have been consistently applied for all years presented in this report and in the past we have not experienced material differences between these estimates and actual results. However, because future events and their effects cannot be determined with certainty, actual results could differ from our estimates and such differences could be material.

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

*Revenue Recognition.* As discussed in *Revenue Recognition* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements*, we generate advertising revenue primarily from the sale of advertising spots/impressions on our broadcast television and digital platforms. Advertising revenue is recognized in the period in which the advertising spots/impressions are delivered. In arrangements where we provide audience ratings guarantees; to the extent that there is a ratings shortfall, we will defer a proportionate amount of revenue until the ratings shortfall is settled through the delivery of additional advertising. The term of our advertising arrangements is generally less than one year and the timing between when an advertisement is aired and when payment is due is not significant. In certain circumstances, we require customers to pay in advance; payments received in advance of satisfying our performance obligations are reflected as deferred revenue.

Table of Contents

The Company generates distribution revenue through fees received from MVPDs, vMVPDs, and OTT providers for the right to distribute our broadcast channels and cable networks on their distribution platforms. Distribution arrangements are generally governed by multi-year contracts and the underlying fees are based upon a contractual monthly rate per subscriber. These arrangements represent licenses of intellectual property; revenue is recognized as the signal is provided to our customers (as usage occurs) which corresponds with the satisfaction of our performance obligation. Revenue is calculated based upon the contractual rate multiplied by an estimated number of subscribers. Our customers will remit payments based upon actual subscribers a short time after the conclusion of a month, which generally does not exceed 90 days. Historical adjustments to subscriber estimates have not been material.

Our contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenues to each performance obligation based on its relative standalone selling price which is generally based on the prices charged to customers.

*Valuation of Goodwill and Indefinite-Lived Intangible Assets.* We evaluate our goodwill and indefinite-lived intangible assets for impairment annually, or more frequently, if events or changes in circumstances indicate an impairment may exist. As of December 31, 2018, our consolidated balance sheet includes \$2,123.9 million and \$158.2 million of goodwill and indefinite-lived intangible assets, respectively.

In the performance of our annual goodwill and indefinite-lived intangible asset impairment assessments we have the option to qualitatively assess whether it is more likely-than-not that the respective asset has been impaired. If we conclude that it is more-likely-than-not that a reporting unit or an indefinite-lived intangible asset is impaired, we apply the quantitative assessment, which involves comparing the estimated fair value of the reporting unit or indefinite-lived intangible asset to its respective carrying value. See *Impairment of Goodwill, Intangibles and Other Long-Lived Assets* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements* for further discussion of the significant judgments and estimates inherent in both qualitatively assessing whether impairment may exist and estimating the fair values of the reporting units and indefinite-lived intangible assets if a quantitative assessment is deemed necessary.

For our annual goodwill impairment tests in 2018, 2017, and 2016, we concluded that it was more-likely-than-not that goodwill was not impaired based on our qualitative assessments. For one reporting unit in 2016, we elected to perform a quantitative assessment and concluded that its fair value significantly exceeded the carrying value.

For our annual impairment tests for indefinite-lived intangible assets in 2018 and 2017, we concluded that it was more-likely-than-not that the assets were not impaired as a result of our qualitative assessments. In 2016, as a result of our qualitative and quantitative assessments, we concluded that it was more-likely-than-not that these assets were not impaired.

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

*Program Contract Costs.* As discussed in *Programming* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements*, we record an asset and corresponding liability for programming rights when the program is available for its first showing or telecast. These costs are expensed over the period in which an economic benefit is expected to be derived. To ensure the related assets for the

programming rights are reflected in the consolidated balance sheets at the lower of unamortized cost or estimated net realizable value (NRV), management estimates future advertising revenue, net of sales commissions, to be generated by the remaining program material available under the contract terms. Management's judgment is required in determining the timing of expense for these costs, which is dependent on the economic benefit expected to be generated from the program and may significantly differ from the timing of related payments under the contractual obligation. If our estimates of future advertising revenues decline, amortization expense could be accelerated or NRV adjustments may be required.

*Income Tax.* As discussed in *Income Taxes* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements*, we recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. We provide a valuation allowance for deferred tax assets if we determine that it is more-likely-than not that some or all of the deferred tax assets will not be realized. In evaluating our ability to realize net deferred tax assets, we consider all available evidence, both positive and negative, including our past

Table of Contents

operating results, tax planning strategies and forecasts of future taxable income. In considering these sources of taxable income, we must make certain judgments that are based on the plans and estimates used to manage our underlying businesses on a long-term basis. As of December 31, 2018, 2017, and 2016 a valuation allowance has been provided for deferred tax assets related to a substantial amount of our available state net operating loss carryforwards based on past operating results, expected timing of the reversals of existing temporary book/tax basis differences, alternative tax strategies, and projected future taxable income. Future changes in operating and/or taxable income or other changes in facts and circumstances could significantly impact the ability to realize our deferred tax assets which could have a material effect on our consolidated financial statements.

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

*Variable Interest Entities (VIEs).* As discussed in *Note 12. Variable Interest Entities* within the *Consolidated Financial Statements*, we have determined that certain third-party licensees of stations for which we perform services pursuant to arrangements, including LMAs, JSAs, and SSAs, are VIEs and we are the primary beneficiary of those variable interests because, subject to the ultimate control of the licensees, we have the power to direct the activities which significantly impact the economic performance of the VIE through the services we provide and because we absorb losses and returns that would be considered significant to the VIEs.

*Transactions with Related Parties.* We have determined that we conduct certain business related transactions with related persons or entities. See *Note 13. Related Person Transactions* within the *Consolidated Financial Statements* for discussion of these transactions.

***Recent Accounting Pronouncements***

See *Recent Accounting Pronouncements* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements* for a discussion of recent accounting policies and their impact on our financial statements.



Table of Contents**RESULTS OF OPERATIONS**

In general, this discussion is related to the results of operations. The results of the acquired stations are included in our results of operations from their respective dates of acquisition. See *Note 2. Acquisitions and Dispositions of Assets* within the *Consolidated Financial Statements* for further discussion of stations acquired. Unless otherwise indicated, references in this discussion and analysis to 2018, 2017, and 2016 are to our fiscal years ended December 31, 2018, 2017, and 2016, respectively. Additionally, any references to the first, second, third, or fourth quarters are to the three months ended March 31, June 30, September 30, and December 31, respectively, for the year being discussed. We have one reportable segment, “broadcast” that is disclosed separately from our other and corporate activities.

***Seasonality / Cyclicity***

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

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

***Consolidated Operating Data***

The following table sets forth certain of our consolidated operating data for the years ended December 31, 2018, 2017, and 2016 (in millions). For definitions of terms, see the footnotes to the table in *Item 6. Selected Financial Data*.

	Years Ended December 31,		
	2018	2017	2016
Media revenues (a) (b)	\$2,918.7	\$2,566.9	\$2,520.7
Other non-media revenues	136.4	69.3	101.8
Total revenues	3,055.1	2,636.2	2,622.5
Media production expenses (a)	1,191.0	1,064.1	955.6
Media selling, general and administrative expenses (a)	629.9	533.5	501.6
Depreciation and amortization	381.0	391.5	410.1
Non-media expenses	122.5	75.2	84.7
Corporate general and administrative expenses	111.1	113.3	73.6
Gain on asset dispositions and other, net of impairments	(40.1 )	(278.9 )	(6.0 )
Operating income	\$659.7	\$737.5	\$602.9
Net income attributable to Sinclair Broadcast Group	\$341.2	\$576.0	\$245.3

Our media related revenues and expenses are primarily derived from our broadcast segment, but also from our other media related business, including our networks and content such as Tennis Channel, Comet, CHARGE!, (a) TBD, and non-broadcast digital properties. The results of our broadcast segment and the other media businesses are discussed further below under *Broadcast Segment* and *Other*, respectively.

See *Revenue Recognition* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* (b) within the *Consolidated Financial Statements* for a discussion of the adoption of the new accounting principles for revenue recognition.



Table of Contents**BROADCAST SEGMENT**

The following table sets forth our revenue and expenses for our broadcast segment, for the years ended December 31, 2018, 2017, and 2016 (in millions):

	2018	2017	2016	Percent Change Increase / (Decrease) '18 vs. '17 '17 vs. '16	
<b>Revenue:</b>					
Advertising revenue	\$1,484.2	\$1,315.0	\$1,480.2	12.9%	(11.2)%
Distribution revenue	1,185.8	1,032.8	890.6	14.8%	16.0%
Other media revenue	44.7	45.8	46.2	(2.4)%	(0.9)%
Media revenues	\$2,714.7	\$2,393.6	\$2,417.0	13.4%	(1.0)%
<b>Operating Expenses:</b>					
Media production expenses	\$1,081.4	\$963.7	\$874.1	12.2%	10.3%
Media selling, general and administrative expenses	\$529.3	\$470.0	\$466.2	12.6%	0.8%
Amortization of program contract costs and net realizable value adjustments	\$100.9	\$115.5	\$127.9	(12.6)%	(9.7)%
Corporate general and administrative expenses	\$100.2	\$101.7	\$67.0	(1.5)%	51.8%
Depreciation and amortization expenses	\$251.4	\$244.4	\$247.1	2.9%	(1.1)%
(Gain) on asset dispositions and other, net of impairment	\$(100.0)	\$(225.8)	\$(4.6)	(55.7)%	n/m

n/m — not meaningful

**Revenues**

**Advertising revenue.** Advertising revenue increased \$169.2 million in 2018, when compared to 2017. The increase is primarily related to an increase in political advertising revenue of \$221.2 million, as 2018 is a political year and \$32.9 million related to stations not included in the same period in 2017. These increases were partially offset by decreases in certain categories, notably \$37.5 million in automotive, \$20.2 million in food, \$18.1 million in home products, and \$7.4 million in schools due to political crowding out, the Super Bowl being carried on fewer of our stations than in the prior year, and the Olympics which is carried on NBC.

Advertising revenue decreased \$165.2 million in 2017, when compared to the same period in 2016. These decreases primarily related to a \$169.7 million decrease in political advertising, as 2016 was a political year, and decreases in certain categories, notably a \$9.3 million decrease in schools. The decreases were partially offset by \$16.9 million related to stations not included in the same period in 2016.

The following table sets forth our primary types of programming and their approximate percentages of advertising revenue, excluding digital revenue, for the periods presented:

	Percent of Advertising Revenue for the Twelve Months Ended December 31,		
	2018	2017	2016
Local news	33.6%	31.8%	31.6%
Syndicated/Other programming	28.3%	30.1%	30.1%
Network programming	24.9%	24.9%	25.4%
Sports programming	10.2%	9.7%	9.5%
Paid programming	3.0%	3.5%	3.4%



Table of Contents

The following table sets forth our affiliate percentages of advertising revenue for the years ended December 31, 2018, 2017, and 2016:

	# of Channels (a)	Percent of Advertising Revenue for the Twelve Months Ended December 31,					
		2018		2017		2016	
ABC	41	28.4	%	29.0	%	27.9	%
FOX	59	23.5	%	25.2	%	24.2	%
CBS	30	20.3	%	19.7	%	20.3	%
NBC	24	16.1	%	12.5	%	14.2	%
CW	47	6.2	%	6.9	%	7.0	%
MNT	39	4.2	%	5.2	%	5.1	%
Other (b)	365	1.3	%	1.5	%	1.3	%
Total	605						

See *Television Markets and Stations* within *Item 1. Business* for further detail on our channels. We acquired certain television stations during 2017 and 2016, with a variety of network affiliations. This acquisition activity affects the year-over-year comparability of revenue by affiliation. See *Note 2. Acquisitions and Dispositions of Assets* within the *Consolidated Financial Statements* for further discussion of stations acquired.

We broadcast other programming from the following providers on our channels including: Antenna TV, Azteca, Bounce Network, CHARGE!, Comet, Estrella TV, Get TV, Grit, Me TV, Movies!, Nevada Sports Network, Stadium, TBD, Telemundo, This TV, UniMas, Univision, and Weather.

*Distribution revenue.* Distribution revenue increased \$153.0 million in 2018 when compared to the same period in 2017. Distribution revenue related to stations not included in the same period in 2017 was \$28.1 million. The remaining increase was primarily due to increase in rates, partially offset by a decrease in subscribers.

Distribution revenue increased \$142.2 million in 2017 when compared to the same period in 2016. Distribution revenue related to stations not included in the same period in 2017 was \$13.8 million. The remaining increase was primarily due to an increase in rates, partially offset by a decrease in subscribers.

Table of Contents

***Expenses***

*Media production expenses.* Media production expenses increased \$117.7 million during 2018 compared to 2017. The increase is primarily related to \$25.5 million from stations not included in the same period in 2017, \$107.6 million from increases in fees pursuant to network affiliation agreements, and a \$12.2 million increase in employee compensation cost and retirement benefits. These increases were partially offset by a \$16.9 million decrease in fees related to rating services, and other decreases in marketing and advertising cost, production cost, and outside services.

Media production expenses increased \$89.6 million during 2017 compared to 2016, of which \$19.4 million related to stations not included in the same period of 2016. The remaining increase for the year was primarily related to increases in fees pursuant to network affiliation agreements due to higher retransmission revenue and viewership measurement costs, partially offset by a decrease to network inventory fees related to renewed network agreements and a decline in external news profit sharing.

*Media selling, general and administrative expenses.* Media selling, general and administrative expenses increased \$59.3 million during 2018 compared to 2017. The increase is primarily due to \$13.4 million of expenses related to stations not included in the same period in 2017, a \$10.6 million increase in third-party fulfillment costs from our digital business, a \$9.4 million increase related to employee compensation cost and retirement benefits, a \$8.7 million increase in information technology costs, a \$12.2 million increase in certain costs related to higher advertising sales, such as commissions and transaction processing costs.

Media selling, general and administrative expenses increased \$3.8 million during 2017 compared to 2016. The increase is primarily due to \$10.1 million of expenses related to stations not included in the same period in 2016, increased expenses related to digital offerings, and increased compensation expenses. These increases were partially offset by a settlement with the FCC in June 2016 for the amount of \$9.5 million and a decrease in national sales commissions.

*Amortization of program contract costs and net realizable value adjustments.* The amortization of program contract costs decreased \$14.6 million during 2018 compared to 2017. The decrease is primarily due to \$10.7 million of expenses related to the timing of amortization on long term contracts and decreases in program renewal costs, and a \$6.0 million decrease due to expired program contracts. The decreases were partially offset by \$1.8 million of amortization related to stations not included in the same period of 2017.

The amortization of program contract costs decreased \$12.4 million during 2017 compared to 2016. The decrease is primarily due to the timing of amortization on long term contracts and a decrease in program renewal costs. The decreases were partially offset by \$1.7 million of amortization related to the stations not included in the same period of 2016, and an increase to amortization cost from new programs added since 2016.

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

*Depreciation and amortization expenses.* Depreciation of property and equipment and amortization of definite-lived intangibles and other assets increased \$7.0 million during 2018 compared 2017, primarily related to \$11.9 million of depreciation and amortization related to stations not included in the same period of 2017, partially offset by \$5.5 million of depreciation and amortization related to assets retired during 2018.

Depreciation of property and equipment and amortization of definite-lived intangibles and other assets decreased \$2.7 million during 2017 compared to 2016 primarily related to assets becoming fully depreciated, which is greater than the added depreciation from capital expenditures. The decrease was partially offset by \$6.0 million related to a station not included in the same period of 2016.

*Gain on asset dispositions and other, net of impairments.* During the years ended 2018 and 2017, our broadcast segment recorded a gain on asset dispositions and other, net of impairments of \$100.0 million and \$225.8 million respectively. The gains primarily related to \$83.3 million and \$225.3 million of gains recognized in 2018 and 2017, respectively, related to the broadcast incentive auction. We also recorded a \$5.8 million gain in 2018 related to reimbursements for the spectrum repack. See *Broadcast Incentive Auction* within *Note 2. Acquisitions and Dispositions of Assets* for further discussion of the broadcast incentive auction and spectrum repack.

47

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Table of Contents**OTHER**

The following table sets forth our revenues and expenses for our owned networks and content, non-broadcast digital and internet solutions, technical services, and non-media investments (Other) for the periods presented (in millions):

	2018	2017	2016	Percent Change (Increase/(Decrease))	
				'18 vs.'17	'17 vs.'16
<b>Revenue:</b>					
Advertising revenue	\$75.5	\$54.4	\$28.2	38.8%	92.9%
Distribution revenue	112.9	107.0	65.4	5.5%	63.6%
Other media revenues	15.7	11.9	10.1	31.9%	17.8%
Media revenues	\$204.1	\$173.3	\$103.7	17.8%	67.1%
Non-media revenues	\$136.4	\$69.3	\$101.8	96.8%	(31.9)%
<b>Operating Expenses:</b>					
Media expenses	\$210.2	\$163.9	\$116.9	28.2%	40.2%
Non-media expenses	\$122.5	\$75.2	\$84.7	62.9%	(11.2)%
Corporate general and administrative expenses	\$0.9	\$1.0	\$2.5	(10.0)%	(60.0)%
Loss (gain) on asset dispositions and other, net of impairments	\$60.0	\$(53.1)	\$(1.4)	n/m	n/m
(Loss) income from equity method investments	\$(60.8)	\$(14.3)	\$0.9	n/m	n/m

n/m — not meaningful

*Media revenues and expenses.* Media revenue included within Other primarily relates to our owned networks, content, and non-broadcast digital businesses. Media revenue increased \$30.8 million during 2018 compared to 2017. The increase is primarily related to a \$20.2 million increase in advertising revenue mostly related to the expansion of our non-broadcast digital initiatives and certain owned networks, and a \$5.6 million increase in Tennis distribution revenues. Media revenue increased by \$69.6 million during 2017 compared to 2016. The increase is primarily related to a \$41.4 million increase in distribution revenues from MVPDs for Tennis, a \$12.4 million increase in advertising revenue from certain owned networks, and a \$11.3 million increase from our non-broadcast digital and internet businesses.

Media expenses included within Other primarily relates to the media production expenses and media selling, general and administrative expenses related to the operations of our owned networks, content, and non-broadcast digital businesses. Media expenses increased \$46.3 million during 2018 when compared to 2017. The increase is primarily related to a \$36.1 million increase to selling, general and administrative cost related to our non-broadcast digital initiatives and certain owned networks and a \$5.2 million increase to program and production expenses related to certain owned networks. Media expenses increased \$47.0 million during 2017 when compared to 2016. The increase is primarily related a \$23.0 million increase from Tennis, which was acquired during the first quarter of 2016, a \$15.2 million increase to selling, general and administrative cost related to our new non-broadcast digital and internet initiatives, and \$1.6 million increase to program and productions costs related to the start-up of certain owned networks and content.



Table of Contents

*Non-media revenues and expenses.* Non-media revenue included within Other primarily relates to our broadcast technical businesses and consolidated investments in real estate and other business ventures. Non-media revenue increased \$67.1 million during 2018 when compared to 2017. The increase is primarily related to a \$68.7 million increase in broadcast equipment sales, partially offset by a \$7.8 million decrease due to the sale of a consolidated investment in an alarm monitoring business in March 2017. Non-media revenue decreased \$32.5 million during 2017 when compared to 2016. The decrease in revenue is primarily due to the sale of a consolidated investment in an alarm monitoring business in early March 2017, partially offset by increases in revenues related to an increase in broadcast equipment sales.

Non-media expenses included within Other primarily relates to our broadcast technical businesses and consolidated investments in real estate and other business ventures. Additionally, non-media expenses include costs to develop the ATSC 3.0. Non-media expenses increased \$47.3 million during 2018 when compared to 2017. The increase in expenses is primarily related to a \$43.7 million increase in costs associated with an increased volume of broadcast equipment sales. Non-media expenses decreased \$9.5 million during 2017 when compared to 2016. The decrease in expenses is primarily due to the sale of a consolidated investment in an alarm monitoring business in early March 2017, partially offset by an increases in revenues related to an increase in broadcast equipment sales and an increase in research and development costs related to ONE Media.

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

*Loss (gain) on asset dispositions and other, net of impairments.* During the year ended 2018, we recorded a non-cash impairment of \$59.6 million related to a real estate development project, which is reflected in gain on asset dispositions and other, net of impairments within our statements of operations. In March 2017, we sold Alarm for \$200.0 million less working capital and transaction costs. We recognized a gain on the sale of Alarm of \$53.0 million, of which \$12.3 million was attributable to non-controlling interests; included in the gain on asset dispositions and other, net of impairments, and net income attributable to the noncontrolling interests, respectively, on the consolidated statement of operations.

*Loss from equity investments.* Losses from equity investments for the year ended December 31, 2018 increased by \$46.5 million when compared to 2017. Losses from equity investments for the year ended December 31, 2017 increased by \$15.2 million when compared to 2016. The increase for both 2018 and 2017 is primarily related to investments in sustainability initiatives.

**CORPORATE AND UNALLOCATED EXPENSES**

The following table presents our corporate and unallocated expenses for the years ended December 31, 2018, 2017, and 2016 (in millions):

	2018	2017	2016	Percent Change (Increase/(Decrease))	
				'18 vs. '17	'17 vs. '16
Corporate general and administrative expenses	\$111.1	\$113.3	\$73.6	(1.9)%	53.9%
Interest expense	\$292.0	\$212.3	\$211.1	37.5%	0.6%
Loss from extinguishment of debt	\$—	\$1.4	\$23.7	n/m	(94.1)%
Income tax benefit (provision)	\$35.8	\$75.4	\$(122.1)	(52.5)%	n/m

n/m — not meaningful

*Corporate general and administrative expenses.* We allocate most of our corporate general and administrative expenses to the broadcast segment. The table above and the explanation that follows covers total consolidated corporate general and administrative expenses.

Corporate general and administrative expenses decreased in total by \$2.2 million in 2018 compared to 2017 primarily related to a \$6.8 million decrease to employee compensation cost primarily due to one-time bonuses paid in 2017 as a result of the tax law change, partially offset by an increase of \$5.5 million to group insurance cost.

Corporate general and administrative expenses increased in total by \$39.7 million in 2017 compared to 2016 primarily related to legal and consulting fees related to our completed and pending acquisitions, and spectrum auction expenses, as well as increased employee compensation costs.

Table of Contents

We expect corporate general and administrative expenses to decrease in 2019 compared to 2018 primarily as a result of lower professional and legal fees.

*Interest expense.* The table above and explanations that follows cover total consolidated interest expense. Interest expense increased by \$79.7 million in 2018 compared to 2017. The increase is primarily related to \$78.5 million in ticking fees and the write-off of previously capitalized debt issuance costs associated with the Tribune acquisition which was subsequently terminated and increased interest expense of \$9.0 million for term loans primarily related to year-over-year increases in LIBOR. The increases were partially offset by a \$6.4 million decrease related to debt financing fees expensed in 2017 related to the amendment of certain terms and extension of the maturity date of Term Loan B under the existing Bank Credit Agreement.

Interest expense increased by \$1.2 million in 2017 compared to 2016 primarily due to \$6.4 million in debt financing fees expensed related to the amendment in January 2017 of certain terms and extension of the maturity date of Term Loan B under the existing Bank Credit Agreement, partially offset by the net effect of the redemption of \$350.0 million of 6.375% senior unsecured notes (the 6.375% Notes) in August 2016 and the offering of \$400.0 million of senior unsecured notes bearing a more favorable interest rate of 5.125% (the 5.125% Notes) in August 2016.

Excluding the one-time payment of the ticking fees for financing commitments for the terminated merger with Tribune, we expect interest expense to increase in 2019 compared to 2018 due to increases in LIBOR.

*Loss from extinguishment of debt.* We recognized a loss on extinguishment of debt of \$23.7 million for the year ended December 31, 2016 related to the redemption of the 6.375% Notes in August 2016.

*Income tax benefit (provision).* The 2018 income tax benefit for our pre-tax income (including the effects of noncontrolling interest) of \$305.5 million resulted in an effective tax rate of (11.7)%. The 2017 income tax benefit for our pre-tax income (including the effects of noncontrolling interest) of \$500.7 million resulted in an effective tax rate of (15.1)%. The increase in the effective tax rate from 2017 to 2018 is primarily due to the 2017 tax benefit of the impact of the re-measurement of our deferred tax assets and liabilities related to the reduction of the U.S. federal tax rate from 35.0% to 21.0% under Tax Cuts and Jobs Act (Tax Reform) exceeding the tax benefits of the greater 2018 federal tax credits, lower 2018 federal tax rate, and lower 2018 state taxes due to the impact of a change in apportionment on certain state deferred tax liabilities.

The 2016 income tax provision for our pre-tax income (including the effects of the noncontrolling interest) of \$367.4 million resulted in an effective tax rate of 33.3%. The decrease in the effective tax rate from 2016 to 2017 is primarily due to the re-measurement of our deferred tax assets and liabilities related to the reduction of the U.S. federal tax rate from 35.0% to 21.0%, effective January 1, 2018, under Tax Reform.

As of December 31, 2018, we had a net deferred tax liability of \$413.3 million as compared to a net deferred tax liability of \$515.2 million as of December 31, 2017. The decrease primarily relates to a reduction in deferred tax liabilities for the book-to-tax basis differences on the indefinite-lived intangibles sold in the Broadcast Incentive Auction.

As of December 31, 2018, we had \$6.6 million of gross unrecognized tax benefits. Of this total, \$6.1 million (net of federal effect on state tax issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect our effective tax rate. As of December 31, 2017, we had \$7.2 million of gross unrecognized tax benefits. Of this total, \$6.6 million (net of federal effect on state tax issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect our effective tax rate. We recognized \$0.3 million and \$0.6 million of income tax expense for interest related to uncertain tax positions for the years ended December 31, 2018 and 2017, respectively. See *Note 10. Income Taxes* within the Consolidated Financial Statements for further information.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of December 31, 2018, we had net working capital of approximately \$1,211.3 million, including \$1,060.3 million in cash and cash equivalent balances. As of December 31, 2018, we also had \$484.6 million of remaining borrowing capacity under our revolving credit facility. Cash generated by our operations and borrowing capacity under the Bank Credit Agreement are used as our primary sources of liquidity.

We anticipate that existing cash and cash equivalents, cash flow from our operations, and borrowing capacity under the revolving credit facility 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.

Table of Contents

For the year ended December 31, 2018, we were in compliance with all of the covenants related to our Bank Credit Agreement, 5.125% Notes, 5.375% Notes, 5.625% Notes, 5.875% Notes, and 6.125% Notes.

**Sources and Uses of Cash**

The following table sets forth our cash flows for the years ended December 31, 2018, 2017, and 2016 (in millions):

	2018	2017 (a)	2016 (a)
<b>Net cash flows from operating activities</b>	\$647.4	\$431.4	\$611.6
<b>Cash flows (used in) from investing activities:</b>			
Acquisition of property and equipment	\$(105.1)	\$(83.8 )	\$(94.5 )
Acquisition of businesses, net of cash acquired	—	(271.3 )	(425.7 )
Proceeds from the sale of assets	1.6	195.2	17.2
Purchase of alarm monitoring contracts	—	(5.7 )	(40.2 )
Investments in equity investees	(35.8 )	(55.1 )	(51.2 )
Distributions from equity method investees	22.8	12.2	6.8
Spectrum auction proceeds	—	310.8	—
Loan to affiliates	—	19.5	(19.5 )
Other, net	(1.7 )	(7.2 )	(2.4 )
Net cash flows (used in) from investing activities	\$(118.2)	\$114.6	\$(609.5 )
<b>Cash flows (used in) from financing activities:</b>			
Proceeds from notes payable, commercial bank financing and capital leases	\$4.3	\$166.8	\$1,024.9
Repayments of notes payable, commercial bank financing and capital leases	(166.8 )	(340.1 )	(674.4 )
Proceeds from the sale of Class A Common Stock	—	487.9	—
Dividends paid on Class A and Class B common stock	(74.6 )	(71.4 )	(65.9 )
Repurchase of outstanding Class A Common Stock	(220.9 )	(30.3 )	(136.3 )
Payments for deferred financing costs	(0.9 )	(0.7 )	(35.5 )
Distributions to noncontrolling interests	(8.9 )	(22.4 )	(10.5 )
Other, net	3.0	—	2.1
Net cash flows (used in) from financing activities	\$(464.8)	\$189.8	\$104.4

(a) See *Recent Accounting Pronouncements* within *Note 1. Nature of Operations and Summary of Significant Accounting Policies* for a discussion of the adoption of new accounting principles related to the classification of certain cash receipts and cash payments.

**Operating Activities**

Net cash flows from operating activities increased during the year ended December 31, 2018 compared to the same period in 2017. This change is primarily due to an increase in cash received from customers driven from an increase in political advertising and distribution revenue.

Net cash flows from operating activities decreased during the year ended December 31, 2017 compared to the same period in 2016. This change is primarily due to a decrease in political advertising spending as 2017 was a non-election year and an increase in income taxes paid, partially offset by the additional cash received from customers of businesses acquired during 2017.

*Investing Activities*

Net cash flows from investing activities decreased during the year ended December 31, 2018, compared to the same period in 2017. This decrease is primarily due to the proceeds received in 2017 from the spectrum auction and the sale of Alarm. This decrease was partially offset by the decrease of cash paid related to the acquisition of businesses.

Table of Contents

Net cash flows used in investing activities increased during the year ended December 31, 2017, compared to the same period in 2016. This increase is primarily due to the proceeds received from the spectrum auction, the sale of Alarm, a decrease in amounts paid for the acquisition of businesses, and a decrease in capital expenditures.

**Financing Activities**

Net cash flows from financing activities decreased during the year ended December 31, 2018, compared to the same period in 2017. The decrease is primarily due to a higher volume Class A Common Stock repurchases in 2018 and the proceeds received from the public offering of Class A Common Stock during the first quarter of 2017.

Net cash flows from financing activities increased during the year ended December 31, 2017, compared to the same period in 2016. The increase is primarily due to the proceeds received from the public offering of Class A Common Stock during the first quarter of 2017 and a lower volume of Class A Common Stock repurchases compared to the prior year, partially offset by the repayment of notes payable in conjunction with the sale of Alarm and proceeds from the issuance of our 5.875% Notes during the first quarter of 2016.

**Contractual Obligations**

We have various contractual obligations which are recorded as liabilities in our consolidated financial statements. Other items, such as certain purchase commitments and other executory contracts are not recognized as liabilities in our consolidated financial statements but are required to be disclosed. For example, we are contractually committed to acquire future programming and make certain minimum lease payments for the use of property under operating lease agreements.

The following table reflects a summary of our contractual cash obligations as of December 31, 2018 and the future periods in which such obligations are expected to be settled in cash (in millions):

**CONTRACTUAL OBLIGATIONS (a)**

	Total	2019	2020-2021	2022-2023	2024 and thereafter
Notes payable, capital leases and commercial bank financing (b)	\$4,959.2	\$247.7	\$1,108.0	\$837.8	\$2,765.7
Operating leases	301.8	32.1	60.9	51.0	157.8
Program content (c)	1,623.1	553.7	791.8	277.6	—
Programming services (d)	315.8	126.8	115.3	62.2	11.5
Other (e)	139.7	47.5	24.1	33.6	34.5
Total contractual cash obligations	\$7,339.6	\$1,007.8	\$2,100.1	\$1,262.2	\$2,969.5

(a) Excluded from the table above are \$6.6 million of accrued unrecognized tax benefits. Due to inherent uncertainty, we cannot make reasonable estimates of the amount or the period payments will be made.

Includes interest on debt and capital leases, including notes and capital leases payable to related parties. Estimated interest on our variable rate debt has been calculated at an effective weighted interest rate of 4.59% as of December 31, 2018. Variable rate debt represents \$1.5 billion of our \$3.9 billion total face value of debt as of

(b) December 31, 2018. See *Note 7. Notes Payable and Commercial Bank Financing* within the *Consolidated Financial Statements* for further discussion of the changes to notes payable, capital leases, and commercial bank financing during 2018 and *Note 13. Related Person Transactions* within the *Consolidated Financial Statements* for further discussion of related parties.

(c) Our program content includes contractual amounts owed through the expiration date of the underlying agreement for active and future program contracts, network programming, and additional advertising inventory in various

dayparts. Active program contracts are included in the balance sheet as an asset and liability while future program contracts are excluded until the cost is known, the program is available for its first showing or telecast, and the licensee has accepted the program. Industry protocol typically enables us to make payments for program contracts on a three-month lag, which differs from the contractual timing within the table. Network programming agreements may include variable fee components such as subscriber levels, which in certain circumstances have been estimated and reflected in the table above.

(d) Includes obligations related to rating service fees, music license fees, market research, weather, and news services.



Table of Contents

- (e) Other includes obligations related to post-retirement benefits, maintenance and support, other corporate contracts, other long-term liabilities, commitments to contribute capital to various non-media private equity investments, and LMA and outsourcing agreements. Excluded from the table are estimated amounts due pursuant to LMAs and outsourcing agreements where we consolidate the counter-party. The fees that we are required to pay under these agreements total \$5.9 million, \$7.9 million, \$0.4 million for the periods 2019, 2020-2021, and 2022-2023, respectively. Certain station related operating expenses are paid by the licensee and reimbursed by us under the LMA agreements. Certain of these expenses that are in connection with contracts are included in the table above.

***Off Balance Sheet Arrangements***

Off balance sheet arrangements as defined by the SEC means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the registrant is a party, under which the registrant has: obligations under certain guarantees or contracts; retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangements; obligations under certain derivative arrangements; and obligations arising out of a material variable interest in an unconsolidated entity. As of December 31, 2018, we do not have any material off balance sheet arrangements.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk from changes in interest rates. At times we enter into derivative instruments primarily for the purpose of reducing the impact of changing interest rates on our floating rate debt and to reduce the impact of changing fair market values on our fixed rate debt. See *Note 7. Notes Payable and Commercial Bank Financing* within the *Consolidated Financial Statements* for further discussion. As of December 31, 2018, we did not have any outstanding derivative instruments.

We are exposed to risk from the changing interest rates of our variable rate debt, primarily related to our Bank Credit Agreement. For the year ended December 31, 2018, interest expense on our term loans and revolver related to our Bank Credit Agreement was \$63.6 million. We estimate that adding 1.0% to respective interest rates would result in an increase in our interest expense of \$14.9 million for the year ended December 31, 2018. We also have \$19.6 million of variable rate debt associated with our other non-media related investments. We estimate that adding 1.0% to respective interest rates would result in \$0.2 million of additional interest expense for the year ended December 31, 2018. Our consolidated VIEs have \$25.3 million of variable rate debt associated with the stations that we provide services to pursuant to LMAs and other outsourcing arrangements. We estimate that adding 1.0% to respective interest rates would result in an increase in our interest expense of the VIEs by \$0.3 million for the year ended December 31, 2018.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements and supplementary data required by this item are filed as exhibits to this report, are listed under Item 15(a)(1) and (2) and are incorporated by reference in this report.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There were no changes in and/or disagreements with accountants on accounting and financial disclosure during the year ended December 31, 2018.

**ITEM 9A. 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 December 31, 2018.

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 our management, including its

Table of Contents

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 dispositions 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 December 31, 2018, 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.

***Report of Management on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2018 based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Based on our assessment, management has concluded that, as of December 31, 2018, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

***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 December 31, 2018, 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.

Table of Contents

**ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this Item will be included in our Proxy Statement for the 2019 Annual Meeting of shareholders under the captions, “Directors, Executive Officers and Key Employees,” “Section 16(A) Beneficial Ownership Reporting Compliance,” “Code of Business Conduct and Ethics” and “Corporate Governance,” which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2018 and is incorporated by reference in this report.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item will be included in our Proxy Statement for the 2019 Annual Meeting of shareholders under the captions, “Compensation Discussion and Analysis”, “Director Compensation for 2018,” “Compensation Committee Interlocks and Insider Participation,” and “Compensation Committee Report,” which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2018 and is incorporated by reference in this report.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this Item will be included in our Proxy Statement for the 2019 Annual Meeting of shareholders under the caption, “Security Ownership Of Certain Beneficial Owners and Management,” which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2018 and is incorporated by reference in this report.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item will be included in our Proxy Statement for the 2019 Annual Meeting of shareholders under the captions, “Related Person Transactions” and “Director Independence,” which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2018 and is incorporated by reference in this report.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this Item will be included in our Proxy Statement for the 2019 Annual Meeting of shareholders under the caption, “Disclosure of Fees Charged by Independent Registered Public Accounting Firm,” which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2018 and is incorporated by reference in this report.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) (1) Financial Statements

The following financial statements required by this item are submitted in a separate section beginning on page F-1 of this report.

<u>Sinclair Broadcast Group, Inc. Financial Statements:</u>	<u>Page:</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<u>Consolidated Balance Sheets as of December 31, 2018 and 2017</u>	<u>F-4</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2018, 2017 and 2016</u>	<u>F-5</u>
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2018, 2017 and 2016</u>	<u>F-6</u>
<u>Consolidated Statements of Equity for the Years Ended December 31, 2018, 2017 and 2016</u>	<u>F-7</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016</u>	<u>F-10</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-11</u>

Table of Contents

(a) (2) Financial Statements Schedules

All schedules are omitted because they are not applicable or the required information is shown in the Financial Statements or the accompanying notes.

(a) (3) Exhibits

The following exhibits are filed with this report:

**EXHIBIT NO. EXHIBIT DESCRIPTION**

- |       |   |
|-------|---|
| 3.1   | <u>Amended and Restated Certificate of Incorporation. (Incorporated by reference from Registrant's Report on Form 10-Q for the quarter ended June 30, 1998).</u>  |
| 3.2   | <u>Amended By-Laws of Sinclair Broadcast Group, Inc. as further amended by the Second Amendment to the Amended By-Laws of Sinclair Broadcast Group, Inc., dated March 3, 2009. (Incorporated by reference from Registrant's Current Report on Form 8-K filed March 6, 2009).</u>    |
| 4.1   | <u>Indenture, dated as of October 12, 2012, by and among Sinclair Television Group, Inc., the guarantors identified therein and U.S. Bank National Association, as trustee. (Incorporated by reference from Registrant's Current Report on Form 8-K filed on October 17, 2012).</u> |
| 4.2   | <u>Indenture, dated as of April 2, 2013, by and among Sinclair Television Group, Inc., the guarantors identified therein and U.S. Bank National Association, as trustee. (Incorporated by reference from Registrant's Current Report on Form 8-K filed on April 4, 2013).</u>       |
| 4.3   | <u>Indenture, dated as of October 11, 2013, by and among Sinclair Television Group, Inc., the guarantors identified therein and U.S. Bank National Association, as trustee. (Incorporated by reference from Registrant's Current Report on Form 8-K filed on October 17, 2013).</u> |
| 4.4   | <u>Indenture, dated as of July 23, 2014, by and among Sinclair Television Group, Inc., the guarantors identified therein and U.S. Bank National Association, as trustee. (Incorporated by reference from Registrant's Current Report on Form 8-K filed on July 28, 2014).</u>       |
| 4.5   | <u>Indenture, dated as of March 23, 2016, by and among Sinclair Television Group, Inc., the guarantors identified therein and U.S. Bank National Association, as trustee. (Incorporated by reference from Registrant's Current Report on Form 8-K filed on March 25, 2016).</u>     |
| 4.6   | <u>Indenture, dated as of August 30, 2016, by and among Sinclair Television Group, Inc., the guarantors identified therein and U.S. Bank National Association, as trustee. (Incorporated by reference from Registrant's Current Report on Form 8-K filed on September 2, 2016).</u> |
| 10.1* | <u>First Amendment to Incentive Stock Option Plan for Sinclair Broadcast Group, Inc., adopted April 10, 1996. (Incorporated by reference from Registrant's Report on Form 10-K/A for the year ended December 31, 1996).</u>   |
| 10.2* | <u>Second Amendment to Incentive Stock Option Plan for Sinclair Broadcast Group, Inc., adopted May 31, 1996. (Incorporated by reference from Registrant's Report on Form 10-K/A for the year ended December 31, 1996).</u>  |
| 10.3* | <u>1996 Long-Term Incentive Plan for Sinclair Broadcast Group, Inc. (Incorporated by reference from Registrant's Report on Form 10-K/A for the year ended December 31, 1996).</u>   |
| 10.4* | <u>First Amendment to 1996 Long-Term Incentive Plan for Sinclair Broadcast Group, Inc. (Incorporated by reference from Registrant's Proxy Statement on Schedule 14A for the year ended December 31, 1998).</u>  |
| 10.5* | <u>Employment Agreement by and between Sinclair Broadcast Group, Inc. and Frederick G. Smith, dated June 12, 1998. (Incorporated by reference from Registrant's Report on Form 10-Q for the quarter ended September 30, 1998).</u>  |
| 10.6* | <u>Employment Agreement by and between Sinclair Broadcast Group, Inc. and J. Duncan Smith, dated June 12, 1998. (Incorporated by reference from Registrant's Report on Form 10-Q for the quarter ended</u>  |

September 30, 1998).

10.7\* Employment Agreement by and between Sinclair Broadcast Group, Inc. and Lucy Rutishauser dated March 19, 2001. (Incorporated by reference from Registrant's Report on Form 10-K/A filed on April 29, 2005).

10.8\* Form of Restricted Stock Award Agreement. (Incorporated by reference from Registrant's Report on Form 10-Q for the quarter ended June 30, 2006).

10.9 Amended and restated lease dated as of February 8, 2010 between Gerstell Development Limited Partnership and Sinclair Media I, Inc. (Incorporated by reference from Registrant's Report on Form 10-K for the year ended December 31, 2009).

56

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Table of Contents

**EXHIBIT NO. EXHIBIT DESCRIPTION**

- 10.10 Amended and restated lease dated as of February 8, 2010 between Cunningham Communications, Inc. and Sinclair Communications, LLC. (Incorporated by reference from Registrant's Report on Form 10-K for the year ended December 31, 2009).
- 10.11 Amended and restated lease dated as of February 8, 2010 between Keyser Investment Group, Inc. and Sinclair Communications, LLC. (Incorporated by reference from Registrant's Report on Form 10-K for the year ended December 31, 2009).
- 10.12 Amended and restated lease dated as of February 8, 2010 between Keyser Investment Group, Inc. and Sinclair Communications, LLC. (Incorporated by reference from Registrant's Report on Form 10-K for the year ended December 31, 2009).
- 10.13\* Stock Appreciation Right Agreement, between Sinclair Broadcast Group, Inc. and David D. Smith dated March 22, 2011. (Incorporated by reference from Registrant's Report on Form 10-Q for the period ended March 31, 2011).
- 10.14\* Amended and Restated Employment Agreement by and between Sinclair Broadcast Group, Inc. and David B. Amy, dated November 11, 2011. (Incorporated by reference from Registrant's Report on Form 10-K for the year ended December 31, 2011).
- 10.15\* Amended and Restated Employment Agreement by and between Sinclair Broadcast Group, Inc. and Barry M. Faber, dated August 31, 2015. (Incorporated by reference from Registrant's Report on Form 10-Q for the quarter ended September 30, 2015).
- 10.16\* Amended and Restated Employment Agreement by and between Sinclair Broadcast Group, Inc. and Steven M. Marks, dated November 14, 2011. (Incorporated by reference from Registrant's Report on Form 10-K for the year ended December 31, 2011).
- 10.17\* Stock Appreciation Right Agreement, between Sinclair Broadcast Group, Inc. and David D. Smith dated March 9, 2012. (Incorporated by reference from Registrant's Report on Form 10-Q for the quarter ended March 31, 2012).
- 10.18 Amended and restated lease dated January 1, 2013 between Keyser Investment Group, Inc. and Sinclair Communications LLC. (Incorporated by reference from Registrant's Report on Form 10-K filed on March 12, 2013).
- 10.19\* Stock Appreciation Right Agreement, between Sinclair Broadcast Group, Inc. and David D. Smith dated February 5, 2013. (Incorporated by reference from Registrant's Report on Form 10-K filed on March 12, 2013).
- 10.20\* Amendment to the 1996 Long-Term Incentive Plan of Sinclair Broadcast Group, Inc., by and among Sinclair Broadcast Group, Inc (Incorporated by reference from Registrant's Report on Form 10-K filed on March 3, 2014).
- 10.21\* Stock Appreciation Right Agreement, between Sinclair Broadcast Group, Inc. and David D. Smith dated February 11, 2014. (Incorporated by reference from Registrant's Report on Form 10-K filed on March 3, 2014).
- 10.22\* Employment Agreement for Christopher S. Ripley, Chief Financial Officer (Incorporated by reference from Registrant's Report on Form 10-Q for the quarter ended March 31, 2014).
- 10.23 Sixth Amended and Restated Credit Agreement, dated July 31, 2014, by and among Sinclair Television Group, Inc., the guarantors party thereto, JP Morgan Chase Bank, N.A., as administrative agent, and the lenders party thereto. (Incorporated by reference from Registrant's Current Report on Form 8-K filed on August 6, 2014).
- 10.24 First Amendment to the Sixth Amended and Restated Credit Agreement and First Amendment to the Fourth Amended and Restated Security Agreement, dated as of April 30, 2015, by and among Sinclair Television Group, Inc., the guarantors party thereto, JP Morgan Chase Bank, N.A., as administrative agent, and the lenders and other parties thereto. (Incorporated by reference from Registrant's Current Report on Form 8-K filed on May 6, 2015).
- 10.25

Incremental Loan Amendment No. 1, dated as of April 30, 2015, by and among Sinclair Television Group, Inc., the guarantors party thereto, JP Morgan Chase Bank, N.A., as administrative agent, and the lenders and other parties thereto. (Incorporated by reference from Registrant's Current Report on Form 8-K filed on May 6, 2015).

10.26\* Stock Appreciation Right Agreement, between Sinclair Broadcast Group, Inc. and David D. Smith dated February 2, 2015. (Incorporated by reference from Registrant's Report on Form 10-K filed on March 2, 2015.)

10.27\* Stock Appreciation Right Agreement, between Sinclair Broadcast Group, Inc. and David D. Smith dated March 1, 2016. (Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed on May 10, 2016.)

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Table of Contents

**EXHIBIT NO. EXHIBIT DESCRIPTION**

10.28	<u>Second Amendment to the Sixth Amended and Restated Credit Agreement, dated as of July 19, 2016, by and among Sinclair Television Group, Inc., the guarantors party thereto, JP Morgan Chase Bank, N.A., as administrative agent, and the lenders and other parties thereto. (Incorporated by reference from Registrant's Current Report on Form 8-K filed on July 25, 2016).</u>
10.29	<u>Third Amendment to the Sixth Amended and Restated Credit Agreement, dated as of January 3, 2017, by and among Sinclair Television Group, Inc., the guarantors party thereto, JP Morgan Chase Bank, N.A., as administrative agent, and the lenders and other parties thereto. (Incorporated by reference from Registrant's Current Report on Form 8-K filed on January 6, 2017).</u>
10.30*	<u>Stock Appreciation Right Agreement, between Sinclair Broadcast Group, Inc. and David D. Smith dated February 14, 2017. (Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed on May 10, 2017)</u>
10.31	<u>Voting Agreement, dated as of May 8, 2017, by and among Sinclair Broadcast Group, Inc. and the persons whose names are set forth on the signature pages thereto under the caption "Stockholders". (Incorporated by reference from Registrant's Current Report on Form 8-K filed on May 9, 2017)</u>
10.32*	<u>Amended and Restated Employment Agreement by and between Sinclair Broadcast Group, Inc. and Christopher Ripley, President and Chief Executive Officer, dated August 23, 2017. (Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed on November 8, 2017)</u>
10.33*	<u>Amended and Restated Employment Agreement by and between Sinclair Broadcast Group, Inc. and Lucy Rutishauser, Senior Vice President, Chief Financial Officer and Treasurer, dated August 28, 2017. (Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed on November 8, 2017)</u>
10.34*	<u>Stock Appreciation Right Agreement by and between Sinclair Broadcast Group, Inc. and Christopher Ripley, President and Chief Executive Officer, dated August 29, 2017. (Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed on November 8, 2017)</u>
10.35*	<u>Restricted Stock Award Agreement by and between Sinclair Broadcast Group, Inc. and Christopher Ripley, President and Chief Executive Officer, dated August 29, 2017. (Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed on November 8, 2017)</u>
10.36*	<u>Amended and Restated Employment Agreement by and between Sinclair Broadcast Group, Inc. and Steve Marks, Executive Vice President and Chief Operating Officer, dated August 31, 2017. (Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed on November 8, 2017)</u>
10.37*	<u>Stock Appreciation Right Agreement, between Sinclair Broadcast Group, Inc. and David D. Smith dated February 28, 2018. (Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed on May 10, 2018)</u>
10.38*	<u>Restricted Stock Award Agreement, between Sinclair Broadcast Group, Inc. and David D. Smith dated February 28, 2018. (Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed on May 10, 2018)</u>
10.39*	<u>Stock Appreciation Right Agreement, between Sinclair Broadcast Group, Inc. and Christopher S. Ripley dated February 28, 2018. (Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed on May 10, 2018)</u>
10.40*	<u>Form of Restricted Stock Award Agreement. (Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed on May 10, 2018)</u>
21	<u>Subsidiaries of the Registrant.</u>
23	<u>Consent of PricewaterhouseCoopers LLP Independent Registered Public Accounting Firm.</u>
24	<u>Power of Attorney; included above registrants signatures of this Form 10-K.</u>
31.1	<u>Certification by Christopher S. Ripley, as Chief Executive Officer of Sinclair Broadcast Group, Inc., pursuant to § 302 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. § 7241).</u>
31.2	<u>Certification by Lucy A. Rutishauser, as Chief Financial Officer of Sinclair Broadcast Group, Inc., pursuant to § 302 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. § 7241).</u>
32.1	

Certification by Christopher S. Ripley, as Chief Executive Officer of Sinclair Broadcast Group, Inc., pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350).

32.2

Certification by Lucy A. Rutishauser, as Chief Financial Officer of Sinclair Broadcast Group, Inc., pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350).

99.1

Stockholders' Agreement dated April 2, 2015 by and among the Smith Brothers. (Incorporated by reference from Registrant's Current Report on Form 8-K filed on April 6, 2015).

58

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Table of Contents

**EXHIBIT NO. EXHIBIT DESCRIPTION**

99.2	<u>Amendment of Lease dated as of March 28, 2008 by and between Beaver Dam Limited Liability Company and Sinclair Broadcast Group, Inc. (Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed on May 10, 2018)</u>
101	The Company's Consolidated Financial Statements and related Notes for the year ended December 31, 2018 from this Annual Report on Form 10-K, formatted in iXBRL (Inline eXtensible Business Reporting Language).**

\* Management contracts and compensatory plans or arrangements required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.

\*\* Filed herewith.

(b) Exhibits

The exhibits required by this Item are listed under Item 15 (a) (3).

Table of Contents

**ITEM 16. FORM 10-K SUMMARY**

Not applicable.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 1st day of March 2019.

SINCLAIR BROADCAST GROUP, INC.

By: /s/ Christopher S. Ripley  
Christopher S. Ripley  
President and Chief Executive Officer

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS**, that each person whose signature appears below under the heading “Signature” constitutes and appoints Christopher S. Ripley as his true and lawful attorney-in-fact each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities to sign any or all amendments to this 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact, or their substitutes, each acting alone, may lawfully do or cause to be done in virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Table of Contents

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Christopher S. Ripley Christopher S. Ripley	President and Chief Executive Officer	March 1, 2019
/s/ Lucy A. Rutishauser Lucy A. Rutishauser	Senior Vice President and Chief Financial Officer	March 1, 2019
/s/ David R. Bochenek David R. Bochenek	Senior Vice President, Chief Accounting Officer, and Corporate Controller	March 1, 2019
/s/ David D. Smith David D. Smith	Chairman of the Board and Executive Chairman	March 1, 2019
/s/ Frederick G. Smith Frederick G. Smith	Director	March 1, 2019
/s/ J. Duncan Smith J. Duncan Smith	Director	March 1, 2019
/s/ Robert E. Smith Robert E. Smith	Director	March 1, 2019
/s/ Lawrence E. McCanna Lawrence E. McCanna	Director	March 1, 2019
/s/ Daniel C. Keith Daniel C. Keith	Director	March 1, 2019
/s/ Martin R. Leader Martin R. Leader	Director	March 1, 2019
/s/ Howard E. Friedman Howard E. Friedman	Director	March 1, 2019
/s/ Benson E. Legg Benson E. Legg	Director	March 1, 2019

Table of Contents

**SINCLAIR BROADCAST GROUP, INC.**

**INDEX TO FINANCIAL STATEMENTS**

	<b>Page</b>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<u>Consolidated Balance Sheets as of December 31, 2018 and 2017</u>	<u>F-4</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2018, 2017 and 2016</u>	<u>F-5</u>
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2018, 2017 and 2016</u>	<u>F-6</u>
<u>Consolidated Statements of Equity for the Years Ended December 31, 2018, 2017 and 2016</u>	<u>F-7</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016</u>	<u>F-10</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-11</u>

F-1

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Table of Contents

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Sinclair Broadcast Group, Inc.

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Sinclair Broadcast Group, Inc. and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

***Change in Accounting Principles***

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers, the manner in which it accounts for the classification and presentation of restricted cash in the statement of cash flows, and the manner in which certain cash receipts and payments are presented in the statement of cash flows in 2018.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used

and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures

F-2

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Table of Contents

that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP  
Baltimore, Maryland  
March 1, 2019

We have served as the Company's auditor since 2009.

F-3

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Table of Contents

**SINCLAIR BROADCAST GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(In thousands, except share and per share data)**

	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,060,330	\$ 681,326
Restricted cash, current	—	313,110
Accounts receivable, net of allowance for doubtful accounts of \$2,379 and \$2,590, respectively	598,597	566,464
Current portion of program contract costs	64,247	71,387
Income taxes receivable	—	28,150
Prepaid expenses and other current assets	60,732	54,310
Total current assets	1,783,906	1,714,747
Program contract costs, less current portion	11,217	3,202
Property and equipment, net	683,134	738,298
Restricted cash, less current portion	—	1,504
Goodwill	2,123,902	2,124,033
Indefinite-lived intangible assets	158,222	159,371
Definite-lived intangible assets, net	1,626,880	1,801,670
Other assets	184,831	241,645
Total assets (a)	\$ 6,572,092	\$ 6,784,470
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 413,227	\$ 370,403
Deferred spectrum auction proceeds	—	84,341
Income taxes payable	23,314	2,503
Current portion of notes payable, capital leases and commercial bank financing	42,564	161,049
Current portion of program contracts payable	93,480	108,053
Total current liabilities	572,585	726,349
Notes payable, capital leases and commercial bank financing, less current portion	3,849,891	3,887,601
Program contracts payable, less current portion	50,060	41,909
Deferred tax liabilities	413,253	515,236
Other long-term liabilities	85,983	79,009
Total liabilities (a)	4,971,772	5,250,104
Commitments and contingencies (See <i>Note 11</i> )		
Shareholders' Equity:		
Class A Common Stock, \$.01 par value, 500,000,000 shares authorized, 68,897,723 and 76,071,145 shares issued and outstanding, respectively	689	761
Class B Common Stock, \$.01 par value, 140,000,000 shares authorized, 25,670,684 and 25,670,684 shares issued and outstanding, respectively, convertible into Class A Common Stock	257	257
Additional paid-in capital	1,121,054	1,320,298
Retained earnings	517,620	248,845
Accumulated other comprehensive loss	(784)	(1,423)
Total Sinclair Broadcast Group shareholders' equity	1,638,836	1,568,738
Noncontrolling interests	(38,516)	(34,372)
Total equity	1,600,320	1,534,366
Total liabilities and equity	\$ 6,572,092	\$ 6,784,470

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

Our consolidated total assets as of December 31, 2018 and 2017 include total assets of variable interest entities (VIEs) of \$127.6 million and \$130.6 million, respectively, which can only be used to settle the obligations of the VIEs. Our consolidated total liabilities as of  
(a) December 31, 2018 and 2017 include total liabilities of the VIEs of \$22.3 million and \$27.0 million, respectively, for which the creditors of the VIEs have no recourse to us. See *Note 12. Variable Interest Entities*.

F-4

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Table of Contents

**SINCLAIR BROADCAST GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

(In thousands, except per share data)

	2018	2017	2016
REVENUES:			
Media revenues (a)	\$ 2,918,727	\$ 2,566,936	\$ 2,520,676
Non-media revenues	136,354	69,279	101,834
Total revenues	3,055,081	2,636,215	2,622,510
OPERATING EXPENSES:			
Media production expenses	1,191,016	1,064,144	955,604
Media selling, general and administrative expenses	629,919	533,537	501,589
Amortization of program contract costs and net realizable value adjustments	100,899	115,523	127,880
Non-media expenses	122,491	75,199	84,733
Depreciation of property and equipment	105,240	97,103	98,529
Corporate general and administrative expenses	111,070	113,253	73,556
Amortization of definite-lived intangible and other assets	174,848	178,822	183,795
Gain on asset dispositions and other, net of impairment	(40,063 )	(278,872 )	(6,029 )
Total operating expenses	2,395,420	1,898,709	2,019,657
Operating income	659,661	737,506	602,853